

# WELLARD LIMITED

ACN 607 708 190

## ANNUAL REPORT 2024



**Wellard**







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# EXECUTIVE CHAIRMAN'S REPORT



## MESSAGE FROM THE EXECUTIVE CHAIRMAN

Wellard almost returned to profitability in FY2024, recording a loss of US\$0.8 million which although disappointing was significantly better than the US\$15.5 million loss recorded in FY2023.

Better ship utilisation was the key to the improved financial performance, however live export trading conditions for all exporters, ship operators and importers were highly variable.

Our four core trading markets all experienced some high-demand periods, but they were interspersed with low and complete non-activity. Fortunately, the low or non-activity periods weren't synchronised, and when the particular individual markets recovered, we had positioned the right-sized ship to capitalise on more favourable market conditions.

We have further acted on the hand dealt by the markets during FY2024 and our views on the outlook by:

- Relocating the large-sized M/V Ocean Drover away from the Australian market to the reactivated South America to Türkiye trade at the end of FY2023. And then subsequently the mid-sized M/V Ocean Swagman was also relocated there.
- Completing the redelivery of the M/V Ocean Swagman to its owner in February 2024 at the expiration of the time charter.
- Further reducing our overheads, including substantial staff reductions with Wellard's Australian office reduced to Board members only in late FY2024.
- Selling the M/V Ocean Ute with settlement in September 2024, and making a capital return of 2 cents a share from some of the sale proceeds subject to shareholder approval at the upcoming AGM on 22 November 2024.
- Continuing the productive engagement with the liquidators of Ruchira Ships Limited (In Liquidation) ("Ruchira"), the registered owner of the M/V Ocean Drover, to seek a commercial resolution that will result in the return to Wellard of full, unencumbered legal title to the vessel.

The Company recorded zero lost time injuries and zero medically treated injuries for FY2024, extending the nil-nil result achieved in FY2023 and FY2022, which the Company will seek to replicate in FY2025.

At a macro level, there were 744,298 cattle exported by sea from Wellard's principal market of Australia in FY2024, a 21.7% increase to the 611,324 cattle shipped in FY2023 and a similar number the previous year. While the percentage increase was large, the FY2023 and FY2022 total shipments were 10-year lows<sup>1</sup>.

The lack of adequate supply of Australian feeder cattle to Australia's largest live cattle export destination in Indonesia that has existed in previous years has been alleviated with Australian live export feeder steer A\$ prices back to around 10-year averages, or lower, during FY2024, which has directly led to an increase in volumes, however not to previous levels.

In the half-year ended 31 December 2023 ("H1FY2024"), the fear of an outbreak of foot and mouth disease (FMD) or lumpy skin disease (LSD) in Australia kept shipment sizes small (Wellard, as an operator of mid to large-size carriers, was effectively out of this market as a result) as it would be financially devastating for importers if they held large numbers on-hand and which, if found to be subject to those diseases, would be euthanized. During that period, significant numbers of export-consigned cattle from Australia were rejected by Indonesian regulators due to skin blemishes.

After overcoming the LSD issue, market participants were then hit with a two-month delay in the issuing of import permits for Australian cattle at the start of the half-year ended 30 June 2024 H2FY2024. The trade effectively ground to a halt during this time. Shipments recommenced with good volumes seen from the end of February 2024 when the permits were issued by the Indonesian Authorities.

As per our previous reports, the sustained very high Australian cattle prices, which were exacerbated when producers directed feeders to southern restocker markets in FY2022-23, have led to closures of some Indonesian feedlots, which could not continue to sustain the trading losses. Indian buffalo meat is consistently priced below imported Australian cattle and, along with frozen Brazilian beef, has established a large market position such that despite supply being available, the demand for Australian product is materially below previous year's levels.



**John Klepec**  
Executive Chairman

<sup>1</sup> Total cattle exported from Australia: <https://www.agriculture.gov.au/sites/default/files/documents/all-livestock-exports-2019-2024.xlsx>



The export market to Vietnam for Australian slaughter cattle regained some vitality at the start of FY2024, and the M/V Ocean Ute completed multiple shipments. Then, an increase in Australian cattle prices eroded the cost competitiveness of Australian cattle in the Vietnam market and immediately impacted volumes, leading to no activity for the M/V Ocean Ute for two months from January 2024. Pricing then reverted down with a commensurate pickup in volumes and shipments for Wellard for the last 3 months of FY2024.

Given the sporadic nature of these base Australian markets, the M/V Ocean Drover and M/V Ocean Swagman were relocated and operating in the Atlantic Ocean for most of H1FY2024, while the Company's smallest vessel, the M/V Ocean Ute, remained to service the Australian live export markets.

The dairy breeder market to China, which was a major source of demand in the years prior to FY2024, was sporadic with demand materially lower than the past. Following a period of inactivity when the New Zealand market closed in April 2023, there was a restart with several shipments completed over the course of FY2024, with Wellard completing one shipment with the M/V Ocean Drover and one with the M/V Ocean Swagman. These were completed when the ships were relocated back to Australia, following a period of inactivity in the South American export market at the back end of calendar year 2023 ("CY2023").

Strong demand continues from Türkiye. After the utilisation of most quotas by the end of Q3 CY2023 caused a slowdown in shipping charter activity, additional quotas were again issued in early 2024, and charter demand immediately rebounded. This, along with increased demand from Iraq, saw significant exports from Brazil and Uruguay following several subdued years. Wellard completed 7 voyages to Türkiye in FY2024.

We are commencing FY2025 with an excellent charter book, with the M/V Ocean Drover, our remaining and largest ship contracted for the entire financial year, a forward commitment position we have not been in for some years. This is largely due to the increased trading activity from South America to Türkiye, where the Drover was located for a large part of FY2024.

However, in an inflationary world, charter rates, whilst moving up, remain under downward pressure due to excess cheap livestock shipping capacity, particularly in the South America to Türkiye market, where minimum animal welfare and ship safety standards are lacking. Wellard is therefore competing against vessels that are long overdue for retirement from service.

Wellard ended the financial year with US\$8.8 million in cash and cash equivalents. Loans and borrowings amounted to just US\$0.3 million (FY2023: US\$2.6 million), resulting in a negative net debt (i.e. cash surplus) position of US\$8.5 million. This will be bolstered with the M/V Ocean Ute sale proceeds, the majority of which will then be progressively returned to shareholders.

Voyage success rates reflect the ratio of cattle delivered versus loaded and remain an important KPI for Wellard and the customers who charter our vessels. Through a combination of a dedicated focus on animal welfare, voyage planning and vessel management, the effort and attention of our officers and crew, the quality of our vessels, and the hard work of our suppliers, Wellard recorded another year with a 99.82% success rate, this year from the 162,551 cattle that boarded our vessels.

Voyage success rates such as these are integral to the continued demand for Wellard vessels from live export companies and are a major reason we have secured voyages in the very competitive South American live export market.

### Outlook

Once the M/V Ocean Ute completes the remaining contracted charters and is delivered to her new owners in September 2024, Wellard will become a one-ship company with the M/V Ocean Drover. The dynamics of ship size and underlying market demand means that the M/V Ocean Drover is competitive in only two of the four markets where Wellard has operated – the South American export market to Türkiye and other Middle Eastern countries and breeders from Australia (and New Zealand once that market re-opens for exports) to China.

Looking forward, the market demand for breeder cattle into China is best described as patchy, with lower volumes expected in FY2025, which has been reflected in the sustained material price correction that has taken place for Australian dairy breeders. The process of reopening of the New Zealand market has commenced, however timing is uncertain and the demand issue that will drive this market in FY2025 and beyond is unresolved. Similarly, it is uncertain what impact the recent Indonesian government announcement of an investment scheme to boost domestic dairy production will have on the market.

The M/V Ocean Drover is contracted on multiple charters to service the Brazil/Uruguay to Türkiye market for the rest of FY2025. Food security is driving demand for cattle in this region, and despite a surplus of livestock ships, the charter demand for the M/V Ocean Drover remains high given its proven record on animal welfare and ship safety, and we see no change for calendar 2025.

Wellard's ships have not been affected by the current geopolitical instability in the Middle East, with both the M/V Ocean Drover and M/V Ocean Swagman transiting through the Suez Canal during FY2024 without incident. However, we do not have any charters that require that passage nor will we be accepting new charters that do so.

The outlook for the Australia to Indonesia feeder market for FY2025 is one of fully adjusting to the structural change that has occurred and how the stock clearance avenue that Indonesia has traditionally provided will work when there is a surplus of supply through the cycle. Most analysts are predicting that the entry of the US cattle herd into a rebuild cycle will cause Australian cattle prices to rise, however the impact that Brazil, with the largest herd in the world by some margin, can have on markets cannot be ignored.

The Australian slaughter cattle to Vietnam market will remain opportunistic with several alternative avenues available for abattoirs. Activity is directly correlated to the landed price of Australian Cattle. Our expectation is similar volumes and fluctuations that occurred in FY2024 will continue into FY2025.

Finally, whilst Wellard has long-term operational control and possession of the M/V Ocean Drover via its bareboat charter ("BBC"), which lasts until 30 June 2032, the Company continues to engage productively with KPMG (Singapore) as the liquidators of Ruchira Ships Limited (In Liquidation) ("Ruchira"), the registered owner of the vessel, to seek a commercial resolution that will result in the return to Wellard of full, unencumbered legal title to the Drover. There are no further charter hire payments to be made to Ruchira/KPMG under the BBC.

### Australian Livestock Exports

Middle Eastern importers of Australian live sheep view the supply of live sheep as crucial food security for their people and cannot accept any uncertainty regarding the supply, especially over the long term. Uncertainty regarding sheep supply from Australia started well before the current Federal Government enacted the ban on live sheep exports from 1 May 2028. The uncertainty started with parliamentary motions and opposition to the sheep trade by Labor and Greens members, which led to questions being raised by importers whether there is going to be a supply issue at some point in the future.

Importers started to look elsewhere for alternative live sheep supplies, and only for processed products as a last resort. Australia was once exporting more than 6 million head of sheep a year and we are now only around 10% of that level. Wellard was involved with Middle East importers with extensive and expanding operations who wanted to invest in Australian facilities that could reignite the sheep trade with several million sheep a year. In return, they very reasonably wanted a commitment that the trade would not be closed for 10 years. There was no support from any political party to provide this. So, when supply is a food security issue, they were forced to move on to alternatives elsewhere.

As we have noted previously, the current Labor Government has long held a position against the live export of sheep trade which has progressively undermined the live export trade. The position in regards live export of cattle has varied from a ban imposed in 2011 to currently stating support for the trade. It is Wellard's opinion that the legislated sheep ban is only the first act with the same noises that have led to the demise of the live sheep trade now being made about the cattle trade from Australia.

The beliefs, which are not based on science or economics, of those that support the ending of live sheep export can similarly be applied to cattle. So, despite the current Labor Government's stated policy of support for the live cattle industry, there only needs to be one catalyst which could see the live export of cattle from Australia banned. This could come in the form of a future Australian Labor Party coalition, involving either the Greens or Teal Independents, who have both voted previously (except for one Teal Independent) to also ban the live export of cattle in Parliament, with the banning of live cattle exports one of the concessions required for their agreement to a coalition.

Wellard has not seen any good evidence that the proposed Australian ban will encourage or force our existing live-sheep customers to instead import boxed, processed sheep meat. Instead, we have seen international customers turning to alternative suppliers of live sheep from countries with lower animal welfare and shipping standards than Australia. For example, when sheep from Somalia provided importers with the certainty they required, traders seized on the opportunity created by the undermining of the trade from Australia by lack of Government support and replaced the Australian sheep with Somali livestock.

In CY2023, Somalia exported 2.8 million sheep, an increase of 780,000 sheep on the 2.1m exported in CY2022<sup>2</sup>. Australia exported ~600,000 sheep in the same period.

Seeing farmers having to cope with thousands of unsellable sheep on their farms is not due to the trade being commercially unviable, as the current Government would have the public believe. Instead it is directly attributable to those Members of Parliament that have been part of a comprehensive campaign of undermining the trade over many years. The recently enacted ban is only the latest act.

Just how much of the announced compensation for those impacted by the closing of the live sheep trade will ultimately flow to those affected, and what chunk is carved off for the Department to administer the program, remains to be seen. If history is any guide, very little will ultimately flow to farmers. The cattle industry is still waiting 13 years later for the Brett class action proceeds to be agreed and disbursed, whilst costs continue to grow.

Wellard encourages all industry participants to actively stand-up and protect the Australian live cattle trade from the same outcome as the sheep trade.

### Regulation

Continuing its excellent record of safe delivery of livestock for our customers, Wellard had no reportable mortality incidents in FY2024.

Although live exports of sheep and cattle combined have remained low in recent years, there has not been a commensurate reduction in either the number of Australian departmental staff monitoring the trades or the costs attributable to that monitoring function. With cost recovery, this is unacceptable, particularly when the Federal Department of Agriculture is not incentivised to reduce costs. In fact, the opposite is true. There have been a lot of discussions over several years regarding the issue without any tangible outcome.

The ongoing cost of excessive and unnecessary Australian Government oversight cannot be absorbed by the live export trade participants as the competing products, as noted above with Indian buffalo exports to Indonesia having no such imposts, threaten to make the commercial proposition for Australian exports non-competitive, particularly in light of already thin margins.

### Reforming shipping standards

Given its importance, it is pertinent to restate that animal welfare remains of crucial importance to Wellard so that every animal in our care is managed to the highest standards. Through our larger-than-average purpose-built vessel, our expert crew, and our rigorous emphasis on high standards of care, we will continue to provide superior conditions for the transport of livestock to destination markets.

Wellard has long campaigned for higher regulatory shipping standards to minimise the chances of adverse events from occurring in the industry, and therefore improving the long-term sustainability of the live export trade in countries that produce livestock which are surplus to their domestic consumption requirements.

Worldwide, the last new livestock ship entered service seven years ago and no new vessels are under construction, and to the best of our knowledge, none are planned.

Unless standards are improved and enforced there will be no financial rationale to replace old, outdated ships with new, state-of-the-art vessels, and those who place our valuable livestock and the long-term sustainability of the livestock export industry at risk will continue to ply the trade. The current Australian Government has shown no interest in improving Australian livestock shipping standards.

Wellard's very real fear is that history will be repeated, and thousands of cattle, crew, and the future of the live cattle trade will suffer from an entirely preventable situation because successive governments, including the current Australian Government, have relied on a false sense of security and failed to listen to experienced industry experts who want a sustainable trade.

### Conclusion

Two of the four markets in which Wellard operates have swung from coping with supply-side issues, in the form of high Australian cattle prices, to a demand-side issue. This is difficult to resolve quickly and has led to uncertainty about the mid to longer term outlook as supply side is cyclical and will be difficult to navigate if the two coincide.

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<sup>2</sup> <https://slmof.org/wp-content/uploads/2024/03/Annual-Trade-Statistics-Bulletin-2023-FF.pdf>

## EXECUTIVE CHAIRMAN'S REPORT

We have focussed on maximising the returns on the Company's assets to our shareholders whose investment value has suffered over several years. This has seen the major change being a reduction in the fleet of ships to only the M/V Ocean Drover going forward. The M/V Ocean Swagman was redelivered to its owner following 152 voyages as a ship that was operated, designed and built by Wellard. Subsequently, having accepted a sale offer greater than what we could reasonably expect to earn by continuing to operate the ship, the M/V Ocean Ute will be delivered in September to its new owner following 113 voyages.

We will seek shareholder approval at the AGM on 22 November 2024 for an initial capital return of A\$ 2 cents a share following the settlement of the M/V Ocean Ute.

We have continued to engage productively with the liquidators of the registered owner of the M/V Ocean Drover, to seek a commercial resolution that will result in the return to Wellard of full, unencumbered legal title to the Drover.

After several years working hard, facing a very strong headwind, it is certainly welcome to have a tailwind as we enter FY2025. Importantly, we finished FY2024 with US\$8.5 million net cash on hand before any proceeds from the M/V Ocean Ute sale.

We also thank our loyal business partners for their continued support.



John Klepec  
**Executive Chairman**

29 August 2024



## RESULTS FOR ANNOUNCEMENT TO THE MARKET

Provided below are the results for the announcement to the market in accordance with Australian Securities Exchange (ASX) Listing Rule 4.3A and Appendix 4E for the consolidated entity Wellard Limited ABN 53 607 708 190 (**Wellard or Company**) and its controlled entities (**Wellard Group or Group or Consolidated Group**), for the year ended 30 June 2024 (**FY2024**) compared with the year ended 30 June 2023 (**FY2023**).

The financial statements are presented in United States dollars (unless otherwise stated).

### FINANCIAL RESULTS AND KEY FINANCIAL ITEMS FROM CONTINUING OPERATIONS:

FOR THE YEARS ENDED 30 JUNE (US\$ thousand)		2024	2023	Movement
Revenue		34,943	38,655	(9.6%) <span>⬇️</span>
Cost of Sales		(30,539)	(38,930)	(21.6%) <span>⬇️</span>
<b>Gross profit/(loss)</b>		<b>4,404</b>	<b>(275)</b>	<b>1701.5%</b> <span>⬆️</span>
Other income <sup>1</sup>		3,577	-	100.0% <span>⬆️</span>
General and Administrative expenses		(3,872)	(3,850)	0.6% <span>⬆️</span>
Other losses from chartering activities		-	(306)	(100.0%) <span>⬇️</span>
<b>EBITDA<sup>2</sup></b>		<b>4,109</b>	<b>(4,431)</b>	<b>192.7%</b> <span>⬆️</span>
Other gains from other activities		147	112	31.3% <span>⬆️</span>
Restructuring costs		(469)	-	100.0% <span>⬆️</span>
Depreciation and amortisation expenses		(4,427)	(10,578)	(58.1%) <span>⬇️</span>
<b>EBIT</b>		<b>(640)</b>	<b>(14,897)</b>	<b>(95.7%)</b> <span>⬇️</span>
Net finance costs		(172)	(222)	(22.5%) <span>⬇️</span>
Income tax expense		(3)	(368)	(99.2%) <span>⬇️</span>
<b>Loss from continuing operations after tax</b>		<b>(815)</b>	<b>(15,487)</b>	<b>(94.7%)</b> <span>⬇️</span>
<b>Profitability analysis</b>				
Gross profit margin	%	12.6	(0.7)	(1900.0%) <span>⬆️</span>
Operating Profit margin	%	11.8	(11.5)	(202.6%) <span>⬆️</span>
Net Profit margin	%	(2.3)	(40.1)	(94.3%) <span>⬆️</span>
Interest coverage <sup>3</sup>	Times	23.9	(20.0)	(219.5%) <span>⬆️</span>
<b>Balance Sheet analysis</b>				
Working capital	\$'000	18,029	3,195	464.3% <span>⬆️</span>
Current ratio	Times	4.6	1.4	228.6% <span>⬆️</span>
Net tangible assets	\$'000	36,486	37,017	(1.4%) <span>⬇️</span>
Net tangible assets per security	Cps	6.9	7.0	(1.4%) <span>⬇️</span>
Loans and borrowings	\$'000	271	2,588	(89.5%) <span>⬇️</span>
Negative net debt <sup>4</sup>	\$'000	(8,511)	(4,832)	76.1% <span>⬆️</span>
Debt to capital ratio <sup>5</sup>	%	0.7%	6.4%	(89.1%) <span>⬇️</span>
Ship loan to asset book value ratio	%	0%	0%	- <span>↔️</span>


<sup>1</sup> Other income refers to the receipt of insurance claims following the M/V Ocean Swagman's starboard engine repair in the prior financial year.

<sup>2</sup> EBITDA equals profit/(loss) from continuing operations before income tax, less depreciation and amortisation expenses, less net finance costs, less other gains arising from other activities and less impairment expenses.

<sup>3</sup> Interest coverage equals EBITDA divided by net finance costs.

<sup>4</sup> Net debt equals loans and borrowings less cash and cash equivalents. A negative net debt indicates that the cash and cash equivalents exceed the entire debt balance.

<sup>5</sup> Debt to capital ratio equals loans and borrowings divided by total equity plus loans and borrowings.



Commentary on the consolidated results and outlook are set out in the Operating and Financial Review section of the Directors' Report.

## DIVIDENDS

The Company does not intend to pay any dividends in respect to the year ending 30 June 2024 (2023: Nil).

## AUDIT STATUS

The Consolidated Financial Statements upon which this Appendix 4E is based have been audited.

## WELLARD

The nature of operations and principal activities of the Group is that it is an agribusiness that connects primary producers of cattle, sheep, and other livestock to international customers through a global supply chain. The Group is a supplier of seaborne transportation for livestock globally.

## LIVESTOCK LOGISTICS SERVICES:

Wellard's predominant activity in FY2024 was as a livestock logistics services business. When pursuing this business activity, Wellard charters its ships to third parties, earning freight income by carrying livestock on their behalf. To support its operations, the Group owns one medium and one large livestock transport vessel. As announced to the ASX on 1 July 2024, Wellard executed a binding agreement to sell its oldest livestock vessel, the M/V Ocean Ute, for US\$12.0 million to Bassem Dabbah Shipping Inc., a Marshall Islands-registered company, with delivery expected in September 2024.



# OPERATIONS REPORT





## OPERATIONS REPORT

### The year in summary

Employee safety remains a core focus. The Company recorded zero lost time injuries and zero medically treated injuries for FY2024, extending the nil-nil result achieved in FY2023, which the Company will seek to replicate in FY2025.

During FY2024, Wellard loaded 21 cattle voyages to the following destinations:

Table 1: Wellard Voyage Analysis

Loaded	Discharged	FY2024	FY2023
Australia	Vietnam	7	3
South America	Türkiye	7	1
Australia	Indonesia	5	6
Australia	China	2	6
New Zealand	China	-	6
<b>Total</b>		<b>21</b>	<b>22</b>

Figure 2: Charter revenue by origins

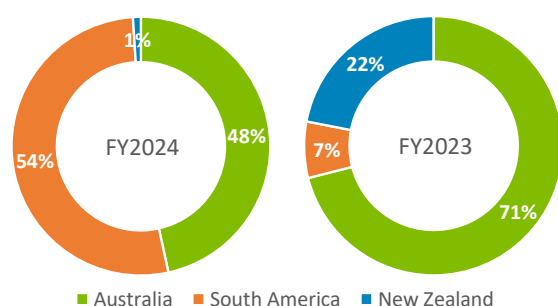
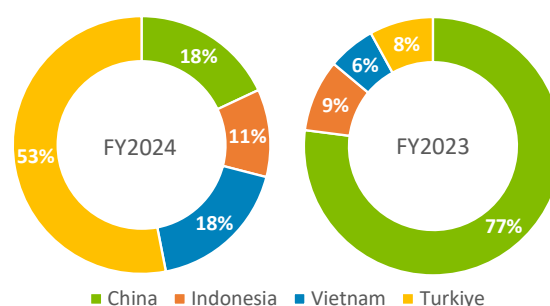


Figure 3: Charter revenue by destinations



The Wellard fleet again achieved excellent voyage success rates for the livestock it delivered.

Of the 162,551 head of cattle loaded globally during the period, our vessels recorded a success rate of 99.82%. There were no reportable livestock mortality incidents aboard Wellard vessels in the reporting period, as has been the case since 2017.

No sheep were loaded in FY2024, as was the case in both FY2022 and FY2023.

Persistently low demand in key markets, regulatory uncertainties and competition from alternative protein sources have led to a difficult trading environment in FY2024. The live cattle export sector in Australia remained under pressure for most of the financial year with only March to June providing respite and volume to the market. Despite favourable Australian export cattle prices, suppressed demand in key markets of Indonesia and China, affected charter rates and fleet utilization. While the Vietnamese market showed some positive movement, it has not been sufficient to counterbalance the difficulties experienced in other regions fully. Similarly, the South America-Türkiye cattle trade has faced obstacles, with delays in import permits and changing regulatory requirements disrupting trade flows with a positive start and finish to FY2024 punctuated with a poor middle period.

### M/V Ocean Swagman Time Charter

Following the conclusion of Wellard's long-term bareboat charter in June 2023 and the subsequent eight-month time charter agreement, and as announced in the Interim Financial Result in February 2024, the M/V Ocean Swagman – was redelivered to her owner Heytesbury Singapore Pte Ltd ("Heytesbury") on 24 February 2024 and ceased to be part of the Wellard fleet.



Whilst being an excellent vessel, under the Time Charter arrangement the M/V Ocean Swagman had not been working commercially during the current financial year, having had only one charter since November 2023, with Wellard unable to secure sufficient charters at a rate to enable a positive financial contribution from the vessel.



## M/V Ocean Ute Sold

As announced to the ASX on 1 July 2024, Wellard executed a binding agreement to sell its oldest livestock vessel, the MV Ocean Ute, for US\$12.0 million to Bassem Dabbah Shipping Inc., a Marshall Islands-registered company, with delivery expected in September 2024.

## The Wellard fleet as at 30 June 2024

	<b>Ocean Drover</b>	<b>Ocean Ute</b>
		
	Bareboat Chartered to 30 June 2032	Owned
<b>Main Particulars:</b>		
Year built	2002	1994
Year converted	N.A.	2011
Length overall	176.7 m	139.9 m
Summer draft	8.7 m	7.2 m
Speed	18.0 Knots	13.5 Knots
<b>Cargo Area for Cattle:</b>		
Pens	1,417	437
Cargo surface area (net)	23,329 m <sup>2</sup>	6,978 m <sup>2</sup>
Number of animals	20,000 approx.	6,500 approx.
<b>Cargo Area for Sheep:</b>		
Pens	786	416
Cargo surface area (net)	23,578 m <sup>2</sup>	7,025 m <sup>2</sup>
Number of animals	75,000 approx.	22,000 approx.
<b>Fresh-water production:</b>		
Fresh water tank capacity	3,190 m <sup>3</sup>	1,120 m <sup>3</sup>
Fresh water production m <sup>3</sup> /day	800 m <sup>3</sup> /day	300 m <sup>3</sup> /day
<b>Fodder storage:</b>		
Silo Fodder at 100% full capacity	5,181 m <sup>3</sup>	1,234 m <sup>3</sup>
Silo Fodder at 80% full capacity	4,145 m <sup>3</sup>	987 m <sup>3</sup>
<b>Sundeck:</b>		
Sundeck surface area available	1,126 m <sup>2</sup>	200 m <sup>2</sup>
Sundeck maximum load	1 Ton/m <sup>2</sup>	1 Ton/m <sup>2</sup>

## Market Trends

Wellard's voyage origination and disembarkation ports reflect a broader trend in the market, with many vessels departing the Australia to Southeast Asia route and Australia/New Zealand<sup>3</sup> to China route in favour of the longer haul South America to Middle East route.

Trading conditions improved late in the financial year due largely to a resurgent Türkiye import market and the issuing of Indonesian import permits in February 2024.

This FY2024 operations report reveals the following key trends, some of which already described in FY2023, being:

- **Trend One:** Downward shift in the number of live exports by sea of feeders and slaughter cattle from Australia to Southeast Asia since FY2020, with FY2024 total cattle exports at only 57% of FY2020 levels.
- **Trend Two:** The market for breeder cattle trade to China is almost at a standstill, when previously, half of the AMSA-accredited shipping capacity was engaged on this route from both Australia and New Zealand.

<sup>3</sup> On 30 April 2023, the previous New Zealand government enacted a live export ban on cattle, closing this trade. New Zealand's new government has pledged to re-open this trade, however there is no set timeframe announced.

- **Trend three:** There has been a significant shift to South America, with a considerable portion of the AMSA fleet deployed there.

An additional trend to emerge during FY2024 is the decrease in the AMSA-approved fleet, with several ships failing to meet requirements, creating opportunities for the Wellard Ships in H2FY2024.

## Australian live export slaughter and feeder cattle to Indonesia and Vietnam in FY2024

In FY2023, 463,099 feeder and slaughter cattle were exported from Australia by sea, which increased to 633,992<sup>4</sup> during FY2024. This increase was due to the severe correction in pricing following a long period of historically high prices for live export feeder and slaughter cattle and reduced availability of stock in FY2023.

The volumes to our largest market in Indonesia increased from 335,852 cattle in FY2023 to 424,837 in FY2024. The FY2024 exports to Indonesia were still impacted by the ongoing outbreaks of lumpy skin disease ("LSD") and foot and mouth disease ("FMD") in Indonesia, with importers reluctant to commit to large orders of cattle, followed by a delay in issuing CY2024 permits for two months. The M/V Ocean Ute, which had been idle for 2 months, benefited when the permits were issued in February 2024 and, following 2 months of inactivity, has been fully employed since.

The correction in Australian cattle prices throughout H2FY2023 and H1FY2024 (noting live feeder cattle prices initially resisted the fall in the Eastern Young Cattle Indicator) initially did little to stimulate Indonesian demand to levels that would be expected at the pricing that has prevailed, reinforcing the fact that this live export market has completed a structural shift with imports of frozen Brazilian beef and especially Indian buffalo meat ("IBM") now entrenched.

Price will be the primary basis of any demand stimulation for Australian beef into Indonesia as the sustained high prices and lack of supply by Australian producers, who looked elsewhere for those willing to pay over the last two years, has resulted in shutdowns and removed Indonesian feedlot capacity for the cattle that would historically go into this market. Indonesian feedlots that remained operational are reportedly at capacity currently, and for any increases in volumes to occur in FY2025 additional feedlot capacity needs to be created.

IBM is priced at a level below the Australian price and fluctuates seemingly without a floor relative to the landed Australian price.

In FY2023, just 60,941 slaughter or feeder cattle were exported from Australia to Vietnam by sea. In FY2024 that figure more than doubled to 126,665 cattle. This provided opportunities for increased shipping activities, which the M/V Ocean Ute benefited from. However, this market remains best described as opportunistic with a very strong correlation to the landed price of cattle. Sustained low prices could see a return to previous high export levels of slaughter-weight cattle to Vietnam.

## Australian Dairy and beef breeder cattle to China

The heightened activity prior to the closure of the New Zealand market to exports of breeding cattle created a backlog in late FY2023, and effectively caused the trade to grind to a halt for six months once that market closed.

At an industry level, 147,227 breeding cattle departed Australia in FY2023 by sea, with a decrease to 110,306 cattle departed in FY2024<sup>5</sup>.

As a result of almost non-existent demand for Australian dairy cattle to China shipments in H2FY2023, and sporadic demand for Australia to Indonesia/Vietnam voyages, Wellard made the decision in mid CY2023 to relocate the M/V Ocean Drover and M/V Ocean Swagman to the South America to Türkiye trade.

Combined, the vessels completed five voyages on that route during H1FY2024. These were concentrated in the earlier part of H1, as the 500,000 head Türkiye quota was filled later in the reporting period.

Consequently, and as noted at Wellard's 2023 Annual General Meeting, both vessels spent time under-utilised in Q2 and Q3 of FY2024, particularly the M/V Ocean Swagman, which doesn't offer exporters the same economies of scale that the M/V Ocean Drover provides.

Both vessels embarked on a ballast return to Australia in late December 2023, though the M/V Ocean Drover returned to South America after completing a profitable voyage from Australia to China early in H2FY2024.

<sup>4</sup> <https://www.agriculture.gov.au/sites/default/files/documents/all-livestock-exports-2019-2024.xlsx>

<sup>5</sup> <https://www.agriculture.gov.au/biosecurity-trade/export/controlled-goods/live-animals/live-animal-export-statistics/livestock-exports-by-market>



The M/V Ocean Drover is suited and is competitive on breeder Shipments to China, whereas the smaller ships are better suited to Vietnam or Indonesian voyages. The M/V Ocean Drover would only return to service the Australian market if there was a sustained lift in breeder exports from Australia or New Zealand, once the New Zealand market is reopened following a change in Government.

### South America to the Mediterranean and Middle East (Türkiye, Egypt and Iraq)

The demand from Türkiye, Egypt and Iraq for beef cattle, and therefore the demand for larger vessels to transport them from cattle-producing countries such as those in South America, at the end of FY2023 continued into the start of FY2024, then paused at the end of the calendar year. Since then there has been a sustained increase that sees the M/V Ocean Drover chartered into CY2025.

With substantial quotas for imported cattle for Türkiye and a combined voyage time of about 50 days (loaded and ballast), importers/exporters have contracted a significant fleet of mid and large-sized vessels to complete the task. Charter rates have improved, but not to the extent that Wellard is seeking.

Türkiye government authorities do not publish total annual import quota figures and do not provide ongoing data on remaining capacity.

Whether Türkiye will continue to import such large numbers of cattle into CY2025 is less certain, and Wellard will be monitoring developments in Türkiye closely to assess likely demand in the transition period.

### Australian sheep exports to the Middle East

Similar to FY2021, FY2022 and FY2023, Wellard did not conduct any voyages of Australian sheep to either the Middle East or any other destination in FY2024.

Due to the continuing low level of exports to the Middle East and the vertical integration of competing vessel owners, Wellard does not expect that this will change in FY2025.

A total of 502,840<sup>6</sup> sheep were exported by sea from Australia to the Middle East in FY2024, a decrease on the 620,588 sheep shipped in FY2023 and on the 464,664 sheep shipped in FY2022.

### Shipping fuel prices

Fuel (or “bunker”) prices remain Wellard’s single largest operational cost. The Very Low Sulphur Fuel Oil (VLSFO) price is a key determinant of the charter rates Wellard quotes and charges its customers.

In FY2024, Wellard recorded a year-on-year 21.3% decrease in the average price per metric tonne (mt) consumed.

After peaking beyond US\$1,000/tonne in May 2023 in most of the international supply markets, falling bunker prices throughout FY2024 provided some respite for Wellard and the Company’s customers. Nonetheless, fuel prices remain above their historical average, mostly trading in the US\$600/mt-\$700/mt range (ex Singapore).

There is a difference in VLSFO prices at different ports throughout Wellard’s operating destinations, and we cannot always access the cheapest bunker fuel when it is needed. As a regional hub, Singapore bunker prices are often lower than those paid by Wellard and other operators at the regional ports Wellard’s ships transit, however the price trend is illustrative.

Bunker prices at most ports Wellard takes on fuel oscillated about +/- 10% throughout FY2024.

<sup>6</sup> <https://www.agriculture.gov.au/export/controlled-goods/live-animals/live-animal-export-statistics/livestock-exports-by-market>

A photograph of a ship's deck at sunset. The deck is covered with numerous large white sacks, some of which are open, revealing a brown, fibrous material inside. The sacks are arranged in rows, and some are secured with green straps. In the background, the ship's superstructure is visible against the bright orange and yellow sky of the setting sun. The title "DIRECTORS' REPORT" is overlaid in white text in the upper right quadrant.

# DIRECTORS' REPORT



## DIRECTORS' REPORT

The Directors present their report together with the financial report of Wellard Limited (ABN 53 607 708 190) (Wellard or the Company) and the entities controlled during the financial year ended 30 June 2024 (FY2024) and the independent auditor's report thereon.

### DIRECTORS



**John Klepec**  
**Executive Chairman**

B.Comm

John Klepec has over thirty years commercial management experience across a range of industry groups including construction, resources, media, health care, logistics, transport, shipping, livestock trading, construction materials, building products and agriculture.

He has considerable public company experience, including, most recently being appointed as Chairman of Fleetwood Limited since March 2021.

Mr Klepec was previously the Chief Development Officer for Hancock Prospecting from 2010 to 2016, and prior to that held senior management positions with major Australian publicly listed companies BHP Billiton Limited, Mayne Group Limited and with the private BGC Group. He is also a previous Non-Executive Director of Ten Network Holdings Limited.

From his prior successful executive and Board roles Mr Klepec brings extensive financial expertise, corporate development, operational leadership and strategic thinking to any commercial position.

Mr Klepec is a Non-Independent Director.



**John Stevenson**  
**Non-Executive Director**

FCA, GAICD, FGIA,  
BBus.

John Stevenson has extensive experience as an executive in publicly listed organisations as well as large family and private equity businesses in Australia and Asia.

John's expertise in the agribusiness and livestock sectors includes having previously been the Chief Executive Officer of Namoi Cotton Limited (ASX: NAM) until 30 June 2023, and the Chief Financial Officer of Wellard Limited (ASX: WLD) and Consolidated Pastoral Company. As well as being a Non-Executive Director of Wellard, John is a Director of the Royal Flying Doctor Service of Australia (Queensland Section) and Director of RFDS (QLD) Services Limited.

John is a Fellow of the Chartered Accountants of Australia and New Zealand, a Fellow of the Governance Institute of Australia, and a graduate of the Australian Institute of Company Directors.

Mr Stevenson is an Independent Director.



**Philip Clausius**  
**Non-Executive Director**

BA (Hons) Business  
Administration

Philip Clausius is the Founder & Managing Partner of Singapore based Transport Capital Pte. Ltd., an investment management and advisory firm focused on the global marine transport, aviation and offshore industries. Prior to this, he was Co-Founder and CEO of the FSL Group, a Singapore-based provider of leasing services to the international shipping industry where he oversaw the acquisition and financing of approximately US\$1 billion in maritime assets as well as the IPO of FSL Trust in March 2007, which raised about US\$330 million in equity proceeds in a globally marketed offering.

As well as being a Non-Executive Director of Wellard, Philip is the Chairman of the Singapore War Risks Mutual and a Director of the Bengal Tiger Line. He served as Director and CEO of Nasdaq OMX Copenhagen listed Nordic Shipholding until 1 January 2023 and was a Director of the Standard Club and Standard Asia until 20 February 2023.

Philip graduated from the European Business School, Germany in 1992 with the "Diplom-Betriebswirt" (Business Administration) degree and completed the Advanced Management Programme by INSEAD in July 2023.

Mr Clausius is an Independent Director.

## DIRECTORS' REPORT



**Kanda Lu**  
**Executive Director**  
**Business Development**  
**Manager China**

B. Comm., M.  
International Relations  
with M. Commercial Law,  
Macquarie University

Kanda Lu possesses considerable expertise in commerce and financial institutions. His recent position was Vice President for Morgan Stanley China GCM. Kanda Lu currently runs his own boutique asset management firm in Hangzhou China.

In addition to his Executive Director role, Kanda is responsible for the development and growth of Wellard's entry into the Chinese market and other business initiatives.

Mr Lu is a Non-Independent Director.

## COMPANY SECRETARY

### **Michael Silbert**

#### **Company Secretary**

B.Juris, B. LLB, B.A. (Hons)

Michael Silbert was appointed as Company Secretary since 17 October 2016. Michael has extensive experience in equity capital markets, mergers and acquisitions, banking and finance and general commercial matters. Michael has strong legal and company secretarial experience, having been general counsel and company secretary for a significant Western Australian and ASX-listed engineering and mining services business, an iron ore miner, and a listed winery business.

### PRINCIPAL ACTIVITIES

The nature of operations and principal activities of the Group is that it is an agribusiness that connects primary producers of cattle, sheep, and other livestock to international customers through a global supply chain. The Group is a supplier of seaborne transportation for livestock globally.

#### LIVESTOCK LOGISTICS SERVICES:

Wellard's predominant activity in FY2024 was as a livestock logistics services business. When pursuing this business activity, Wellard charters its ships to third parties, earning freight income by carrying livestock on their behalf. To support its operations, the Group owns one medium and one large livestock transport vessel. As announced to the ASX on 1 July 2024, Wellard executed a binding agreement to sell its oldest livestock vessel, the M/V Ocean Ute, for US\$12.0 million to Bassem Dabbah Shipping Inc., a Marshall Islands-registered company, with delivery expected in September 2024.

#### OPERATIONS AND FINANCIAL REVIEW:

Full details of Wellard's operations can be found in the Operations Report commencing on page 10. Both Operations Report commencing on page 10 and Financial Review commencing on page 19, form a part of this Directors' Report.



# FINANCIAL REVIEW



## FINANCIAL REVIEW

A summary of the financial results and key financial items are set out below. All amounts in this Financial Review are presented in US\$ unless stated otherwise.

## FINANCIAL RESULTS AND KEY FINANCIAL ITEMS FROM CONTINUING OPERATIONS:

FOR THE YEARS ENDED 30 JUNE (US\$ thousand)	2024	2023	Movement	
Revenue	34,943	38,655	(9.6%) <span>↓</span>	
Cost of Sales	(30,539)	(38,930)	(21.6%) <span>↓</span>	
<b>Gross profit/(loss)</b>	<b>4,404</b>	<b>(275)</b>	<b>1701.5%</b> <span>↑</span>	
Other income <sup>1</sup>	3,577	-	100.0% <span>↑</span>	
General and Administrative expenses	(3,872)	(3,850)	0.6% <span>↑</span>	
Other losses from chartering activities	-	(306)	(100.0%) <span>↓</span>	
<b>EBITDA<sup>2</sup></b>	<b>4,109</b>	<b>(4,431)</b>	<b>192.7%</b> <span>↑</span>	
Other gains from other activities	147	112	31.3% <span>↑</span>	
Restructuring costs	(469)	-	100.0% <span>↑</span>	
Depreciation and amortisation expenses	(4,427)	(10,578)	(58.1%) <span>↓</span>	
<b>EBIT</b>	<b>(640)</b>	<b>(14,897)</b>	<b>(95.7%)</b> <span>↓</span>	
Net finance costs	(172)	(222)	(22.5%) <span>↓</span>	
Income tax expense	(3)	(368)	(99.2%) <span>↓</span>	
<b>Loss from continuing operations after tax</b>	<b>(815)</b>	<b>(15,487)</b>	<b>(94.7%)</b> <span>↓</span>	
<b>Profitability analysis</b>				
Gross profit margin	%	12.6	(0.7)	(1900.0%) <span>↑</span>
Operating Profit margin	%	11.8	(11.5)	(202.6%) <span>↑</span>
Net Profit margin	%	(2.3)	(40.1)	(94.3%) <span>↑</span>
Interest coverage <sup>3</sup>	Times	23.9	(20.0)	(219.5%) <span>↑</span>
<b>Balance Sheet analysis</b>				
Working capital	\$'000	18,029	3,195	464.3% <span>↑</span>
Current ratio	Times	4.6	1.4	228.6% <span>↑</span>
Net tangible assets	\$'000	36,486	37,017	(1.4%) <span>↓</span>
Net tangible assets per security	Cps	6.9	7.0	(1.4%) <span>↓</span>
Loans and borrowings	\$'000	271	2,588	(89.5%) <span>↓</span>
Negative net debt <sup>4</sup>	\$'000	(8,511)	(4,832)	76.1% <span>↑</span>
Debt to capital ratio <sup>5</sup>	%	0.7%	6.4%	(89.1%) <span>↓</span>
Ship loan to asset book value ratio	%	0%	0%	- <span>↔</span>

<sup>1</sup> Other income refers to the receipt of insurance claims following the M/V Ocean Swagman's starboard engine repair in the prior financial year.

<sup>2</sup> EBITDA equals profit/(loss) from continuing operations before income tax, less depreciation and amortisation expenses, less net finance costs, less other gains arising from other activities and less impairment expenses.

<sup>3</sup> Interest coverage equals EBITDA divided by net finance costs.

<sup>4</sup> Net debt equals loans and borrowings less cash and cash equivalents. A negative net debt indicates that the cash and cash equivalents exceed the entire debt balance.

<sup>5</sup> Debt to capital ratio equals loans and borrowings divided by total equity plus loans and borrowings.



## OVERVIEW

For the financial year ended 30 June 2024 ("FY2024"), Wellard is reporting a net loss after tax of US\$0.8 million compared to a net loss of US\$15.5 million in the financial year ended 30 June 2023 ("FY2023") amidst continuously challenging market conditions that remain volatile and continue to affect the livestock export industry.

The result includes a non-cash depreciation and amortisation expense of US\$4.4 million (FY2023: US\$10.6 million) and the receipt of US\$3.6 million in insurance proceeds – comprised in Other Income – associated with the engine breakdown on the M/V Ocean Swagman in February 2023, the costs of which were already recognised in Wellard's FY2023 financial statements.

Moreover, as announced to the ASX on 1 July 2024, Wellard executed a binding agreement to sell its oldest livestock vessel, the MV Ocean Ute, for US\$12.0 million to Bassem Dabbah Shipping Inc., a Marshall Islands-registered company, with delivery expected in September 2024. In FY2024, the M/V Ocean Ute is presented separately in the statement of financial position under Assets Held for Sale, and a reversal of impairment loss of US\$276,000 has been recognized under AASB 5 Non-current Assets Held for Sale and Discontinued Operations recognising the asset fair value, minus costs to sell.

## REVENUE AND OPERATING PERFORMANCE

**Revenue** declined 9.6% to US\$34.9 million (FY2023: US\$38.7 million), with income from chartering activities accounting for 99.9% of the Group's revenue and the shipping capacity fully absorbed by external chartering activities as in the previous year. This decrease was caused by lower fleet activity due to a slowdown in the South America-Türkiye cattle trade during Q2, which caused the M/V Ocean Drover and M/V Ocean Swagman to sit idle for some time, as well as an overall chartering reduction following the redelivery of the M/V Ocean Swagman to her owner Heytesbury Singapore Pte Ltd in February 2024.

As the chartering activity represents the entirety of the Group's operating revenue in FY2024, as it did the previous year, no segment reporting is provided in this section of the Annual Report.

**Variable costs:** In FY2024, the total cost of bunkers decreased by 21.8% to US\$15.1 million, down from US\$19.3 million in FY2023, resulting in a 43.3% incidence on revenue, compared to 49.9% in FY2023. The primary reason for this reduction was a 4.4% year-over-year decrease in Very Low Sulphur Fuel Oil (VLSFO) consumption and a 21.3% decrease in the average price per metric tonne (mt) of the fuel consumed. The reduction in consumption was mainly due to the unemployment periods of M/V Ocean Drover and M/V Ocean Swagman, along with the early redelivery of M/V Ocean Swagman in February 2024. Conversely, Marine Diesel Oil (MDO) consumption increased by 27.2% due to the fleet's extended time in port and the increased activity of M/V Ocean Ute, even though the price of the consumed MDO per mt recorded a 16.0% decrease.

Nonetheless, during FY2024, bunker prices remained high by historical standards despite recording a year-on-year reduction on a global scale. The price of VLSFO ex Singapore, one of the most price-competitive ports in the world for marine fuel, averaged US\$635/mt during FY2024, which is only 6% lower than the average price of US\$676/mt recorded in FY2023. However, it is important to note that Wellard purchases fuel in different ports along its trading routes. These include low-cost ports like Singapore and more expensive ports such as those in Indonesia, where fuel prices remained above US\$700/mt for most of the year, and Australia, where fuel prices stayed above US\$850, with peaks above US\$1,000 per metric tonne.

On the other hand, port costs experienced an 8.6% surge, reaching US\$2.5 million in the current financial year (FY2023: US\$2.3 million) despite declining charter activity levels.

**Vessels' operating expenses (OPEX)** – mainly consisting of crew wages, insurance, repair and maintenance costs, and other operating expenses – decreased by US\$7.6 million, or 44.7%, to US\$9.4 million (FY2023: US\$17.0 million) as the OPEX of M/V Ocean Swagman was shifted back to the vessel's owner following the change of charter typology from bareboat to time charter. Additionally, in FY2023, OPEX was burdened by an extra US\$3.4 million incurred for repairs and ancillary expenses resulting from the engine breakdown on the M/V Ocean Swagman in February 2023.

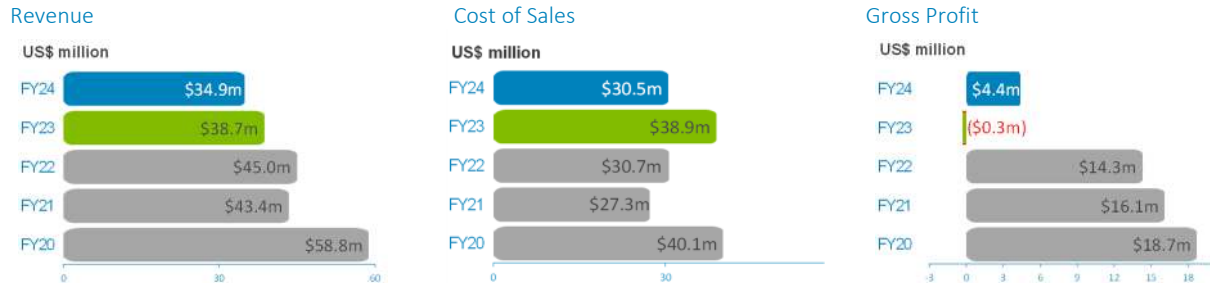
On the other hand, in FY2024, the cost of sales included the M/V Ocean Swagman's time charter costs of US\$3.5 million, which contrasts with FY2023, when the vessel was engaged on a bareboat charter basis. During that time, bareboat-related costs were recorded as depreciation and amortisation expenses, specifically as depreciation of right-of-use assets, totalling US\$2.8 million.



## FINANCIAL REVIEW

**Gross profit** increased to US\$4.4 million, compared to a negative US\$0.3 million in FY2023, primarily due to a substantial 21.6% decrease in the cost of sales to US\$30.5 million (US\$38.9 million in FY2023), which more than offset the 9.6% decrease in revenue.

Figure 1: Track record



**General and administrative expenses**, which increased by a modest 0.6% to US\$3.9 million, are consistent with the previous year's results (FY2023: US\$3.8 million), underscoring the Group's ongoing commitment to minimising the cost of our structure. These expenses primarily relate to personnel and office costs, consultancies, travel, and other miscellaneous costs.

**EBITDA** from continuing operations, which is defined as earnings from continuing operations before the impact of income tax, depreciation and amortisation expenses, finance costs, and other gains or losses from other activities and impairment expenses, reported a significant 193% increase to US\$4.1 million (FY2023: negative US\$4.4 million) primarily driven by the positive gross profit results and by the receipt of US\$3.6 million in insurance proceeds associated with the engine breakdown on the M/V Ocean Swagman in February 2023, recorded under other income. This significant EBITDA increase has led to an operating profit margin of 11.8%, substantially improving from the negative 11.5% margin in FY2023.

Figure 2: Track record



## EARNINGS PERFORMANCE

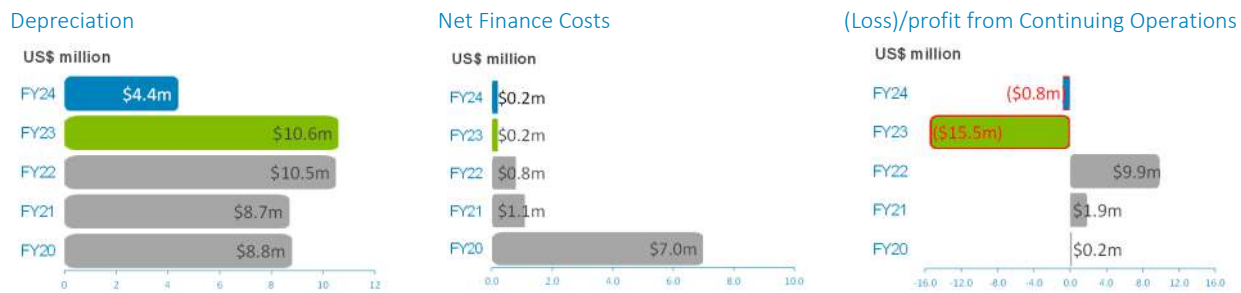
**Depreciation and amortisation expenses** saw a significant decrease of 58.1%, amounting to US\$4.4 million (FY2023: US\$10.6 million). This reduction is primarily attributable to the change in the charter contract of the M/V Ocean Swagman from a bareboat to a time charter that, during FY2024, was recognised under the cost of sales. Moreover, FY2023 depreciation included the derecognition of US\$1.9 million costs for the M/V Ocean Swagman's intermediate mandatory survey, previously capitalised under AASB 16 and fully expensed in the income statement in FY2023, due to the short-term nature of the vessel's time charter renewal in June 2023.

**Net finance costs** in the current financial year remained in line with FY2023 results of US\$0.2 million and included the interest expense of right-of-use assets amounting to US\$0.02 million (FY2023: US\$0.1 million) for the application of AASB16 'Leases' from 1 July 2019.

**Loss from continuing operations after tax** reported this financial year marks a significant improvement compared to the previous year. Despite ongoing industry challenges, Wellard reports a much-contained loss from continuing operations after tax of US\$0.8 million in FY2024 (FY2023: loss of US\$15.5 million). This positive shift is a testament to our strategic adjustments and operational resilience in the face of persistent difficulties within the global economic and industry landscape. As already mentioned, this improvement in financial performance includes the receipt of US\$3.6 million in insurance proceeds related to the engine breakdown on the M/V Ocean Swagman in February 2023 which significantly contributed to offsetting the operational losses.

## FINANCIAL REVIEW

Figure 3: Track record



## ASSETS AND LIABILITIES

**Non-current assets** are mainly related to the net book value ("NBV") of Wellard's vessels – including right-of-use leased assets – and related drydock costs capitalised. The Group assesses the carrying value of its ships by obtaining independent market valuations from two primary brokers, considering any market offers, and forecasting earnings over the vessels' lifetime. As announced on 1<sup>st</sup> July 2024, as a result of Management's continued assessment of its fleet composition and in light of the challenging market conditions, Wellard identified an opportunity to sell its oldest vessel, the M/V Ocean Ute, for US\$12.0 million (approx. A\$18.1 million). In FY2024, a reversal of impairment loss of US\$276,000 was recognized in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations to recognize the asset at its fair value, minus costs to sell.

**Capital expenditure** was US\$5 thousand paid for office equipment (FY2023: US\$3.2 million for the drydock costs of the M/V Ocean Swagman and M/V Ocean Ute).

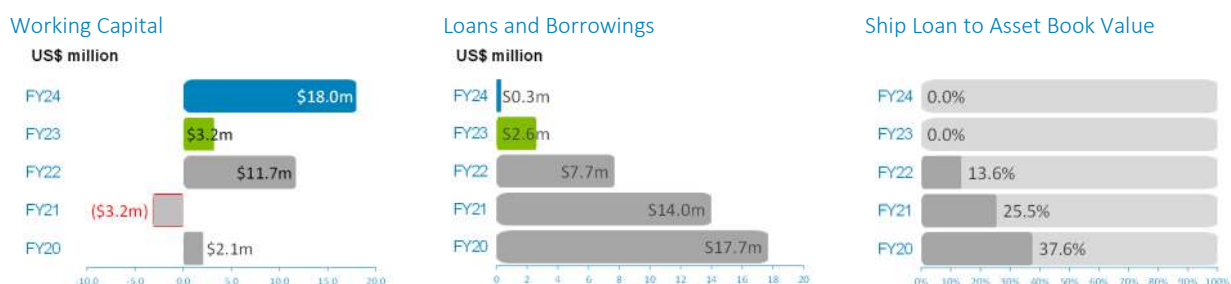
**Negative Net Debt** increased by US\$3.7 million or 76.1% as a result of a US\$2.3 million decrease in loans and borrowings and an increase of US\$1.4 million in cash and cash equivalent to US\$8.8 million as of 30 June 2024 (30 June 2023: US\$7.4 million). As a result, the Company has a "negative net debt" – hence, cash available for the Company – of US\$8.5 million (30 June 2023: US\$4.8 million) and US\$18.0 million working capital as of 30 June 2024 (30 June 2023: US\$3.2 million) which includes US\$11.7 million in assets held for sale.

The continued focus on capital efficiency further reduced Group debt levels as a proportion of funding. As of 30 June 2024, total debt represented 0.7% of the Group's funding (30 June 2023: 6.4%), while the Group has successfully repaid all ship debt, reflecting the Group's commitment to sound financial management.

The Group maintains a US\$4.0 million trade facility with a financial institution in Singapore to fund ship operating costs and foreign-exchange transactions, which as of 30 June 2024, was completely unutilised. Wellard also retains a US\$19.1 million facility with the same institution to be used for commodity swaps to hedge against bunker price swings which was not utilised as of 30 June 2024.

Debt Position	US\$	2024	2023	Movement
Utilisation of bunker facility	\$'000	0	2,439	(2,439) ↓
Other lease liabilities	\$'000	271	149	122 ↑
<b>Total Loans and borrowings</b>	<b>\$'000</b>	<b>271</b>	<b>2,588</b>	<b>(2,317) ↓</b>
Cash and cash equivalents	\$'000	8,782	7,420	1,362 ↑
<b>Negative Net Debt</b>	<b>\$'000</b>	<b>(8,511)</b>	<b>(4,832)</b>	<b>(3,679) ↓</b>

Figure 4: Track record



## CASH FLOWS

**Cash flow from operating activities** generated net cash of US\$4.2 million in FY2024, which included US\$3.6 million of insurance claims received for the engine breakdown on the M/V Ocean Swagman in FY2023. In contrast, the US\$1.5 million cash flow generated in FY2023 was impacted by a US\$3.4 million cash outflow related to the repairs and ancillary costs of the breakdown.

**Cash flow used for investing activities** was limited to US\$5,000 for office equipment in FY2024. In comparison, the US\$3.7 million used in FY2023 included US\$2.4 million and US\$1.3 million paid during the year for the dry docking costs of M/V Ocean Ute and M/V Ocean Swagman, respectively.

**Cash flow from financing activities** resulted in a net cash use of US\$2.9 million (FY2023: US\$5.5 million), primarily due to borrowing and lease repayment.

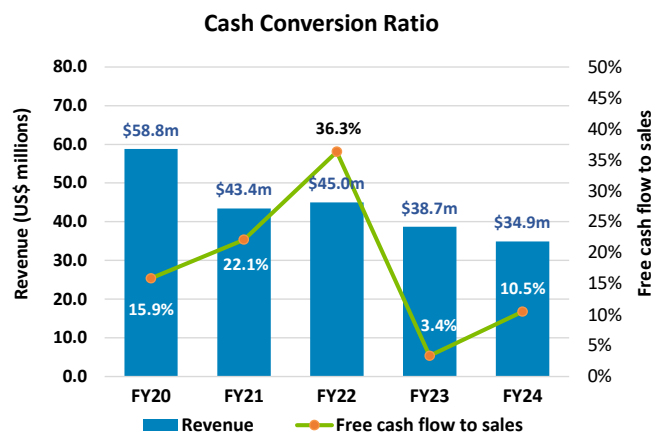
During the current financial year, there was a US\$1.4 million increase in cash held (net of the effect of exchange rate changes), up from a decrease in cash held of US\$7.7 million reported in FY2023. On 30 June 2024, the Group's cash and cash equivalents stood at US\$8.8 million (30 June 2023: US\$7.4 million).

	2024 US\$'000	2023 US\$'000
Condensed Consolidated Statement of Cash Flows		
Net cash inflow from operating activities	4,218	1,535
Net cash outflow from investing activities	(5)	(3,711)
Net cash outflow from financing activities	(2,855)	(5,538)
<b>Net increase/(decrease) in cash held</b>	<b>1,358</b>	<b>(7,714)</b>
Cash at the beginning of the financial year	7,420	15,279
Effects of exchange rate changes	4	(145)
<b>Cash at the end of the financial year</b>	<b>8,782</b>	<b>7,420</b>

	2024 US\$'000	2023 US\$'000	
Free Cash Flow Statement			
Net cash inflow from operating activities	4,218	1,535	
Income tax paid	(369)	(5)	
Net interest paid	(194)	(229)	
<b>Free cash flow</b>	<b>3,655</b>	<b>1,301</b>	180.9% ↑
<b>Cash conversion ratio (FCF/Revenue)</b>	<b>10.5%</b>	<b>3.4%</b>	208.8% ↑

**Free cash flow ("FCF")** for the year – defined as cash flow from operating activities less income taxes paid and net interest payments – increased by 180.9% to US\$3.7 million (FY2023: US\$1.3 million).

Figure 5: Free cash flow to sales (cash conversion) ratio



The cash conversion ratio increased to 10.5% in the current financial year, showing that the Group generated more cash from its sales.



### Alternative Performance Measures (APM)

Certain analyses included in this annual report are based on measures not defined in the applicable reporting framework but regularly used by Wellard for management purposes like communicating performance and decision-making. Wellard believes that complementing IFRS measures with APM may enhance financial communication and add value to users by explaining the Company's performance from the management's perspective and, in some cases, provide comparability with peers. APM should not be considered in isolation from, or as a substitute for, financial information presented in compliance with Australian Accounting Standards.

### EBITDA and Operating profit margin

EBITDA is defined as profit/(loss) from continuing operations before the impact of income taxes, depreciation and amortisation expenses, net finance costs, other gains/(losses) arising from other activities and impairment expenses. Operating profit margin is defined as EBITDA divided by total revenue. Wellard believes that EBITDA and Operating profit margin are important measures that focus on the business' profitability from its core operations before the impact of capital structure, leverage, and non-cash items.

### EBIT

EBIT is defined as profit/(loss) from continuing operations before the impact of income taxes and finance costs. EBIT is considered an important measure for analysing a company's performance without the costs of capital structure and taxes.

### Free cash flow (FCF) and cash conversion ratio

Free cash flow is defined as cash flow from operating activities, less income taxes paid and net interest payments. It does not represent residual cash flows entirely available for discretionary purposes. The repayment of principal amounts borrowed is not deducted from FCF. Cash conversion ratio is defined as FCF divided by total revenue. Wellard believes that FCF and cash conversion ratio are useful to investors because they represent cash flows that could be used for capital expenditures, distribution of dividends, repayment of debt, or to fund strategic initiatives.

### Interest Coverage

Interest coverage is defined as EBITDA divided by net finance costs and provides a measure of the Group's capability to service its debt through its operating profitability.

### Net Debt

Net debt is defined as loans and borrowings (including liabilities directly associated with assets held for sale) less cash and cash equivalents. Wellard believes Net debt is a relevant measure to determine the level of leverage given the Company's liquid assets.

### Group Presentation Currency

The financial information included in the Group's Annual Report is presented in the United States Dollar ("US\$"), the presentational currency of the Group, unless otherwise specified.

### Material Business Risks

The Wellard Board defines risk management as the identification, assessment and management of risks that have the potential to materially impact on Wellard's people, environment, operations, assets, reputation, and financial results, and therefore on Wellard's shareholders.

Given the international nature of Wellard's operations, a wide range of risk factors have the potential to impact the Company. While Wellard attempts to mitigate and manage risks where it is efficient and practicable to do so, there is no guarantee these efforts will be successful. Outlined below is an overview of the material risks facing Wellard.

The material business risks flow from the Company's current circumstances, the nature of its business activities as an international shipper of live animals, and general risks that apply to international companies involved in maritime transportation, cross-border trade, and the ownership of shares in listed companies.

These risks are not set out in any particular order and do not comprise every risk that Wellard could encounter when conducting its business. As such, they do not purport to be a list of every risk that may be associated with an investment in Wellard shares now or in the future. Also, the occurrence or consequences of some of the risks are partially or completely outside the control of Wellard, its Directors and Management. Rather, they are the most significant risks that, in the opinion of the Board, should be considered and monitored by both existing shareholders and potential shareholders in the Company.

Each of the risks referred to could, in isolation or in combination, if they eventuate, have a material adverse impact on Wellard's business, results of operations, financial condition, financial performance, prospects and share price. The risks described here are based on an assessment of a combination of the probability of the risk occurring and the impact/consequence of the risk if it did occur. The assessment was based on the knowledge of the Directors at the time of approving this document, but there is no guarantee or assurance the importance of these risks will not change or other risks will not emerge.

An investment in the Wellard Group may be considered highly speculative and carries no guarantee with respect to the payment of dividends or returns of or on capital. An investment in the Company is not risk-free, and the Directors strongly recommend that potential investors consult their professional advisers and consider the risks described herein when making decisions relating to an investment in Wellard shares.

### Supply, Demand & Market Risks

Wellard operates in often volatile spot markets, which can involve rapid market demand changes and declines, leading to lower demand for specialised livestock vessels. There is a risk of alternative protein markets developing and of key markets deciding to become more self-sufficient.

Wellard monitors supply and demand markets to understand, measure and manage freight market risk. The Company can redeploy ships to alternative markets.

Wellard maintains its fleet at high standards to retain AMSA licensing and gain a competitive advantage on voyage outcomes.

### Vessel Breakdown or Damage Risk

The operation of ocean-going vessels carries inherent risks. Wellard's vessels and their cargoes could be at risk of being damaged or lost because of events such as marine disasters, bad weather, mechanical failures, grounding, fire, collisions, human error, war, terrorism, piracy, force majeure and other circumstances or events. If Wellard's vessels suffer damage, they may need to be repaired. The costs and timing of repairs may be substantial, partially due to their scale and need for specialised repair infrastructure. Wellard may have to pay repair costs if the Group's insurance and contractual indemnification provisions are unavailable or insufficient to cover such liability. The loss of revenues while these vessels are being repaired and the actual cost of these repairs may adversely affect Wellard's business and financial condition and performance.

The Company seeks to mitigate this risk by taking out relevant insurance policies with first-class insurers and adopting a Planned Maintenance System (PMS) through the engagement of our fleet technical manager, Welltech Marine Pte. Ltd. (Welltech), to ensure safe and reliable vessel operations, and asset protection.

### Failure to adequately maintain the Wellard fleet of vessels

If Wellard fails to adequately maintain its fleet of vessels, this may result in mechanical problems or failure to comply with safety regulations and Port State Control or loss of its Class Certificate, causing animal welfare issues, disruptions to business operations, higher operating costs or deterioration in Wellard's ability to provide transport to a standard which complies with relevant regulations to enable the movement of livestock commodities. These circumstances may materially and adversely affect Wellard's reputation, profitability and growth. To mitigate the impact of this risk, Wellard has entrusted the technical management of its fleet to a primary technical manager, Welltech, and through the adoption of a rigorous PMS. Welltech is operated by the Singapore-based professional technical ship management company Ishima Pte. Ltd.

### Bunker Price Risk

Fuel is a material operating cost, and the Group is exposed to bunker price fluctuations through its shipping operations. The price and supply of fuel are unpredictable and fluctuate based on events outside

Wellard's control, including geopolitical developments, supply and demand for oil and gas, actions by organisations such as OPEC and other oil and gas producers, war and unrest in oil-producing countries and regions, regional production and consumption patterns and environmental concerns. There is a risk that there could be significant increases in fuel price that could significantly increase Wellard's cost of operations, including third-party freight costs. As a general principle, bunker adjustment factors in customer contract prices are the main mechanism to manage bunker price risk in the Group. In addition, Wellard may hedge its bunker price risk by implementing financial and physical hedges for the cost of fuel directly related to its ships' operations. However, Wellard may occasionally absorb the cost of increased bunkers into its operating margins.

### Customer and Commodity Price Risk

In general, the Company operates in a spot market, and its material customers have no long-term contract, so there is a risk that the Company's level of sales with customers could decrease. The loss (wholly or partially) of a material customer could negatively impact the Company's financial performance if the Company were not able to replace such a customer.

The Company seeks to mitigate the impact of this risk by building and maintaining strong customer relationships by delivering superior customer value and satisfaction and by having a range of customers in numerous countries.

Wellard is indirectly exposed to the risks of livestock traders, who are its customers. This includes livestock commodity pricing in international markets, which continue to be volatile. Should customers not be able to secure livestock at a price that allows for profitable international sales, Wellard bears the risk of lower charter rates or of no or fewer charter bookings.

### Social, Political and Regulatory Risk

Animal welfare activism and public reports regarding the poor treatment of animals and high-stress/mortality events continue to place increased focus on the live export industry in which Wellard operates. The high level of public sensitivity to animal welfare issues means public pressure could lead to further export restrictions and changes to applicable laws and regulations. Changes to the regulatory system may require the Company to incur material costs or could become the basis for new or increased liabilities that could adversely affect the Company's financial performance. In addition, negative perceptions of the live export trade could impact the attitude of banks, insurers and investors.

Animal rights activists have increasingly engaged in aggressive lobbying and litigation to attempt to prevent or impede livestock export, including taking action against Australian Federal and State regulators. In Australia, the Federal Government has legislated to close the live sheep export trade effective from 1 May 2028. At present, the Australian Federal Government has assured the live cattle industry that it is not under similar threat. Wellard minimises these risks in Australia by remaining compliant with all regulations required to

export livestock, including the Australian regulations prohibiting sheep exports to the Gulf states during the northern summer; however, animal rights activism continues in areas where the Company is active. Where such activism is successful in delaying, disrupting and complicating the government's approvals and/or regulatory processes, the resulting uncertainty to the likelihood of successful trading may mean it no longer remains commercial for the Company to continue to trade in some markets. In April 2023, New Zealand closed its livestock export market entirely, and Wellard's ships were redeployed to other markets.

At an operational level, if the Company was to fail to meet certain requirements with respect to animal welfare or shipping performance standards, its vessels may be subject to a range of regulatory responses which remove or compromise its ability to operate efficiently.

The Company seeks to mitigate this risk by continuing to maintain a specialised fleet of high-quality purpose-built livestock transport vessels, by building and maintaining strong customer relationships with a range of customers in numerous countries, and by ensuring that it is always in compliance with all laws and regulations, as well as engaging actively to understand community expectations around livestock export.

### Exchange Rate Risk

The Company's financial reports are prepared in United States Dollars, and the majority of its transactions are denominated in United States Dollars. The Group remains exposed to currency risk in respect of transactions denominated in currencies other than United States Dollars.

The Company monitors its exposure to currency risk on a regular basis and seeks to mitigate this risk by putting in place, where it deems necessary, appropriate hedging arrangements. In addition, loans are stipulated by the operating companies in the same currency as the revenues, where possible, in order to attenuate exchange rate oscillations.

### Vessel Financier Risk

The M/V Ocean Drover is operated by the Company under a long-term bareboat charter agreement ("BBC"), which runs until 30 June 2032 and allows Wellard full access to offer the M/V Ocean Drover to customers for the transport of livestock. The BBC is part of a standard hire-purchase style financing arrangement with Ruchira Ships Limited (In Liquidation) ("Ruchira"), and includes a Memorandum of Agreement ("MoA") in which Ruchira was legally obliged to redeliver the vessel to Wellard on 1 September 2023.

Ruchira has included the M/V Ocean Drover in a package of secured assets under its own arrangements with its lending bank, United Overseas Bank Limited ("UOB"). UOB has placed two registered mortgages on the M/V Ocean Drover, which must be discharged or compromised or lifted by court order before the Vessel can be delivered to Wellard by Ruchira in accordance with its legal obligations under the MoA.

In February 2024, UOB appointed KPMG Services (Singapore) as liquidators to Ruchira.

There is a risk that Wellard will not be able to satisfactorily complete commercial negotiations with KPMG, as Ruchira's liquidators, in a manner which will allow UOB to clear the mortgages on the M/V Ocean Drover. In such circumstances, the redelivery of full legal title to the M/V Ocean Drover to Wellard will be delayed or potentially prevented. Wellard does not have full visibility of the debt position between Ruchira and its bank. It is possible that KPMG may challenge the continuation of Wellard's BBC and/or MoA.

Wellard has mitigated this position so far by (i) putting the long-term BBC in place, and preserving Wellard's legal right to operate the vessel until 2032 at effectively no additional cost; and (ii) entering into commercial negotiations with KPMG with the aim of discharging the Drover mortgages and redelivering legal title of the vessel to Wellard.

The consequences of not receiving full legal title to the vessel include that the Company cannot refinance or offer the vessel for sale.

### Trade, Cattle Diseases and Biosecurity Risk

Wellard's operations rely on the ability to transport cattle from one country to another. Each destination country has specific sanitary and phytosanitary protocols under which trade in animals is conducted on either a global or country-by-country basis.

Disease outbreaks in a supply country can cause a customer country to impose quarantine-based trade barriers on that country, either restricting or preventing trade in livestock between the two countries in totality or until various mitigation or prevention measures are agreed.

Trade disputes can occur between trading nations, which prevent or restrict the trade of goods, including livestock, between two countries. Countries may open and close their borders to livestock imports or place restrictions on the volume of imports through the imposition of quotas for various domestic reasons. This can impact the level of shipping activity to that destination.

Australian livestock exports have always benefited from the nation's high biosecurity standards. However, there is an increasing risk posed by the spread of Lumpy Skin Disease (LSD) and Foot and Mouth Disease (FMD) throughout Australia's northern neighbours. LSD and FMD have been detected in cattle in Indonesia, and recently, in July 2023, there were been reports that Australian cattle imported into Indonesia have tested positive for LSD. Australia's Chief Veterinary Officer issued a statement that LSD has never been detected in Australia, and that the country remains free of the disease.

In response to the detection of LSD in Australian cattle after importation to Indonesia, there has been a rigorous local testing regime commenced, and Australia's well planned biosecurity response has been activated.

The risk if such diseases are detected or become endemic in Australia is that the market will be constrained or, at worst, closed for a period of time, and that the country's export protocols with importing nations



which depend on Australia being disease free will be invalidated and need to be re-negotiated.

Wellard's principal mitigation for these trade and disease risks is to deploy its vessels into other supply and demand markets. Although the Company may focus its activity on a particular trading route at a particular time, it has a policy of continuously assessing alternative routes. At the time of writing, Wellard's major markets are in South America and Türkiye, not due to biosecurity issues but economic drivers. However, the closure of any market due to disease would mean that Wellard has fewer opportunities to turn to alternative markets.

### Credit Risk

The Company's operations generally involve charter shipments for third parties to transport livestock over long distances. The inherent nature of these arrangements involves a low number of contracts with a high dollar value. There is a risk, therefore, that if a counterparty to such a contract defaults on its contractual obligations, a material financial loss to the Company may result.

To minimise the credit risk, financial vetting is undertaken for all major customers, and adequate security is required for commercial counterparties whose rating is below the minimum acceptable standard. Various terms of payment, including pre-payments and payments by way of letters of credit, are utilised, depending on the credit assessment and trading history of various Wellard customers.

### Climate Change Risk

The Group is exposed to various risks which arise under the general heading of climate change risk.

At present, governments, regulators, and industry are increasingly focusing on laws and regulations based on climate change and greenhouse gas emission reductions, which will impact both the shipping and livestock industries.

The International Maritime Organization (IMO) is seeking to reduce CO<sub>2</sub> emissions per transport work, as an average across international shipping, by at least 40% by 2030, compared to 2008.

Measures the IMO has raised to achieve this goal include:

- a technical element, namely a goal-based marine fuel standard regulating the phased reduction of the marine fuel's greenhouse gases (GHG) intensity; and
- an economic element based on a maritime GHG emissions pricing mechanism.

As a way of mitigating the impact of planned changes to regulations which penalise greenhouse gas emissions in shipping, Wellard commenced a feasibility study for a fleet renewal project centred on designing new livestock vessels which utilise sustainable materials and inputs, such as lowest-possible greenhouse gas emission fuels, to enhance operability, meet developing international shipping regulations, and provide best-in-class animal welfare standards. At the time of writing, that major project is paused, pending changes to vessel

affordability; however, the Company continues to monitor all essential elements, such as international alternative fuel availability and the evolution in the design of greener marine propulsion systems. Wellard recognises that there are high community expectations regarding greenhouse gas emissions in the livestock and shipping industries and that a social license to operate will be maintained when all stakeholders are satisfied that industry participants are working to meet the appropriate, evidence-based standards required to manage and minimise such emissions. Wellard's ships utilise lower sulphur-content bunker fuels, and on-board systems are being assessed for replacement by cleaner solutions as these are developed.

Climate change also presents risks to various participants in the Wellard supply chain, which may impact supply, demand and the continued ability to operate.

### Guidance and Outlook

Wellard may provide forecasts and predictions about its business outlook or future performance ("Guidance") on the basis of various assumptions which may subsequently prove to be incorrect. Guidance is not a guarantee of future performance, and is subject to known and unknown risks, many of which are beyond the control of Wellard.

Wellard's actual results may differ materially from its Guidance and the assumptions on which any Guidance is based.

### Key Personnel Risk

Wellard's growth and profitability may be limited by the loss of key management and operating personnel, the inability to recruit and retain skilled and experienced employees, or the increase in compensation costs.

Current economic conditions reflect an increased demand for quality people resources, creating a tightening labour market and upward pressures to secure skilled leaders, professionals and personnel.

Wellard's downsizing in FY24, in both its Australian and Singapore offices, may result in increased pressures on remaining staff. Wellard is working with staff to retain their skills and services.

### Price Inflation

Wellard procures goods and services that are critical to business operations from a range of suppliers. Cost increases, or price inflation, can occur in respect of goods and services over a certain time period for a range of reasons, including strong demand and supply shortages, the cost of inputs to the production process increasing (including labour-related wages and salaries), and supply related logistics disruption. The rate of these price increases can be material, and if Wellard does not recover price inflation from its clients, there is a risk of negative impact on Wellard's financial performance.

## FINANCIAL REVIEW

### Cyber Security Risk

Cyber attacks, information misuse and the release of sensitive information pose ongoing and real risks to Wellard's on-shore and vessel systems. Cyber breaches have the potential to cause disruptions to operations, and there is a risk of liability for misuse or unauthorised disclosure of sensitive information. To address these risks, Wellard has implemented resilient information technology systems equipped with suitable detection and protective measures. Additionally, the Company has obtained insurance coverage to safeguard against potential cyber incidents. The implementation of ongoing training and frequent evaluation of management and staff serves to enhance the Company's ability to withstand potential cyber security breaches, thereby fortifying the business' overall security stance.

### Geopolitical Risks and Impact on Trade Routes

The ongoing conflict between Israel and Hamas has significantly increased tensions across the Middle East, raising the possibility of a larger regional conflict. The Houthis' continued attacks on several commercial vessels in Yemen, allegedly in support of Hamas, has disrupted trade through the Suez Canal. The number of vessels transiting the Bab-el-Mandeb Strait has decreased significantly due to the escalation of attacks since the start of CY2024, with shipowners choosing the longer route around the Cape of Good Hope. Because the Bab-el-Mandeb Strait is also a critical passage for livestock vessels, continued disruption or closure of this trade route could result in higher freight rates, reduced business opportunities, and decreased profitability. Wellard is closely monitoring the situation, focussing on the safety of its crew, animals, and asset

## DIRECTORS' MEETINGS

The following table sets out the number of Directors' meetings (including meetings of Board committees) held during the year ended 30 June 2024 and the number of meetings attended by each Director:

Directors	Board		Nomination and Remuneration committee		Audit and Risk Committee		Conflicts of Interest Committee	
	held	present	held	present	held	present	held	present
John Klepec	10	10	3	3	3	3	-	-
Philip Clausius	10	10	3	3	3	3	-	-
Kanda Lu	10	10	-	-	-	-	-	-
John Stevenson	10	10	3	3	3	3	-	-

In addition to the above meetings, a number of matters were dealt with by way of a circular resolution during the year.

## DIRECTORS' INTEREST IN SECURITIES OF THE GROUP

The interests of each Director in the shares and options of the Wellard Group as notified by the Directors to the ASX in accordance with *Section 205G(1) of the 2001 (Cth) Corporations Act* as at the date of this report are as follows:

Directors	Ordinary shares held	
	2024	2023
John Klepec <sup>1</sup>	437,500	437,500
Philip Clausius	-	-
Kanda Lu	-	-
John Stevenson	-	-

Notes:

- These shares are held by Rezone Pty Ltd as Trustee for the Kakulas-Klepec Superannuation Fund. Mr Klepec has a voting power of greater than 20% in this company and is a beneficiary of this superannuation fund.

### INDEMNITIES AND INSURANCE

Rule 18.1 of the Wellard Constitution requires Wellard to indemnify each Director and Officer on a full indemnity basis and to the extent permitted by law against liability incurred by them in their capacity as an officer of any member company of the Wellard Group. The Directors, Company Secretary and Officers of the Company have the benefit of this indemnity (as do any individuals who may have formerly held one of those positions).

As permitted by Wellard's Constitution, the Company has entered into deeds of indemnity, access and insurance with each Director, Company Secretary and Officer. Wellard has also insured against amounts that the Company may be liable to pay to Directors, Company Secretaries and certain employees or that Wellard otherwise agrees to pay by way of indemnity. Wellard's insurance policy also insures Directors, Company Secretaries and relevant employees against certain liabilities (including legal costs) they may incur in carrying out their duties. The Directors of the Company are satisfied the terms of these insurances and agreements are standard for their type.

No indemnity payment has been made under any of the documents referred to above during the financial year.

### DIVIDENDS

The Company does not intend to pay any dividends in respect to the year ending 30 June 2024 (2023: Nil).

### EQUITY ISSUES DURING THE YEAR

At 30 June 2024, the Company had authorised share capital totalling 531,250,312 ordinary shares issued and paid.

### EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

Other than matters after 30 June 2024 disclosed in the Operations Report, no other significant events have occurred after the end of the reporting period. Reference is made to the Company's website and to the ASX's announcements platform for any and all material disclosures which are required under ASX's Listing rules.

### ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company is committed to the protection of the environment and good environmental practices and performance. To deliver on this commitment, the Company seeks to comply with all applicable environmental laws and regulations.

The Company's subsidiary, Wellard Ships Pte. Ltd. ("Wellard Ships"), operates two vessels internationally that conform to MARPOL (International Convention for the Prevention of Pollution from Ships, 1973 as modified by the Protocol of 1978) and ISM (International Safety Management) Code requirements for pollution prevention and maritime environmental protection. Wellard Ships' management system complies with ISO 9001 – Quality Management System –, ISO 14001 – Environmental Management System –, and ISO 45001 – Health and Safety Management System standards established by the International Organisation for Standardization, as certified by the international classification society RINA S.p.A. (Registro Italiano Navale).

Wellard Ships contracts with Welltech Marine Pte. Ltd. ("Welltech"), a company previously owned by Wellard Ships and now owned by Ishima Pte. Ltd., which is responsible for the technical management of Wellard's owned and bareboat chartered vessels pursuant to a ship management agreement entered in April 2020. Welltech complies with ISO 9001:2015 – Quality Management System – and ISO 14001:2015 – Environmental Management System – standards established by the International Organisation for Standardization, as certified by the international classification society RINA S.p.A. (Registro Italiano Navale).

### ENVIRONMENTAL PROSECUTIONS

The Company has not been involved with any material environmental prosecutions this year. During FY24, Wellard Rural Exports Pty Ltd successfully defended a claim relating to a small oil spill from the M/V Ocean Drover in a port in Brazil, alleged to have occurred in 2021. The spill involved a very small quantity of bunker fuel, and was classified in the lowest category of environmental impact. The claim was defeated on the basis that it had been brought against the wrong entity. It is not anticipated that any adverse consequences will result from this matter.



### ROUNDING

Wellard is an entity of the kind specified in the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. In accordance with that legislative instrument, amounts in the Financial Report and the Directors' Report have been rounded to the nearest thousand dollars unless specifically stated otherwise.

All amounts are in United States dollars only unless specifically stated otherwise.

### NON-AUDIT SERVICES

The Auditor's independence declaration has been included on page 42.

Details of the non-audit services undertaken by, and amounts paid to, the Auditor are detailed in Note 24 to the financial statements.

The Directors have formed the view that the provision of non-audit services during the financial year ended 30 June 2024 is compatible with and does not compromise the general standard of auditor independence for the following reasons:

- (a) the non-audit services provided do not involve reviewing or auditing the Auditor's own work or acting in a management or decision-making capacity for the Company; and
- (b) all non-audit services were subject to the corporate governance procedures and policies adopted by the Company and have been reviewed by the Audit and Risk Committee to ensure they do not affect the integrity and objectivity of the Auditor.

In accordance with Section 307C of the *Corporations Act*, the Auditors of the Company have provided a signed Auditor's Independence Declaration to the Directors in relation to the year ended 30 June 2024. This Auditor's Independence Declaration has been attached to the Independent Auditor's Report to the members of the Company.

### CORPORATE GOVERNANCE STATEMENT

The Company will disclose its Corporate Governance Statement on the Company's website at [www.wellard.com.au](http://www.wellard.com.au) with lodge it with ASX.

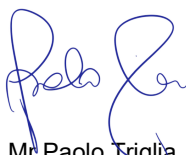
### DIRECTORS' DECLARATION

In accordance with Section 298(2) of the *Corporations Act*, the Directors have provided a signed Directors' Declaration in relation to the year ended 30 June 2024. This Directors' Declaration is included on page 41 of this Annual Report.

On behalf of the Directors



Mr John Klepec  
**Executive Chairman**



Mr Paolo Triglia  
**Group Chief Financial Officer**

Dated: 29 August 2024

# REMUNERATION REPORT





# REMUNERATION REPORT

The following sections form the Remuneration Report for the Wellard Group for the financial year ended 30 June 2024. The information provided in the Remuneration Report has been audited as required by the *Corporations Act 2001* (Cth) (**Act**) and forms part of the Directors' Report.

1. Remuneration report overview
2. Remuneration governance
3. Remuneration of executive key management personnel
4. Remuneration of non-executive directors
5. Key management personnel shareholding
6. Transactions with key management personnel

## 1. REMUNERATION REPORT OVERVIEW

This Remuneration Report has been prepared in accordance with section 300A of the Act.

The disclosure in this Remuneration Report relates to the remuneration of the Wellard Group's key management personnel (**KMP**), being those people who have the authority and responsibility for planning, directing and controlling Wellard's activities, either directly or indirectly.

This report focuses on the remuneration arrangements of the Wellard Group, including its remuneration policy and framework. The table below sets out details of those persons who were KMP of the Wellard Group during the financial year ended 30 June 2024.

### Key Management Personnel covered in this report

Name	Position(s) held	KMP term FY2024
<b>NON-EXECUTIVE DIRECTORS</b>		
Philip Clausius	Non-Executive Director (19 November 2015 – present)	Full year
John Stevenson	Non-Executive Director (23 November 2019 – present)	Full year
<b>EXECUTIVE DIRECTORS</b>		
John Klepec	Non-Executive Director (15 November 2016 – 26 April 2018) Non-Executive Chairman (27 April 2018 – 3 August 2018) Executive Chairman (3 August 2018 – present)	Full year
Kanda Lu	Business Development Manager China (24 November 2015 – present) Executive Director (12 May 2017 – present)	Full year
<b>OTHER KMP</b>		
Paolo Triglia	Managing Director – Wellard Ships Pte Ltd (18 November 2015 – present) Chief Financial Officer (22 November 2019 – present)	Full year
Michael Silbert <sup>1</sup>	General Counsel and Company Secretary (18 October 2016 – 31 May 2024)	Part year

<sup>1</sup> Mr Silbert's combined roles as General Counsel and Company Secretary were ceased effective 31 May 2024 however, he remains a consultant to the Company and continues to hold the position of Company Secretary.

## Response To 2023 Remuneration Report Outcomes

At the Company's 2023 Annual General Meeting, Wellard received a 'first strike' against its Remuneration Report.

In response to this outcome, Board members have had discussions with various shareholders regarding their views and have taken those views into consideration. The Board understands the need for and is keen to ensure there is an alignment between the Company's performance and remuneration paid by the Company to the senior management group.

With that in mind, in the 2024 Financial Year the Company has adopted the following approach with regards to [the management structure of the organisation and its remuneration having regard to the Company's performance:

- a) There has been a substantial restructure and costs-cutting in the Group business, and aside from the 2 Australian-based Directors there are no longer any staff in Australia;
- b) there has been no increase in the fees paid by the Company to Non-Executive Directors;
- c) there has been no increase in the fixed annual remuneration for remaining senior management in Singapore;
- d) total employees head-count across the Company has been reduced by 35.7 % since FY2023.



## 2. REMUNERATION GOVERNANCE

### (a) Nomination and Remuneration Committee

The Board is responsible for ensuring the remuneration arrangements for the Wellard Group are aligned with its business strategy and shareholders' interests.

The Nomination and Remuneration Committee (**NR Committee**) is delegated responsibility to advise the Board on composition (ensuring the Board has an appropriate balance of skills, knowledge, experience, independence and diversity), succession planning, and an appropriate level and composition of remuneration for Directors and senior executives.

The NR Committee was formed on 19 November 2015 and comprises the following Directors:

- Philip Clausius – Committee Chair (independent from management);
- John Stevenson – Committee Member (independent from management); and
- John Klepec – Committee Member (not independent from management)

The Board considers it preferable that the NR Committee is independent from management when making decisions affecting the remuneration of KMP and other senior employees.

The Board continues to assess its own structure and that of its various sub-committees.

Decisions relating to the remuneration of KMP and senior employees will be made only by NR Committee members and Board members who are not conflicted in the circumstance.

The NR Committee meets throughout the year as required and when necessary, is briefed by management but makes all decisions free of management's influence. The NR Committee may, from time to time, seek independent advice from remuneration consultants and, in so doing, will directly engage with the relevant consultant without management involvement. The NR Committee has not taken independent advice from remuneration consultants in the financial year ended 30 June 2024.

Further information regarding the objectives and role of the NR Committee is contained in its Charter, which is available on the Corporate Governance Policy section of the Company's website at [www.wellard.com.au](http://www.wellard.com.au).

### (b) Independent Remuneration Consultants

In FY2024, the Board did not engage an independent consulting firm to provide independent advice regarding remuneration or incentive structures.

There were no long-term (LTIP) plans or programmes in place for the financial year ended 30 June 2024. The NR Committee retains the ability, at its discretion, to make ad-hoc STI awards to individuals outside of any Company-wide plan. Details of the short-term incentive programme (STIP) for FY2024 are included in 3(c) below.

In FY2024, no remuneration recommendations, as defined by the Corporations Act, were provided by any independent remuneration consultant.

## 3. REMUNERATION OF KMP

### (a) Remuneration policy

The Board and the NR Committee recognise that remuneration has an important role to play in supporting the implementation and achievement of Wellard's strategy.

The Board is committed to driving alignment between the remuneration arrangements of its KMP with the expectations of Wellard's shareholders, its employees and the Company's sustainability.

Wellard's executive remuneration policy aims to reward KMP fairly and responsibly in accordance with the Australian and Singaporean markets and to ensure that Wellard:

- (i) provides competitive rewards that attract, retain, and motivate KMP of the highest calibre;
- (ii) sets demanding levels of performance that are linked to KMP's remuneration;
- (iii) structures remuneration at a level that reflects the KMP's duties and accountabilities and is competitive;
- (iv) benchmarks remuneration against appropriate comparator groups;
- (v) aligns KMP incentive rewards with the creation of value for shareholders; and
- (vi) complies with applicable legal requirements and appropriate standards of governance.

## REMUNERATION REPORT

### (b) Remuneration framework

Wellard's remuneration comprises the following elements:

Element	Purpose	Potential Value	Changes for FY2024
Fixed annual remuneration	Provide competitive market salary, including superannuation and non-monetary benefits.	Reviewed annually	No changes
Short term incentives	Cash reward for current year performance.	Up to 50% of total fixed remuneration is determined by EBITDA hurdles.	No changes
Long term incentives	Maintain a balance between the interests of shareholders and the reward of executives.	Determined by share price	No changes

### (c) Elements of remuneration

#### Fixed annual remuneration

Each KMP receives a fixed salary or consultancy fees. The quantum of salary or consultancy reflects the individual's responsibilities, location, skills, experience and performance and is aligned with salaries for comparable roles in global companies of similar complexity, size, geographic footprint, listing jurisdictions, reach and industry.

#### Short-term incentives

In FY2024, KMP Mr Triglia and Mr Silbert were eligible to earn bonuses under a Short-Term Incentive (STI) programme. STI's were available upon attainment of an escalating series of Key Performance Indicators (KPI's) based on the Group achieving nominated EBITDA hurdles, which would allow them to earn an STI of between 20% and 50% of their base salary. Based on the STI programme, no bonuses were earned in FY2024.

The Board also retains the ability, at its discretion, to make ad-hoc STI awards to individuals outside of any company-wide plan. No ad-hoc awards were earned in FY2024.

#### Long-term incentives

No options in Wellard's LTIP were granted to KMPs in FY2024.

#### Statutory performance indicators

Wellard aims to align its executive remuneration to strategic and business objectives and the creation of shareholder wealth. The table below shows measures of the Group's financial performance over the last five years as required by the *Corporations Act 2001*. However, these are not necessarily consistent with measures used in determining the variable amounts of remuneration to be awarded to the KMPs. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

	2024	2023	2022	2021	2020
(Loss)/profit for the year attributable to owners of Wellard Limited (A\$'000)	(1,243)	(22,998)	13,688	2,493	245
Basic (loss)/earnings per share (A\$ cents)	(0.23)	(4.33)	2.58	0.5	0.1
Dividend payments (A\$'000)	-	-	-	-	-
Dividend payout ratio (%)	-	-	-	-	-
(Decrease)/increase in share price (%)	(59.5)	(46.2)	+21.9	+77.8	+50.0

## REMUNERATION REPORT

### (d) Key terms of KMP agreements

Remuneration (in the currency of each KMP's contract) and other terms of employment for each of the KMP are contained in contracts of employment or consultancy agreements as summarised in the table set out below.

Name	KMP term	Short / Long term incentives	Notice period termination	Notice period resignation	Year	Total fixed remuneration <sup>1</sup>	Currency
John Klepec	3 Aug 18 - present	At the Board's Discretion	2 weeks	2 weeks	2024	400,000	AUD
					2023	400,000	AUD
Kanda Lu	12 May 17 - present	At the Board's Discretion	4 weeks	4 weeks	2024	105,223	AUD
					2023	105,525	AUD
Paolo Triglia	18 Nov 15 - present	STI Program and at the Board's Discretion	3 months	3 months	2024	364,008	SGD
					2023	364,008	SGD
Michael Silbert	18 Oct 16 - 31 May 24	STI Program and at the Board's Discretion	6 months	3 months	2024	378,415	AUD
					2023	400,573	AUD

<sup>1</sup> This is inclusive of superannuation payments where applicable.



## REMUNERATION REPORT

### (e) Executive KMP remuneration table

The table below sets out the remuneration received by Wellard KMP for FY2024 during the portion of the year for which KMP were employed by the Wellard Group. The table includes the statutory disclosures required under the Act and in accordance with the Accounting Standards. See previous table for details of each KMP's remuneration in the original currencies of their contracts of employment or consultancy agreements.

Key management personnel remuneration table for FY2024 is presented in United States Dollars:

Name	Year	Short-term benefits			Long-term benefits		Termination benefits US\$	Post-employment benefits Superannuation US\$	Total remuneration US\$	% Remuneration “at risk”
		Base salary US\$	STI <sup>1</sup> US\$	Other <sup>2</sup> US\$	Accrued annual leave <sup>3</sup> US\$	Long service leave <sup>4</sup> US\$				
EXECUTIVE DIRECTORS										
John Klepec	2024	255,830	-	-	-	-	-	6,499	262,329	-
	2023	262,961	-	-	-	-	-	6,399	269,360	-
Kanda Lu	2024	62,564	-	-	-	-	-	6,444	69,008	-
	2023	64,308	-	-	259	168	-	6,753	71,488	-
OTHER KMP										
Paolo Triglia <sup>5</sup>	2024	270,213	-	96,750	11,870	-	-	-	378,833	-
	2023	266,981	-	92,841	11,871	-	-	-	371,693	-
Michael Silbert <sup>6</sup>	2024	230,172	-	-	20,017	30,292	166,881	18,001	465,363	-
	2023	252,714	-	-	8,450	4,084	-	17,032	282,280	-
Total in US\$	2024	818,779	-	96,750	31,887	30,292	166,881	30,944	1,175,533	-
	2023	846,964	-	92,841	20,580	4,252	-	30,184	994,821	-

<sup>1.</sup> This includes cash bonuses provided to KMP.

<sup>2.</sup> This includes short-term benefits such as leave passage and accommodation.

<sup>3.</sup> This includes statutory leave for Executive Directors and other KMP.

<sup>4.</sup> Represents the net accrual movement for Long Service Leave (LSL) over the twelve-month period, which will only be paid if the KMP meets legislative service conditions. LSL has been separately categorised and is measured on an accrual basis and reflects the movement in the accrual over the twelve-month period.

<sup>5.</sup> Mr Triglia is employed as an expatriate, and pursuant to his employment contract, he is not paid superannuation and receives additional benefits for accommodation, school fees and travel expenditure.

<sup>6.</sup> Mr Silbert's combined roles as General Counsel and Company Secretary were ceased effective 31 May 2024 however, he remains a consultant to the Company and continues to hold the position of Company Secretary.

## 4. REMUNERATION OF NON-EXECUTIVE DIRECTORS

### (a) Remuneration policy and arrangements

The Board considers the following policy objectives when determining its remuneration profile for Non-Executive Directors:

- (i) offering market competitive remuneration to attract and retain high-quality directors with the appropriate expertise and skillset to complement the Wellard Group business;
- (ii) safeguarding the independence of Non-Executive Directors by limiting performance-related remuneration of Non-Executive Directors; and
- (iii) ensuring the Company is not paying excessive remuneration.

No element of the Non-Executive Directors' remuneration is linked to the performance of the Company. However, to create alignment with shareholders, Non-Executive Directors are encouraged to hold equity securities in the Company. All Directors are subject to the Company's Security Trading Policy.

### (b) Aggregate fees

Under the Constitution, the Non-Executive Directors will be remunerated for their services by:

- (i) an amount or value of remuneration each year as Wellard in a general meeting determines; or
- (ii) an aggregate amount or value of remuneration not exceeding the maximum amount or value as Wellard in a general meeting determines, to be divided among the Non-Executive Directors in such proportion and manner as they agree, or if they do not agree, equally.

Wellard has currently fixed the maximum aggregate fee pool for Non-Executive Directors at A\$800,000 per annum, which has been approved by Shareholders.

### (c) Remuneration review

The Board will periodically review the level of fees paid to Non-Executive Directors, including seeking external advice where appropriate.

A review of the remuneration of Non-Executive Directors was undertaken as part of the NR Committee's review of senior remuneration and the Company's operating budget for FY2024. No change was made to Non-Executive Director fees, or fees paid to members of any Board Committee.

### (d) Non-executive director fees and benefits

Set out below is a description of each component of total remuneration for Directors and how each component impacts remuneration in Australian dollars:

		2024		
Fees / Benefits	Description	Fees A\$	Superannuation A\$	Included in shareholder approved cap?
BOARD FEES				
Wellard board				
	Members	183,749	14,713	Yes
COMMITTEE FEES				
Audit and risk compliance committee				
	Chairman	23,415	1,201	Yes
	Members	9,009	991	Yes
Nomination and remuneration committee				
	Chairman	22,325	2,477	Yes

## REMUNERATION REPORT

OTHER FEES / BENEFITS	
<b>Short-term incentives</b>	Non-Executive Directors are eligible to participate in short-term incentive arrangements.
<b>Long-term incentives</b>	Non-Executive Directors are eligible to participate in long-term incentive arrangements.
<b>Other group fees</b>	Non-Executive Directors are not paid additional fees for participation on the board of any of the Wellard Group's subsidiary companies.
<b>Termination payments</b>	Termination benefits are not payable to Non-Executive Directors.
<b>Other benefits</b>	Non-Executive Directors are entitled to reimbursement for business-related expenses, including travel expenses, and also receive the benefit of coverage under the Wellard Group's directors and officer's insurance policy.

### (d) Non-executive director remuneration

The fees paid or payable to the Non-Executive Directors in relation to the 2023 financial year are set out below in Australian dollars.

		Short-term benefits		
Name	Year	Board and committee fees A\$	Superannuation <sup>1</sup> A\$	Total A\$
NON-EXECUTIVE DIRECTORS				
Philip Clausius	2024	121,622	13,378	135,000
	2023	122,172	12,828	135,000
John Stevenson	2024	118,898	6,102	125,000
	2023	125,000	-	125,000
Total	2024	240,520	19,480	260,000
	2023	247,172	12,828	260,000

<sup>1</sup> Superannuation contributions are made on behalf of Non-Executive Directors in accordance with the Wellard Group's statutory superannuation obligations. Also included are any Director's fees that have been sacrificed into superannuation.

### 5. KMP EQUITY HOLDING

The table below sets out the number of shares held directly, indirectly or beneficially by current directors and KMP, including their related parties and shows the effect that departing directors and KMP have had on the aggregate balance of all Shares held directly, indirectly or beneficially by directors and KMP when compared to the previous financial year.

Name	Balance at 1 July 2023	Change to aggregate KMP balance	Balance at 30 June 2024
NON-EXECUTIVE DIRECTORS			
Philip Clausius	-	-	-
John Stevenson	-	-	-
EXECUTIVE DIRECTORS			
John Klepec	437,500	-	437,500
Kanda Lu	-	-	-
OTHER KMP			
Paolo Triglia	1,126,800	-	1,126,800
Michael Silbert	-	-	-
<b>Total</b>	<b>1,564,300</b>	<b>-</b>	<b>1,564,300</b>



### (a) Prohibition on hedging shares and equity instruments

KMP are not allowed to protect the value of any unvested or restricted equity awards allocated to them. KMP are also not permitted to use unvested or restricted equity awards as collateral in any financial transaction, including hedging and margin loan arrangements.

Any securities that have vested and are no longer subject to restrictions or performance conditions may be subject to hedging arrangements or used as collateral provided that the consent, notification and other restrictions on dealings set out in the Wellard Security Trading Policy are complied with in advance of the KMP entering into the arrangement.

## 6. TRANSACTIONS WITH KMP

### (a) Transactions with other related parties

Nil

### (b) Purchases from entities controlled by key management personnel

Transport Capital Pte Ltd, a transportation-focused investment management and advisory firm, of which Mr Philip Clausius is the founder and Managing Partner, provided technical shipping consultancy services to the Group with effect from 1 July 2020 for a period of 15 months, ended on 30 September 2021. Ad-hoc technical advisory services were provided post 30 September 2021. The technical service fee rendered during the year was US\$Nil (2023: US\$1,777).

### (c) Outstanding balance from services rendered.

As at 30 June 2024, there was no outstanding due to Transport Capital Pte Ltd (30 June 2023: US\$Nil).

### (d) Loans to/from related parties

Nil

## DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Wellard Limited, we declare that:

- a) the attached financial statements, notes and the additional disclosures included in the Directors' Report designated as audited of the Group are in accordance with the *Corporations Act*, including:
  - i. giving a true and fair view of the financial position and performance of the Group as at 30 June 2024 and of its performance for the year ended on that date;
  - ii. the information detailed in the consolidated entity disclosure statement is true and correct; and
  - iii. complying with Accounting Standards and the *Corporations Act* 2001; and
- b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1; and
- c) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and
- d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the *Corporations Act* for the financial year ended 30 June 2024.

Signed in accordance with a resolution of the Directors.



Mr John Klepec  
**Executive Chairman**

29 August 2024

**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF WELLARD LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2024, there have been:

- a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.



NEIL PACE  
PARTNER



MOORE AUSTRALIA AUDIT (WA)  
CHARTERED ACCOUNTANTS

Signed at Perth this 29<sup>th</sup> day of August 2024.



# FINANCIAL STATEMENTS



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED 30 JUNE	NOTE	2024 US\$'000	2023 US\$'000
CONTINUING OPERATIONS			
Revenue	4(A)	34,943	38,655
Cost of sales	6(A)	(30,539)	(38,930)
Gross profit/(loss)		4,404	(275)
Other income	5	3,577	-
Other losses	6(B)	(322)	(194)
Net finance costs	6(C)	(172)	(222)
Depreciation and amortisation expenses		(4,427)	(10,578)
General and administrative expenses	6(D)	(3,872)	(3,850)
Loss from continuing operations before income tax		(812)	(15,119)
Income tax expense	8	(3)	(368)
Loss for the period after tax		(815)	(15,487)
OTHER COMPREHENSIVE INCOME/(LOSS)			
<i>Items that may be reclassified to profit or loss</i>			
Gain/(loss) from foreign currency translation		21	(178)
Other comprehensive income/(loss) for the period, net of tax		21	(178)
Total comprehensive losses for the period		(794)	(15,665)
		US\$ Cents	US\$ Cents
<i>Loss per share from continuing operations attributable to ordinary equity holders of the Company</i>			
Basic loss per share	9	(0.15)	(2.92)
Diluted loss per share	9	(0.15)	(2.92)

The accompanying notes form an integral part of this consolidated statement of comprehensive income.



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE	NOTE	2024 US\$'000	2023 US\$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	10	8,782	7,420
Trade and other receivables	13	199	974
Inventories	12	1,481	1,210
Contract assets	4(B)	626	639
Other assets	14	210	705
Asset held for sale	15	11,780	-
Total current assets		<b>23,078</b>	<b>10,948</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	18	18,512	33,830
Intangible assets	19	577	840
Other assets	14	21	64
Total non-current assets		<b>19,110</b>	<b>34,734</b>
Total assets		<b>42,188</b>	<b>45,682</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	2,844	3,713
Loans and borrowings	11	195	2,545
Provisions	20	10	55
Contract liabilities	4(B)	2,000	1,440
Total current liabilities		<b>5,049</b>	<b>7,753</b>
<b>NON-CURRENT LIABILITIES</b>			
Loans and borrowings	11	76	43
Provisions	20	-	29
Total non-current liabilities		<b>76</b>	<b>72</b>
Total liabilities		<b>5,125</b>	<b>7,825</b>
Net assets		<b>37,063</b>	<b>37,857</b>
<b>EQUITY</b>			
Issued capital	21	412,259	412,259
Reserves	28	(277,105)	(277,126)
Accumulated losses	29	(98,091)	(97,276)
Total equity		<b>37,063</b>	<b>37,857</b>

The accompanying notes form an integral part of this consolidated statement of financial position.



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		RESERVES					
		ISSUED CAPITAL US\$'000	ACCUMULATED LOSSES US\$'000	SHARE-BASED PAYMENTS US\$'000	OTHER RESERVES US\$'000	COMMON CONTROL US\$'000	TOTAL US\$'000
FOR THE YEARS ENDED 30 JUNE	NOTE						
2024							
Opening balance		412,259	(97,276)	12,963	5,679	(295,768)	37,857
Comprehensive loss for the period:							
Loss for the period	29	-	(815)	-	-	-	(815)
Other comprehensive income	28	-	-	-	21	-	21
Total comprehensive loss for the period		-	(815)	-	21	-	(794)
Closing balance		412,259	(98,091)	12,963	5,700	(295,768)	37,063
2023							
Opening balance		412,259	(81,789)	12,963	5,857	(295,768)	53,522
Comprehensive loss for the period:							
Loss for the period	29	-	(15,487)	-	-	-	(15,487)
Other comprehensive loss	28	-	-	-	(178)	-	(178)
Total comprehensive loss for the period		-	(15,487)	-	(178)	-	(15,665)
Closing balance		412,259	(97,276)	12,963	5,679	(295,768)	37,857

The accompanying notes form an integral part of this consolidated statement of changes in equity.

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED 30 JUNE	NOTE	2024 US\$'000	2023 US\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		39,764	39,708
Payments to suppliers and employees		(35,179)	(38,200)
Interest received		2	32
Income tax paid		(369)	(5)
Net cash inflow from operating activities		<b>4,218</b>	<b>1,535</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(5)	(3,711)
Net cash outflow from investing activities		<b>(5)</b>	<b>(3,711)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net repayments of borrowings		(2,439)	(2,397)
Principal payment of lease liabilities		(222)	(2,912)
Interest paid		(194)	(229)
Net cash outflow from financing activities		<b>(2,855)</b>	<b>(5,538)</b>
Net increase/(decrease) in cash held		<b>1,358</b>	<b>(7,714)</b>
Cash at the beginning of the financial year		7,420	15,279
Effects of exchange rate changes on cash and cash equivalents		4	(145)
Cash at the end of the financial year	10	<b>8,782</b>	<b>7,420</b>

The accompanying notes form an integral part of this consolidated statement of cash flows.

## RECONCILIATION OF CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of losses after tax to net cash flows from operating activities.

	2024	2023
FOR THE YEARS ENDED 30 JUNE	US\$'000	US\$'000
Loss after tax	(815)	(15,487)
Adjustment for:		
Depreciation and amortisation	4,427	10,578
Income tax expense	3	368
Interest income	(2)	(32)
Allowance for impairment loss	-	306
Interest expense and borrowing costs	174	254
Reversal on impairment loss on disposal of vessel	(276)	-
Net loss on disposal of property, plant and equipment	-	1
Write down of inventory	31	-
Unrealised foreign exchange losses	11	24
Change in assets and liabilities, net of the effects of purchase and of subsidiaries		
Change in trade and other receivables and other assets	1,326	25
Change in inventories	(302)	2,421
Change in trade and other payables and provisions	(552)	1,810
Change in deferred revenue	560	1,240
	<b>4,585</b>	<b>1,508</b>
Interest received	2	32
Income tax paid	(369)	(5)
Net cash flows from operating activities	<b>4,218</b>	<b>1,535</b>

The accompanying notes form an integral part of this consolidated statement of cash flows.



Reconciliation of liabilities arising from financing activities:

	Non-cash changes						
	Opening balance	Principal and interest payments	Addition during the year	Interest expense	Effect of movement in exchange	Non-cash movement	Closing balance
FOR THE YEAR ENDED 30 JUNE 2024	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loan and borrowings (Note 11)							
Borrowings	-	-	-	-	-	-	-
Lease liabilities	149	(241)	343	19	1	-	271
Other loans	2,439	(13,471)	10,877	155	-	-	-
<b>Total borrowings</b>	<b>2,588</b>	<b>(13,712)</b>	<b>11,220</b>	<b>174</b>	<b>1</b>	<b>-</b>	<b>271</b>
Less: Cash and cash equivalents							(8,782)
<b>Negative Net debt</b>							<b>(8,511)</b>
	Non-cash changes						
	Opening balance	Principal and interest payments	Addition during the year	Interest expense	Effect of movement in exchange	Non-cash movement	Closing balance
FOR THE YEAR ENDED 30 JUNE 2023	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loan and borrowings (Note 11)							
Borrowings	2,845	(2,852)	-	5	-	2	-
Lease liabilities	2,929	(3,037)	137	125	(5)	-	149
Other loans	1,964	(16,579)	16,930	124	-	-	2,439
<b>Total borrowings</b>	<b>7,738</b>	<b>(22,468)</b>	<b>17,067</b>	<b>254</b>	<b>(5)</b>	<b>2</b>	<b>2,588</b>
Less: Cash and cash equivalents							(7,420)
<b>Negative Net debt</b>							<b>(4,832)</b>

The accompanying notes form an integral part of this consolidated statement of cash flows.

## CONSOLIDATED ENTITY DISCLOSURE STATEMENT AS AT 30 JUNE 2024

CONSOLIDATED ENTITY DISCLOSURE STATEMENT AS AT 30 JUNE	ENTITY TYPE	COUNTRY OF INCORPORATION	% OF SHARE CAPITAL HELD	AUSTRALIAN TAX RESIDENCY STATUS	FOREIGN COUNTRIES TAX RESIDENCY
PARENT ENTITY					
Wellard Limited	Body Corporate	Australia	N/A	Australian	N/A
SUBSIDIARIES OF WELLARD LIMITED					
Wellard Rural Exports Pty Ltd	Body Corporate	Australia	100	Australian	N/A
Wellard NZ Ltd	Body Corporate	New Zealand	100	Foreign	New Zealand
Wellard Singapore Pte Ltd	Body Corporate	Singapore	100	Foreign	Singapore
Wellard Ships Pte Ltd	Body Corporate	Singapore	100	Foreign	Singapore
Ocean Drover Pte Ltd	Body Corporate	Singapore	100	Foreign	Singapore
Niuyang Express Pte Ltd	Body Corporate	Singapore	100	Foreign	Singapore
Wellard do Brasil Agronegocios Ltda	Body Corporate	Brazil	100	Foreign	Brazil
Wellard Uruguay S.A.	Body Corporate	Uruguay	100	Foreign	Uruguay
Best Hayvancilik Sanayi Ticaret AŞ	Body Corporate	Turkiye	100	Foreign	Turkey

The requirement to prepare consolidated entity disclosure statement was introduced into the Corporations Act (2001) in March 2024. It is applicable for the first time for years beginning on or after 1 July 2023 (June 2024 year-ends).

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION AND BASIS OF PREPARATION

### A. CORPORATE INFORMATION

This consolidated financial report relates to the Group, comprising Wellard Limited (Company or Wellard) and the entities that it controlled (Group) during the year ended 30 June 2024, that were authorised for issue in accordance with a resolution of the Directors on 29 August 2024.

The Company is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX:WLD).

The nature of operations and principal activity of the Group are an agribusiness that connects primary producers of cattle, sheep and other livestock to international customers through a global supply chain. The Group is a supplier of seaborne transportation for livestock globally.

The registered office address is Manning Buildings, Suite 20, Level 1, 135 High Street, Fremantle, Western Australia 6160.

Comparative financial information has been reclassified and/or renamed for better comparability purposes.

### B. BASIS OF PREPARATION

The financial report is a general-purpose financial report, which has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standard Board and the *Corporations Act* 2001.

The financial report has been prepared on a historical cost basis, except for the following:

- a) Share-based payments – measured at fair value; and

The financial report is presented in the United States dollar (US\$). All values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated, under the option available to the Company under Australian Securities and Investment Commission (ASIC)

Instrument 2016/191. The Company is an entity to which the instrument applies.

For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

### C. COMPLIANCE WITH IFRS

This financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The Group has adopted the new or amended IFRS and Interpretations of IFRS that are mandatory for application for the financial year. The adoption of these new or amended IFRS and Interpretations of IFRS did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

## 2. MATERIAL ACCOUNTING POLICIES AND ESTIMATES

The material accounting policies adopted in the preparation of the financial statements have been consistently applied to all the periods presented unless otherwise stated. In addition to these accounting policies, the following policies and critical accounting estimates were applied:

### A. REVENUE FROM CONTRACTS WITH CUSTOMERS

AASB 15 Revenue from Contracts with Customers states that an entity shall recognise revenue (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of the asset.

If revenue is not recognised over time, it is recognised at a point in time. To determine the point in time at which a customer obtains control of a promised asset and the entity satisfies a performance

obligation, the following requirements are considered:

- a) The entity has a present right to payment for an asset;
- b) The customer has legal title to the asset;
- c) The entity has transferred physical possession of the asset; however, physical possession may not coincide with control of the asset;
- d) The customer has significant risks and rewards of ownership of the asset; and
- e) The customer has accepted the asset.

### Vessel chartering

Freight revenue for external shipments meets the criteria of a performance obligation satisfied over time.

Voyage charter revenue is recognised on a percentage of completion basis which is determined on a time proportion method of each individual voyage. Any demurrage and dispatch are recognised when considered probable.

### Contract liabilities

The timing of revenue recognition and cash collections results in invoiced accounts receivable and customer advances and deposits (contract liabilities) on the consolidated statement of financial position.

Generally, amounts are invoiced, and deposits are received in advance of providing the good or service.

Deposits received are recognised on a per-shipment basis; these deposits are recorded as a liability on the balance sheet and liquidated on discharge when the revenue is recognised.

Deposits received at the time of booking a vessel for charter are recorded as a liability on the balance sheet and liquidated on a percentage complete basis when the revenue is recognised.

### B. BORROWING COSTS

Borrowing costs can include interest, amortisation of discounts or premiums relating to borrowings, ancillary costs incurred regarding the arrangement of borrowings and foreign exchange losses net of hedged amounts on borrowings.



## NOTES TO THE FINANCIAL STATEMENTS

Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset, which are capitalised until the asset is ready for its intended use or sale.

Loan establishment costs have been capitalised to deferred borrowing costs and are amortised over the life of the loan facility.

Borrowing costs relating to loans extinguished during the period have been expensed.

### C. INTEREST REVENUE

Interest revenue is recognised as interest accrued using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

### D. INCOME TAX EXPENSE

Income tax expense comprises current and deferred tax. Current income tax expense or benefit is the tax on the current period's taxable income/loss based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities. It is calculated based on tax laws that have been enacted or are substantially enacted by the end of the reporting period.

Current tax payable is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date and any adjustment to tax payable in respect of previous years. Income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

### E. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are

expected to be recovered, or liabilities are settled based on the tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. No deferred tax asset or liability is recognised in relation to temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to the income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

### F. TAX CONSOLIDATION

Wellard Limited and its Australian subsidiaries formed a tax consolidated Group with effect from 11 December 2015.

The parent entity and subsidiaries in the tax-consolidated Group have entered into a tax funding agreement such that each entity in the tax-consolidated Group recognises the assets, liabilities, revenues and expenses in relation to its own transactions, events and balances only. This means that:

- the parent entity recognises all current and deferred tax amounts relating to its own transactions, events and balances only;
- the subsidiaries recognise current or deferred tax

amounts arising in respect of their own transactions, events and balances; and

- current tax liabilities and deferred tax assets arising in respect of tax losses, are transferred from the subsidiary to the parent entity as intercompany payables or receivables.

Adjustments may be made for transactions and events occurring within the tax-consolidated Group that do not give rise to a tax consequence for the Group or that have a different tax consequence at the head entity level of the Group. The tax-consolidated Group will enter into a tax-sharing agreement to limit the liability of subsidiaries in the tax-consolidated Group arising under the joint and several liability requirements of the tax consolidation system in the event of default by the parent entity to meet its payment obligations.

### G. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing:

- the profit / (loss) attributable to the owners of the Company, excluding any costs of servicing equity other than ordinary shares,

by

- the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

### Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financial costs associated with dilutive potential ordinary shares.

Potential ordinary shares are only considered dilutive if the loss per share decreases on conversion to ordinary shares.

### H. LOANS AND BORROWINGS

All loans and borrowings are initially recognised at the fair value of the consideration received, less directly attributable transaction

## NOTES TO THE FINANCIAL STATEMENTS

costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

### I. CASH

Cash comprises cash on hand and demand deposits. Cash equivalents comprise short-term and highly liquid cash deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. For the purposes of the statement of cash flows, cash includes cash on hand, demand deposits and cash equivalents.

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for carrying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. For cash subject to restriction, assessment is made on the economic substance of the restriction and whether it meets the definition of cash and cash equivalents.

### J. ISSUED CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

### K. INVENTORIES

Bunker fuel used for the operation of the vessels and with a high turnover rate is not written-down to the net realisable value when the market price falls below cost if the overall shipping activity is expected to be profitable.

All other inventories are measured at the lower of cost or net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- fuel: purchase cost on a first in, first out basis;
- raw materials and consumables: purchase cost on a first in, first out basis; and
- finished goods and work in progress: cost of direct material and labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of production and the estimated costs necessary to complete the sale.

### L. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of the financial instruments at initial recognition.

#### Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The Group does not apply hedge accounting for its derivative financial instrument.

#### Foreign exchange contracts

The Group enters into foreign exchange contracts to manage its exposure against foreign currency risk in line with the entity's risk management strategy.

### M. TRADE AND OTHER RECEIVABLES

The Group applied the simplified approach permitted by AASB 9 *Financial Instruments*, which requires expected lifetime losses to be recognised from the initial recognition of the receivables.

Credit loss allowance is based on 12-month expected credit loss if there is no significant increase in

credit risk since the initial recognition of the receivables. If there is a significant increase in credit risk since initial recognition, lifetime expected credit loss will be calculated and recognised.

### N. TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid.

The amounts are unsecured and are usually paid within 14 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the end of the reporting period.

They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Due to the short-term nature of trade and other payables, their carrying amount approximates fair value.

### O. DEFERRED REVENUE

These amounts represent payments collected but not earned at the end of the reporting period. These payments are recognised in line with AASB15 Revenue Recognition.

### P. PROPERTY, PLANT AND EQUIPMENT

Each class of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management.

Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

#### Vessels

Vessels are measured on a cost basis. Depreciation rate: 3.33% -

## NOTES TO THE FINANCIAL STATEMENTS

5%, on a straight-line basis after deducting the expected scrap value of the vessel.

The vessels are subjected to major overhauls at regular intervals. Dry-docking expenditures incurred in the major overhauls are capitalised as additional component costs to the vessels and amortised on a straight-line basis over the period up to the next dry-docking, which is generally 2.5 to 3 years.

Deferred expenses are derecognised upon the next dry-docking or when no future economic benefits are expected from the dry-docking costs previously recognised.

### Plant and Equipment (excluding Vessels)

Plant and equipment are measured on a cost basis. Depreciation rate: 4% - 32%, on a straight-line basis.

### Improvements

Improvements are measured on a cost basis. Depreciation rate: 10% - 50%, on a straight-line basis.

### Right-of-use assets

Right-of-use assets are measured as disclosed in Note 2V. Depreciation rate: 17% - 51%, on a straight-line basis.

### Depreciation

The depreciable amount of all fixed assets is depreciated over their estimated useful lives commencing from the time the asset is held ready for use.

### Q. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale and generally measured at the lower of carrying amount and fair value less costs to sell, where the carrying amount will be recovered principally through sale as opposed to continue use. No depreciation or amortisation is charged against assets classified as held for sale.

Classification as "held for sale" occurs when:

- Management has committed to a plan for immediate sale;
- The sale is expected to occur within one year

from the date of classification; and

- Active marketing of the asset has commenced.

Such assets are classified as current assets.

### R. INTANGIBLE ASSETS

#### Software

Software is measured initially at the cost of acquisition and amortised over the useful life of the software. Expenditure on software development activities is capitalised only when it is expected that future benefits will exceed the deferred costs, and these benefits can be reliably measured. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of the intangible asset over its estimated useful life (not exceeding ten years) commencing when the intangible asset is available for use. Other development expenditure is recognised as an expense when incurred.

#### Recoverability of non-financial assets other than goodwill

All assets are assessed for impairment at each period end by evaluating whether indicators of impairment exist in relation to the continued use of the asset by the Group. Impairment triggers include declining product or manufacturing performance, technology changes, adverse changes in the economic or political environment or future product expectations. If an indicator of impairment exists, the recoverable amount of the asset is determined.

### S. PROVISIONS

Provisions are recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to

the passage of time is recognised as a finance cost.

#### Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave, long service leave and any other employee benefits expected to be settled within 12 months of the end of the period are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences, such as annual leave, is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

#### Long-term employee benefit obligations

Liabilities arising in respect of long service leave and annual leave, which are not expected to be settled within 12 months of the end of the period, are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the end of the period. Employee benefit obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least 12 months after the end of the period, regardless of when the actual settlement is expected to occur.

#### Termination benefits

Termination benefits are payable when the employment of an employee or group of employees is terminated before the normal retirement date or when the Group provides termination benefits as a result of an offer made and accepted in order to encourage voluntary redundancy. The Group recognises a provision for termination benefits when the entity can no longer withdraw the offer of those benefits, or if earlier, when the termination benefits are included in a formal restructuring plan that has been announced to those affected by it.



## NOTES TO THE FINANCIAL STATEMENTS

### T. CONSOLIDATION

Transactions eliminated on consolidation

Intercompany balances and transactions, and any unrealised income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

Foreign currency translation and balances

*Functional and presentation currency*

The financial statements of each entity within the Group are measured using the currency of the primary economic environment in which that entity operates (functional currency). The consolidated financial statements are presented in United States Dollars. The Company's functional currency is the Australian Dollar.

*Transactions and balances*

Transactions in foreign currencies of entities within the Group are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the period.

Except for certain foreign currency transactions, all resulting exchange differences arising on settlement or restatement are recognised as revenues and expenses for the period.

Entities that have a functional currency different from the presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date;
- income and expenses are translated at actual exchange rates or average exchange rates for the period, where appropriate; and
- all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the

acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

### U. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are initially recognised at cost (fair value of consideration paid plus directly attributable costs). Costs incurred in investigating and evaluating acquisitions up to the formal commitment are expensed as incurred. Where the carrying value of an investment exceeds the recoverable amount, an impairment charge is recognised in profit or loss, which can subsequently be reversed in certain conditions.

### V. SHARE-BASED PAYMENTS

The fair value of shares granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the shares granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

### W. LEASES

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### a) As lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities representing the obligations to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for

use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If the ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment, as disclosed in Note 2X.

The Group's right-of-use assets are presented within property, plant and equipment in Note 16.

#### Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and the amount expected to be paid under residual values guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period.

In calculating the present value of lease payments, the Group uses the implicit rate in the lease if the rate can be readily determined. If the rate cannot be readily determined, the Group shall use its incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease

## NOTES TO THE FINANCIAL STATEMENTS

payments or a change in the assessment of an option to purchase the underlying assets.

The Group's lease liabilities are included in Note 11.

### Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of leasehold residential property, which have a lease term of 12 months or less and do not contain a purchase option.

It also applies the lease of low-value assets recognition exemption to the lease of office equipment that is considered to be low value.

Lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term.

### X. GOODS AND SERVICES TAX

Revenues, expenses, assets and liabilities are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

### Y. IMPAIRMENT

#### Financial assets measured at amortised cost

The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment.

Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for

management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When an event occurs after the impairment was recognised, causing the amount of the impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

#### Useful life and residual value of livestock-carrying vessels

Management reviews the appropriateness of the useful life and residual value of vessels at each balance date. Certain estimates regarding the useful life and residual value of vessels are made by management based on past experience, and these are in line with the industry. Changes in the expected level of usage, scrap value of steel and market factors could impact the economic useful life and residual value of the vessels. When there is a material change in the useful life and residual value of vessels, such a change will impact both the depreciation charges in the period in which the changes arise and future depreciation charges.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### Investment in subsidiaries

All assets are assessed for impairment at each period end by evaluating whether indicators of impairment exist in relation to the continued use of the asset by the Group. Impairment indicators include market capitalisation,

declining product or processing performance, technology changes, adverse changes in the economic or political environment or future product expectations.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates, which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

### A. DEFERRED TAX ASSET

Management assesses the extent to which it is probable that future taxable profits will be available against which the deferred tax assets can be utilised.

In the previous financial year, management assessed that there is sufficient uncertainty in the recovery of the deferred tax asset and has therefore decided to derecognise all current deferred tax assets and liabilities from temporary assets and carry forward losses.

Deferred tax assets of US\$55.6 million (FY2023: US\$55.1 million) relating to the tax and capital losses of the Australian tax consolidated group and US\$2.0 million (FY2023: US\$2.0 million) relating to Singapore have not been recognised.

### B. IMPAIRMENT

**Impairment of non-financial assets**  
In order to assess the fair value less cost of sale for the vessel fleet CGU, management requested and received two independent market valuations for its vessels with purchase obligation.

For the vessel which the Group leases from third party with no purchase obligation, management

## NOTES TO THE FINANCIAL STATEMENTS

has compared the carrying amount of the asset with its recoverable amount. The recoverable amount is determined based on its value-in-use (VIU) calculations, taking into account the individual facts and circumstances of the investment, economic and industry-related factors and management plans for the investment.

The VIU is determined using cash flow projections based on the financial budget prepared by management covering the remaining useful lives of the vessel. In making these estimates, management has relied on its past performance and its current expectations of market development. Cash flow in the VIU calculation was discounted at an average rate of 13.4% per annum.

If the estimated EBITDA co-efficient index used in the VIU calculation had been 0.50% lower than the management's estimates, the recoverable amounts of the asset would decrease by US\$0.2 million. If the estimated discount rate applied to the discounted cash flows had been 1% higher than management's estimates, the recoverable amounts of the asset would decrease by US\$1.6 million.

The Group has not recognised impairment charges on its vessels during the year.

### Investments in subsidiaries

We have estimated the recoverable amount based on the value-in-use of the subsidiaries. No impairment (2023: Nil) has been recognised in respect of the recoverable amount of investment in subsidiaries. Impairment of investments in subsidiaries has been eliminated on consolidation in the Group accounts. The impairment of investment in subsidiaries is considered a critical accounting estimate for the parent entity only and not for the Group.

### C. USEFUL LIFE OF PURPOSE-BUILT LIVESTOCK VESSEL

Management reviews the appropriateness of the useful life and residual value of vessels at each balance sheet date. Certain

estimates regarding the useful life and residual value of vessels are made by the management based on past experience, and these are in line with the industry. Changes in the expected level of usage, scrap value of steel and market factors could impact the economic useful life and residual value of the vessels.

In FY2023 the estimated useful lives of the livestock vessels were revised from 25 years to 30 years for purpose-built vessels to better reflect the economic period during which the vessel is capable of operating, considering the historical operating experience and currently available livestock vessels in the market. The change in accounting estimate has been applied prospectively. The effect of these changes has decreased the depreciation charge of one vessel by approximately US\$ 1.5 million effective from FY2023.



## NOTES TO THE FINANCIAL STATEMENTS

### 4. REVENUE FROM CONTRACTS WITH CUSTOMERS

#### A) DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

	2024	2023
FOR THE YEARS ENDED 30 JUNE	US\$'000	US\$'000
REVENUES		
Chartering	34,918	38,619
Other revenue	25	36
	<b>34,943</b>	<b>38,655</b>

Charter revenue is derived over time and includes revenue generated from the sale of space on the Group's vessels for the carriage of cargo owned by third parties.

#### B) ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

The Group has recognised the following assets and liabilities related to contracts with customers:

	2024	2023
AS AT 30 JUNE	US\$'000	US\$'000
CHARTERING		
Contract assets	626	639
Contract liabilities	2,000	1,440

Chartering contract assets refer to bunker and agency costs incurred for the contracted voyages and are yet to load at the end of the reporting period. Chartering contract liabilities refer to deposits received from chartering of vessels.

### 5. OTHER INCOME

	2024	2023
FOR THE YEARS ENDED 30 JUNE	US\$'000	US\$'000
Insurance claims received	3,577	-
	<b>3,577</b>	<b>-</b>

The insurance claim received is associated with the engine breakdown on the M/V Ocean Swagman in February 2023.

### 6. EXPENSES

	2024	2023
FOR THE YEARS ENDED 30 JUNE	US\$'000	US\$'000
A) COST OF SALES		
Chartering	30,539	38,930
	<b>30,539</b>	<b>38,930</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 6. EXPENSES (continued)

FOR THE YEARS ENDED 30 JUNE	2024 US\$'000	2023 US\$'000
<b>B) OTHER LOSSES</b>		
<i>Losses arising from chartering activities</i>		
Allowance for impairment loss	-	306
	-	306
<i>(Gains)/losses arising from other activities</i>		
Net foreign exchange losses/(gains)	98	(113)
Reversal of impairment loss	(276)	-
Net loss on disposal of property, plant and equipment	-	1
Write down of inventory	31	-
Restructuring and integration costs	469	-
	322	(112)
	322	194
<b>C) NET FINANCE COSTS</b>		
Interest income	(2)	(32)
Interest expense	174	254
	172	222
<b>D) GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Labour expenses	6(E) 2,415	2,470
Consulting costs	643	544
General and administrative costs	525	478
Travel expenses	190	223
Occupancy costs	82	77
Motor vehicle expenses	17	58
	3,872	3,850
<b>E) LABOUR EXPENSES</b>		
Wages and salaries	2,083	2,012
Employee entitlements	198	328
Superannuation	134	130
	2,415	2,470

### 7. SEGMENT INFORMATION

Segment information is presented based on the information reviewed by senior management for performance measurement and resource allocation.

Description of segments and principal activities

- Chartering:** This segment is engaged in the business of livestock transportation required to deliver livestock globally. In the table below, this segment is further reported as charter revenue, being revenue generated from the sale of space on the Group's vessels for the carriage of cargo owned by third parties.
- Other:** This segment mainly consists of corporate services. Corporate services consist of a centralised support function that provides specialised services across several disciplines to the rest of the Group, including human resources, finance and payroll, information technology and communication, legal services and the board of directors.

## NOTES TO THE FINANCIAL STATEMENTS

### 7. SEGMENT INFORMATION (continued)

These classifications are in accordance with AASB 8 guidelines.

Management primarily uses a measure of statutory net (loss)/profit before income tax to assess the performance of the operating segments. However, management also receives financial information about segment revenue, EBITDA, interest expense, assets and liabilities on a monthly basis.

	Chartering US\$'000	Other US\$'000	Total US\$'000
FOR THE YEAR ENDED 30 JUNE 2024			
Revenue	34,918	25	34,943
Depreciation and amortisation expenses	(4,136)	(291)	(4,427)
Net finance costs	(171)	(1)	(172)
Loss from continuing operations before income tax	1,758	(2,570)	(812)
Total segment assets	40,895	1,293	42,188
Total segment liabilities	4,867	258	5,125

FOR THE YEAR ENDED 30 JUNE 2023			
Revenue	38,619	36	38,655
Depreciation and amortisation expenses	(10,235)	(343)	(10,578)
Net finance costs	(222)	-	(222)
Loss from continuing operations before income tax	(12,826)	(2,293)	(15,119)
Total segment assets	41,893	3,789	45,682
Total segment liabilities	7,410	415	7,825

Revenue of approximately US\$31.6 million were derived from six external customers of the chartering segment, which individually account for greater than 8.0% of total revenue (FY2023: revenue of approximately US\$34.2 million from four external customers, which individually account for greater than 10.0% of total revenue).

#### Geographical information

Wellard operates in several geographical locations around the world, spanning multiple continents for sale of space on the Group's vessels.

External revenue based on the origin country of sale are as follows:

	Australia US\$'000	Singapore US\$'000	Brazil US\$'000	Total US\$'000
FOR THE YEARS ENDED 30 JUNE				
2024	13	34,930	-	34,943
2023	5	38,630	20	38,655

The non-current assets of the Group are located across the following countries:

	Australia US\$'000	Singapore US\$'000	Total US\$'000
AS AT 30 JUNE			
2024	629	18,481	19,110
2023	916	33,818	34,734



## NOTES TO THE FINANCIAL STATEMENTS

### 8. TAXATION

#### INCOME TAX EXPENSE

	2024 US\$'000	2023 US\$'000
FOR THE YEARS ENDED 30 JUNE		
INCOME TAX EXPENSE		
Income tax expense comprises:		
Current tax	4	11
Under provision for income tax in prior years	(1)	357
Income tax expense reported during the year	3	368
Income tax expense is attributable to:		
Continuing operations	3	368
	3	368

#### NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACE TAX PAYABLE

	2024 US\$'000	2023 US\$'000
FOR THE YEARS ENDED 30 JUNE		
Loss from continuing operations before income tax	(812)	(15,119)
Tax at the Australian tax rate of 30% (2023: 30%)	(244)	(4,536)
Add/(deduct) the effect of other assessable items		
Attributable foreign income	291	363
Exempt foreign shipping activities	(938)	895
Current year losses and temporary differences not recognised	417	321
Income not subject to tax	(50)	(43)
Statutory stepped income exemption	(5)	(11)
Expenses not deductible for tax purposes	760	1,347
(Over)/under provision for income tax in prior years	(1)	357
Total other assessable items	230	(1,307)
Add/(less) the effect of other non-assessable items		
Effect of different tax rates in other countries	(227)	1,675
Total other non-assessable items	(227)	1,675
Income tax expense reported during the year	3	368

At the reporting date, the Group has unused tax losses of US\$46.5 million (FY2023: US\$46.2 million) and capital losses of US\$11.1 million (FY2023: US\$10.9 million) available for offset against future profits. No deferred tax asset has been recognised as it is not probable that future taxable profits will be available against which the Group can use the benefits therefrom. The tax losses do not expire under current tax legislation but are subject to the satisfaction of loss utilisation rules.

## NOTES TO THE FINANCIAL STATEMENTS

### 9. LOSS PER SHARE

FOR THE YEARS ENDED 30 JUNE		2024	2023
BASIC LOSS PER SHARE			
From continuing operations attributable to the ordinary equity holders of the Company	US\$ cents	(0.15)	(2.92)
DILUTED LOSS PER SHARE			
From continuing operations attributable to the ordinary equity holders of the Company	US\$ cents	(0.15)	(2.92)
WEIGHTED AVERAGE ORDINARY SHARES			
Weighted average number of ordinary shares used as the denominator	number	531,250,312	531,250,312

### 10. CASH AND CASH EQUIVALENTS

AS AT 30 JUNE	2024 US\$'000	2023 US\$'000
Cash at bank and in hand	8,782	7,420
	<b>8,782</b>	<b>7,420</b>

Cash at bank earns interest at floating rates based on daily bank deposit rates.

### 11. LOANS AND BORROWINGS

AS AT 30 JUNE	2024 US\$'000	2023 US\$'000
CURRENT		
Un-secured		
Lease liabilities (i)	195	106
Other loans (ii)	-	2,439
Total Current Loans and Borrowings	<b>195</b>	<b>2,545</b>
NON-CURRENT		
Un-secured		
Lease liabilities (i)	76	43
Total Non-current Loans and Borrowings	<b>76</b>	<b>43</b>
<b>Total Loans and Borrowings</b>	<b>271</b>	<b>2,588</b>

For bank loans and borrowings, the fair values are not materially different from their carrying amounts since the interest payable on the loans and borrowings are close to the current market rates.

## NOTES TO THE FINANCIAL STATEMENTS

### 11. LOANS AND BORROWINGS (continued)

#### (i) Lease liabilities

##### Un-secured

In 2023, the Group renegotiated and modified an existing lease contract for office building by extending the lease term at revised lease payments. As this extension is not part of the terms and conditions of the original lease contract, it is accounted for as a lease modification with an addition to the right-of-use assets.

In 2024, the Group renegotiated the short term lease for accommodation for a further 24 months with effect from 1 February 2024. As this extension is more than 12 months, it was recognised as right-of-use asset in this financial year.

#### (ii) Other loans

Other loans represent a bunker facility from United Overseas Bank Limited, Singapore.

AS AT 30 JUNE	Currency	Financial year of maturity	2024 US\$'000	2023 US\$'000
LOANS AND BORROWINGS				
Un-secured				
Lease liabilities	SGD	2026	228	88
Lease liabilities	A\$	2026	43	61
Other loans	US\$	2024	-	2,439
			<b>271</b>	<b>2,588</b>

The maturity profile of principal repayments is set out in Note 17(C).

### 12. INVENTORIES

AS AT 30 JUNE	2024 US\$'000	2023 US\$'000
Raw materials	1,481	1,210
	<b>1,481</b>	<b>1,210</b>

Inventories are reported at the lower of cost and net realisable value. During the year, inventory was written down by a value of US\$31,120 (FY2023: Nil).

### 13. TRADE AND OTHER RECEIVABLES

AS AT 30 JUNE	2024 US\$'000	2023 US\$'000
CURRENT		
Trade receivables	352	979
Allowance for impairment loss	(306)	(306)
Other receivables	153	301
	<b>199</b>	<b>974</b>

Trade and other receivables are non-interest bearing and are on various terms depending on the market. Charter customers are generally required to pay a deposit on signing of the booking note, and the balance payable before delivery of the vessel or provision of the Bill of Lading. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired in excess of expected credit losses.



## NOTES TO THE FINANCIAL STATEMENTS

### 13. TRADE AND OTHER RECEIVABLES (continued)

Due to the short-term nature of trade and other receivables, their carrying amount approximates fair value less expected credit losses.

The ageing analysis of these trade receivables is as follows:

	2024 US\$'000	2023 US\$'000
AS AT 30 JUNE		
0 to 3 months	210	619
3 to 6 months	94	5
Over 6 months	48	355
	<b>352</b>	<b>979</b>

Information on the Group's credit risk is disclosed in Note 17(B).

### 14. OTHER ASSETS

	2024 US\$'000	2023 US\$'000
AS AT 30 JUNE		
CURRENT		
Prepayments	210	705
	<b>210</b>	<b>705</b>
NON-CURRENT		
Deposits	21	64
	<b>21</b>	<b>64</b>

### 15. ASSETS HELD FOR SALE

	2024 US\$'000	2023 US\$'000
AS AT 30 JUNE		
ASSET HELD FOR SALE		
Plant and equipment – Vessel	11,780	-
	<b>11,780</b>	<b>-</b>

#### Vessel held for sale

The sale of the vessel. MV Ocean Ute was announced to the ASX on 1 July 2024, Wellard signed a binding contract to sell the MV Ocean Ute, for US\$12.0 million. In accordance with *AASB 5 Non-current Assets Held for Sale and Discontinued Operations* a reversal of impairment loss of US\$276 thousand was recognised in the 2024 financial year to write down the asset to its fair value less costs to sell.

The vessel will be purchased by Marshall Islands registered company, Bassem Dabbah Shipping Inc.

The sale of the vessel is expected to complete in September 2024.

## NOTES TO THE FINANCIAL STATEMENTS

### 16. TRADE AND OTHER PAYABLES

AS AT 30 JUNE	2024 US\$'000	2023 US\$'000
CURRENT		
Trade payables	2,013	2,756
Sundry payables and accrued expenses	831	957
	<b>2,844</b>	<b>3,713</b>

Trade and other payables are non-interest bearing.

### 17. FINANCIAL RISK MANAGEMENT

Like all companies, Wellard is subject to a range of risks associated with its activity which could, in isolation or in combination, if they eventuate, have a material adverse impact on Wellard's business, results of operations, financial condition, financial performance, prospects and share price. To carry out its business and achieve its objectives, Wellard needs to take risks but tries to do so by identifying, assessing, responding and monitoring them to ensure the Group's long-term success.

Wellard's financial risk management objective is to minimise the potential adverse effects on financial performance arising from changes in financial risk. Financial risks are managed centrally by Wellard's finance team under the direction of the Directors and the Board's Audit, Risk and Compliance Committee. The finance team regularly monitors Wellard's exposure to any of these financial risks and where practicable, takes steps to mitigate or manage certain risks. While mitigation steps are taken, these steps will not remove the risk but are aimed at reducing its impact in the short and long term.

This section provides qualitative and quantitative disclosure on the effects that those risks may have on the Group.

#### A) MARKET RISK

##### i) Chartering

Wellard is exposed to fluctuations in market freight rates in respect of vessels trading on the spot market. Particularly, when chartering out vessels, the freight rates may be too low to ensure an adequate return or to cover costs. The following risk management strategies are applied: (i) the vessels trade on a worldwide basis to reduce the effect of different regional market conditions. (ii) Wellard pursues long-standing relationships of trust with its customers and tries to adapt its chartering policy to their requirements in order to support reciprocal and continuous value creation.

##### ii) Commodity price risk

##### *Fuel*

Wellard is exposed to commodity price volatility for the fuel required to operate its fleet of vessels. Wellard management monitors the market and, when appropriate, can manage this risk with commodity swaps and physical hedge to partially hedge its exposure to fuel price volatility.

##### iii) Foreign exchange risk

Wellard's exposure to currency risk is minimal as most of the sales and purchases transactions are denominated in United States Dollars ("US\$"). The Group monitors its exposure to currency risk on a regular basis and may enter into short-term forward exchange contracts to manage the exposure.

##### iv) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial asset or financial liability will change as a result of changes in market interest rates. Wellard's exposure to market interest rate risk relates primarily to its loans and borrowings.

Changes to interest rates will affect borrowings which bear interest at a floating rate. Any increase in interest rates will affect Wellard's cost of servicing these borrowings which may adversely affect its financial position.

## NOTES TO THE FINANCIAL STATEMENTS

### 17. FINANCIAL RISK MANAGEMENT (continued)

#### A) MARKET RISK (continued)

##### iv) Interest rate risk

Wellard's net interest rate exposure does not have a significant effect on the result; therefore, Wellard does not enter into interest rate swaps on debt instruments subject to floating interest rates. Lease liabilities carry interest at their fixed rates.

##### *Sensitivity:*

The exposure of Wellard's borrowings to variable interest rate changes at the end of the reporting period are as follows:

	2024	2023
AS AT 30 JUNE	US\$'000	US\$'000
Loans and borrowings	-	2,439
	-	2,439

Based on Wellard's variable borrowings a change of 10 basis points (0.1%) in interest rates, with all other variables held constant, would increase/(decrease) profit before taxation and equity as follows:

	2024	2023
FOR THE YEARS ENDED 30 JUNE	US\$'000	US\$'000
+0.1%	-	2
-0.1%	-	(2)

#### B) CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to Wellard. Wellard is exposed to some counterparty credit risk arising from its operating activities, primarily from trade receivables. The ageing of these receivables is as follows:

	2024	2023
AS AT 30 JUNE	US\$'000	US\$'000
0 to 3 months	210	619
3 to 6 months	94	5
Over 6 months	48	355
	352	979

The risk of non-payment by customers is an inherent risk of Wellard's business, due to sales typically involving individual high-value shipments. Wellard seeks to mitigate the impact of this risk by building long-term relationships with its customers, obtaining partial payment before loading, requiring letters of credit to partially secure payment in a number of jurisdictions and through a systematic credit assessment of counterparties and regular monitoring of their creditworthiness.

Each analysis results in an internal rating, which is subsequently used for determining the allowed scope of the commitment. The internal ratings are based both on a financial and a non-financial assessment of the counterparty's profile. In addition, trade receivable balances are monitored on a fortnightly basis by management.

Owing to the nature of long-term client relationships which relies on a shared commitment to continuing trade and future growth there has historically been a low number of debtor impairment provisions and bad debts expressed as a percentage of revenue. The timing of customer payments for shipments and the requirement to pay a deposit mitigates the risk of large debtor impairments.



## NOTES TO THE FINANCIAL STATEMENTS

### 17. FINANCIAL RISK MANAGEMENT (continued)

#### B) CREDIT RISK (continued)

Set out below is a summary of the concentration of receivables by currency:

	2024 US\$'000	2023 US\$'000
AS AT 30 JUNE		
United States dollar	352	927
Australian dollar	-	52
	<b>352</b>	<b>979</b>

Movements in the provision for impairment of trade receivables that are assessed for impairment collectively are as follows:

	2024 US\$'000	2023 US\$'000
FOR THE YEARS ENDED 30 JUNE		
Opening balance	306	-
Allowance for impairment recognised during the year	-	306
Closing balance	<b>306</b>	<b>306</b>

#### *Impaired trade receivables*

The impairment of the Group's financial assets that are subject to credit losses where the expected credit loss model has been applied is not material.

To measure the expected credit losses, the Company has applied the simplified approach to measure the lifetime expected credit losses for trade receivables using a provision matrix, estimated based on the Group's historical credit loss experience, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. The Group has identified the Gross Domestic Product ("GDP") of the countries in which it operates to be the most relevant factors.

Receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in the consolidated statement of comprehensive income.

#### *Amounts recognised in profit or loss*

During the year, the following losses were recognised in profit or loss in relation to impaired receivables:

	2024 US\$'000	2023 US\$'000
FOR THE YEARS ENDED 30 JUNE		
IMPAIRMENT LOSSES		
Individually impaired trade receivables	-	306
	<b>-</b>	<b>306</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 17. FINANCIAL RISK MANAGEMENT (continued)

#### C) LIQUIDITY RISK

Liquidity risk arises from Wellard's financial liabilities and the subsequent ability to repay the financial liabilities as and when they fall due.

In particular, Wellard's chartering activity is exposed to liquidity risk due to its exposure to the spot market. Freight rates earned might not be sufficient to cover its operating costs, required investments and financial commitments, leading to a reduction in cash balances.

As part of its financial planning process, Wellard manages the liquidity risk through an appropriate financial planning and liquidity risk management which are regularly reviewed and updated. Prudent liquidity risk management implies maintaining sufficient availability of funding through an adequate amount of cash and committed credit facilities to meet Wellard's financial obligations.

Wellard manages its liquidity risk by monitoring and forecasting the total cash inflows and outflows expected on a fortnightly basis. The forecast includes projections of cash outflows from overhead and supplier payments, interest obligations, the repayment of debt facilities and capital expenditure when they fall due.

#### *Maturities of financial liabilities*

The following tables detail for the years 2024 and 2023, respectively, Wellard's prospective cashflows for its financing liabilities based on contractual repayment terms. The tables have been drawn up on the basis of undiscounted cash flows on the earliest date in which Wellard can be required to pay.

FOR THE YEAR ENDED 30 JUNE 2024	<6 MONTHS US\$'000	6-12 MONTHS US\$'000	1-2 YEARS US\$'000	2-5 YEARS US\$'000	TOTAL US\$'000	CARRYING AMOUNT US\$'000
Non-interest bearing	2,844	-	-	-	2,844	2,844
Fixed rate	149	61	78	-	288	271
Variable rate	-	-	-	-	-	-
	<b>2,993</b>	<b>61</b>	<b>78</b>	<b>-</b>	<b>3,132</b>	<b>3,115</b>

FOR THE YEAR ENDED 30 JUNE 2023	<6 months US\$'000	6-12 months US\$'000	1-2 years US\$'000	2-5 years US\$'000	TOTAL US\$'000	Carrying amount US\$'000
Non-interest bearing	3,713	-	-	-	3,713	3,713
Fixed rate	99	12	22	23	156	149
Variable rate	2,468	-	-	-	2,468	2,439
	<b>6,280</b>	<b>12</b>	<b>22</b>	<b>23</b>	<b>6,337</b>	<b>6,301</b>

#### *Working capital facility*

Wellard's working capital facilities include bunker trade finance facility with United Overseas Bank Limited (UOB) with a limit of US\$4.0 million and credit card facility of S\$0.2 million.

## NOTES TO THE FINANCIAL STATEMENTS

### 17. FINANCIAL RISK MANAGEMENT (continued)

#### D) CAPITAL MANAGEMENT

Wellard's objectives in managing capital are to:

- safeguard Wellard's ability to continue as a going concern, so to provide returns for shareholders and benefits for other stakeholders;
- ensuring a satisfactory return is made on any new capital invested; and
- maintain an optimal capital structure to reduce the cost of capital.

Capital is defined as the combination of shareholders' equity, reserves and net debt. The Board is responsible for monitoring and approving the capital management framework within which management operates.

Wellard manages its capital through various means, including:

- raising or returning capital;
- raising or repaying debt for working capital requirements, capital expenditure and acquisitions; and
- adjusting the amount of ordinary dividends paid to shareholders

### 18. PROPERTY, PLANT AND EQUIPMENT

AS AT 30 JUNE 2024	IMPROVEMENTS US\$'000	PLANT AND EQUIPMENT US\$'000	RIGHT-OF- USE ASSETS US\$'000	TOTAL US\$'000
Opening net book amount	23	33,649	158	33,830
Additions	-	3	344	347
Foreign exchange revaluation	-	-	(1)	(1)
Depreciation expense	(23)	(3,899)	(238)	(4,160)
Reversal of impairment loss	-	276	-	276
Transfer to asset held for sale	-	(11,780)	-	(11,780)
Closing balance	-	18,249	263	18,512
Cost	536	75,678	1,492	77,706
Accumulated depreciation and impairments	(536)	(57,429)	(1,229)	(59,194)
Closing balance	-	18,249	263	18,512

AS AT 30 JUNE 2023	IMPROVEMENTS US\$'000	PLANT AND EQUIPMENT US\$'000	RIGHT-OF- USE ASSETS US\$'000	TOTAL US\$'000
Opening net book amount	81	37,886	2,780	40,747
Additions	2	3,247	137	3,386
Disposals	-	(1)	-	(1)
Foreign exchange revaluation	(1)	(1)	(1)	(3)
Depreciation expense	(59)	(7,482)	(2,758)	(10,299)
Closing balance	23	33,649	158	33,830
Cost	536	107,285	1,160	108,981
Accumulated depreciation and impairments	(513)	(73,636)	(1,002)	(75,151)
Closing balance	23	33,649	158	33,830

## NOTES TO THE FINANCIAL STATEMENTS

### 18. PROPERTY, PLANT AND EQUIPMENT (continued)

- A) The M/V Ocean Drover is operated by the Company under a long-term bareboat charter agreement (BBC), which runs until 30 June 2032 and allows Wellard full access to offer the M/V Ocean Drover to customers for the transport of livestock. The BBC is part of a standard hire-purchase style financing arrangement with Ruchira Ships Limited (Ruchira), and includes a Memorandum of Agreement (MoA) in which Ruchira was legally obliged to redeliver the vessel to Wellard on 1 September 2023.

Ruchira included the M/V Ocean Drover in a package of secured assets under its own arrangements with its lending bank, United Overseas Bank Limited (UOB). UOB has placed two registered mortgages on the M/V Ocean Drover, which must be discharged or compromised or lifted by court order before the Vessel can be delivered to Wellard by Ruchira in accordance with its legal obligations under the MoA.

Wellard has mitigated this position by putting a long-term BBC in place, which lasts until 30 June 2032, preserving Wellard's legal right to operate the vessel until 2032 at no additional cost. There are no further charter hire payments to be made to Ruchira/KPMG under the BBC.

In February 2024, UOB appointed KPMG Services (Singapore) as liquidators to Ruchira, with Wellard continuing to assert its legal rights to receive the unencumbered redelivery of the vessel's title and actively negotiating with KPMG to resolve the matter.

At the time this report is issued, Wellard continues to engage productively with KPMG (Singapore) as the liquidators of Ruchira Ships Limited (In Liquidation) ("Ruchira"), the registered owner of the vessel, to seek a commercial resolution that will result in the return to Wellard of full, unencumbered legal title to the Drover.

However, there is a risk that Wellard will not be able to satisfactorily complete commercial negotiations with KPMG in a manner which will allow UOB to clear the mortgages on the M/V Ocean Drover. In such circumstances, the redelivery of full legal title to the M/V Ocean Drover to Wellard will be delayed or potentially prevented. Wellard does not have full visibility of the debt position between Ruchira and its bank. It is possible that KPMG may challenge the continuation of Wellard's BBC and/or MoA.

The consequences of not receiving full legal title to the vessel include that the Company cannot refinance or offer the vessel for sale.

- B) Leased assets – The Group as a lessee

- (i) Nature of the Group's leasing activities

#### *Property*

The Group leases office space for the purpose of back office operations and apartment for employee's accommodation.

#### *Equipment and vessel*

The Group leases office equipment for back office operation and vessel to render chartering services.

- (ii) Carrying amounts

The balance sheet shows the following amounts relating to leases:

	2024 US\$'000	2023 US\$'000
Assets classified within Right-of-Use Assets		
Property	263	154
Equipment	-	4
	<b>263</b>	<b>158</b>
Lease liabilities		
Current	195	106
Non-current	76	43
	<b>271</b>	<b>149</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 18. PROPERTY, PLANT AND EQUIPMENT (continued)

(iii) Depreciation during the year

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	2024 US\$'000	2023 US\$'000
Depreciation charge of right-of-use assets		
Property	235	208
Equipment	3	5
Vessels	-	2,543
Motor Vehicle	-	2
	<b>238</b>	<b>2,758</b>

- (iv) Interest expense on lease liabilities during the financial year 2024 was US\$18,651 (2023: US\$125,365)  
(v) Lease expense not capitalised in lease liabilities – short-term leases was US\$48,305 (2023: US\$86,615).  
(vi) Total cash outflow for all the leases during the financial year 2024 was US\$241,301 (2023: US\$3,037,480).  
(vii) Additions of Right-of-use assets during the financial year 2024 was US\$343,867 (2023: US\$136,914).

### 19. INTANGIBLE ASSETS

AS AT 30 JUNE 2024	SOFTWARE US\$'000	TOTAL US\$'000
Opening net book amount	840	840
Foreign exchange revaluation	4	4
Amortisation expense	(267)	(267)
Closing balance	<b>577</b>	<b>577</b>
Cost	2,704	2,704
Accumulated amortisation	(2,127)	(2,127)
Closing balance	<b>577</b>	<b>577</b>

AS AT 30 JUNE 2023	SOFTWARE US\$'000	TOTAL US\$'000
Opening net book amount	1,158	1,158
Foreign exchange revaluation	(39)	(39)
Amortisation expense	(279)	(279)
Closing balance	<b>840</b>	<b>840</b>
Cost	2,677	2,677
Accumulated amortisation	(1,837)	(1,837)
Closing balance	<b>840</b>	<b>840</b>

Software consists of amounts spent on the implementation and maintenance of an enterprise resource planning system in use since May 2016. Software is amortised over ten years.

## NOTES TO THE FINANCIAL STATEMENTS

### 20. PROVISIONS

AS AT 30 JUNE	2024 US\$'000	2023 US\$'000
<b>CURRENT</b>		
Employee entitlements	10	55
	<b>10</b>	<b>55</b>
<b>NON-CURRENT</b>		
Employee entitlements	-	29
	<b>-</b>	<b>29</b>

A provision has been recognised for employee entitlements related to annual and long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. This is discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. A provision of US\$9,585 (2023: US\$54,863) is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations.

### 21. ISSUED CAPITAL

The Company's share capital comprises fully paid-up 531,250,312 (2023: 531,250,312) ordinary shares with no par value, amounting to a total US\$412,258,944 (2023: US\$412,258,944). Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

No shares were issued during the financial year 2024.

### 22. COMMITMENTS

There was no significant capital commitment contracted and not recognised as liabilities at the end of the reporting period.

### 23. SIGNIFICANT ITEMS

There are no other significant items to be disclosed for the financial year ended 30 June 2024.

### 24. AUDITOR'S REMUNERATION

FOR THE YEARS ENDED 30 JUNE	2024 US\$'000	2023 US\$'000
Fees in respect of the audit of the consolidated and parent company financial statements	114	110
Other audit fees, principally in respect of audits of accounts of subsidiaries in Singapore	18	18
Other assurance services	4	4
<b>Total auditor's remuneration</b>	<b>136</b>	<b>132</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 25. CONTROLLED ENTITIES

#### (a) Subsidiaries

Subsidiaries are entities controlled by Wellard Limited. Wellard Limited controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The financial statements of subsidiaries are included in the consolidated financial report from the date that control commences until the date that control ceases.

Interests held in controlled entities is set out below:

	COUNTRY OF INCORPORATION	2024 %	2023 %
PARENT ENTITY			
Wellard Limited	Australia		
SUBSIDIARIES OF WELLARD LIMITED			
Wellard Rural Exports Pty Ltd	Australia	100	100
Wellard NZ Ltd <sup>1</sup>	New Zealand	100	100
Wellard Singapore Pte Ltd	Singapore	100	100
Wellard Ships Pte Ltd	Singapore	100	100
Ocean Drover Pte Ltd	Singapore	100	100
Niuyang Express Pte Ltd	Singapore	100	100
Wellard do Brasil Agronegocios Ltda	Brazil	100	100
Wellard Uruguay S.A.	Uruguay	100	100
Best Hayvancilik Sanayi Ticaret AŞ	Türkiye	100	100

Notes:

1. Wellard NZ Ltd was deregistered on 15 July 2024.

### 26. RELATED PARTY TRANSACTIONS

All transactions with related parties are recorded on an arms-length basis at commercial terms and conditions.

#### (a) Subsidiaries

Interests in subsidiaries are set out in Note 25(a).

#### (b) Key management personnel compensation

	2024 US\$'000	2023 US\$'000
FOR THE YEARS ENDED 30 JUNE		
Short-term benefits	877	940
Long-term benefits	62	25
Post-employment benefits	31	30
Termination benefits	167	-
	<b>1,137</b>	<b>995</b>

Detailed remuneration disclosures are available in the Remuneration Report on page 37.

## NOTES TO THE FINANCIAL STATEMENTS

### 26. RELATED PARTY TRANSACTIONS (continued)

#### (c) Transactions with other related parties

	2024 US\$'000	2023 US\$'000
FOR THE YEARS ENDED 30 JUNE		
ENTITIES CONTROLLED BY KEY MANAGEMENT PERSONNEL		
Technical shipping consultancy service rendered	-	2

#### (d) Outstanding balance from services rendered from related parties

As at 30 June 2024, there was no outstanding balance from services rendered from related parties (2023: Nil).

### 27. PARENT ENTITY

#### (a) Summary financial information

The individual financial statements for the parent entity (Wellard Limited) show the following aggregate amounts in Australian Dollars:

	2024 A\$'000	2023 A\$'000
AS AT 30 JUNE		
NET ASSETS		
Current assets	1,498	4,150
Total assets	9,754	12,849
Current liabilities	(640)	(310)
Total liabilities	(674)	(419)
Net assets	9,080	12,430
FOR THE YEARS ENDED 30 JUNE		
EQUITY		
Issued capital	581,656	581,656
Share issue costs capitalised	(9,525)	(9,525)
Share-based payment reserve	18,014	18,014
Accumulated losses	(581,065)	(577,715)
Total equity	9,080	12,430
Loss for the period	3,350	3,569
Total comprehensive loss	3,350	3,569

#### (b) Guarantees provided by the parent entity

At 30 June 2024, the parent entity had provided guarantees to support the banking facilities in Singapore and borrowings set out in Note 11.

#### (c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2024 (30 June 2023: Nil).



## NOTES TO THE FINANCIAL STATEMENTS

### 27. PARENT ENTITY (continued)

(d) Contractual commitments for the acquisition of property, plant and equipment  
None.

(e) Determining the parent entity's financial information

The financial information of the parent entity has been prepared on the same basis as the consolidated financial statements. The current subsidiaries information can be found in Note 25.

### 28. RESERVES

AS AT 30 JUNE	COMMON CONTROL US\$'000	SHARE BASED PAYMENTS US\$'000	FOREIGN CURRENCY TRANSLATION US\$'000	TOTAL US\$'000
2024				
Opening balance	(295,768)	12,963	5,679	(277,126)
Current year movements	-	-	21	21
Closing balance	(295,768)	12,963	5,700	(277,105)
2023				
Opening balance	(295,768)	12,963	5,857	(276,948)
Current year movements	-	-	(178)	(178)
Closing balance	(295,768)	12,963	5,679	(277,126)

#### Common control reserve

The acquisition of all subsidiaries as part of the Group Restructure Event gives rise to the common control reserve. Common control reserve is the difference between the purchase consideration and the carrying value of the net assets acquired is recorded directly in equity in a separate reserve.

#### Foreign currency reserve

Exchange differences arising on translation of the foreign-controlled entity are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed.

#### Share-based payments

Share-based payments represent the cumulative value of employee services received for the issue of share options. When the option is exercised, the amount from the share-based payments reserve is transferred to share capital. When the share options expire, the amount from the share-based payment reserve is transferred to retained earnings.

### 29. ACCUMULATED LOSSES

AS AT 30 JUNE	2024 US\$'000	2023 US\$'000
Opening balance	(97,276)	(81,789)
Net loss for the year	(815)	(15,487)
Closing balance	(98,091)	(97,276)

## NOTES TO THE FINANCIAL STATEMENTS

### 30. SUBSEQUENT EVENTS

Other than matters after 30 June 2024 disclosed in Note 18(A), there are no other significant events that have occurred after balance sheet date.

### 31. CONTINGENT ASSETS/LIABILITIES

#### (a) SHAREHOLDER CLASS ACTION

As advised to ASX on 18 December 2023, following pre-trial mediation, Wellard Limited executed a Deed of Settlement fully and finally resolving the Shareholder class action against the Company, originally announced 10 March 2020. The total settlement amount was agreed at A\$23 million, payment of which will have now been fully met from available insurance proceeds in FY2024. The settlement was reached without any admission of liability on the part of the Company. Federal Court approval was duly received and all payments have been made.

No contingent liability was previously raised in respect of this matter.

#### (b) CLAIM AGAINST THE AUSTRALIAN FEDERAL GOVERNMENT RE 2011 INDONESIAN CATTLE BAN

Wellard remains active in preparing a legal claim relating to losses incurred due to the 2011 ban on Australian livestock exports to the Republic of Indonesia. On 2 June 2020, the Federal Court of Australia found in favour of the lead applicant, Brett Cattle Company Pty Limited in representative proceedings (also known as a 'class action') before the Federal Court brought against the former Minister for Agriculture, Forestry and Fisheries Senator Joe Ludwig and the Commonwealth of Australia as the Respondents. Wellard's claim for damages is being made following this successful litigation brought by the Brett Cattle Company.

Progress on this matter remains slow for Wellard and all other Class members. The Federal Court has ordered the parties to proceed concurrently by way of both mediation and Court process to resolve various foundational issues that remain in dispute. The concurrent processes are being undertaken in an attempt to assist the parties reach a global settlement sum and to prevent unnecessary delay.

The parties continue to work towards a resolution. Wellard cannot reliably anticipate the outcome of its legal claim at the date of this report. It remains too early to make any estimate of the amount which may be recovered by Wellard. No contingency has been raised in these accounts in respect of this class action.

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF WELLARD LIMITED****Report on the Audit of the Financial Report****Opinion**

We have audited the financial report of Wellard Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies, the consolidated entity disclosure statement and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Group's financial position as at 30 June 2024 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

**Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence**

We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WELLARD LIMITED (CONTINUED)

### Key Audit Matters (continued)

Recognition of Revenue	
Refer to Note 2.A and Note 4 "Revenue from Contracts with Customers"	
<p>The Group's revenue is largely derived from the charter of vessels, including revenue generated from the sale of space on the Group's vessels for the carriage of cargo owned by third parties. Revenue is recognised over a period of time, determined using the time proportion method of each voyage, and is based on contracts which determine the services to be provided and rates to be charged.</p> <p>The accurate recording of revenue is highly dependent upon the following key factors;</p> <ul style="list-style-type: none"> <li>• Knowledge of the individual characteristics and status of contracts;</li> <li>• Management's invoicing process including; <ul style="list-style-type: none"> <li>– accurate measurement of services and provided each month</li> <li>– invoices prepared in compliance with contract terms such as services performed, cargo delivered and rates charged; and</li> </ul> </li> <li>• Compliance with contractual terms and an assessment of when the Group believes it is has complied with its performance obligations and thus is entitled to recognize the revenue.</li> </ul> <p>We focused on this matter as a key audit matter due to the significance of revenue to the Group combined with the need to comply with a variety of contractual conditions and to accurately measure the percentage of completion of each voyage, leading to judgmental and estimation risk associated with revenue recognition.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• We evaluated management's processes regarding occurrence, valuation and recording of the Group's contract revenues. We tested internal controls in relation to preparation and authorisation of monthly revenue invoices for compliance with the Group's accounting policies in relation to revenue;</li> <li>• We selected a sample of sales invoices raised during the year and performed the following procedures: <ul style="list-style-type: none"> <li>– agreed to contractual terms and rates</li> <li>– agreed to general ledger accounts and subsequent receipts from the customer</li> <li>– for variations or claims we checked they were in accordance with contract terms and evaluated for risk of non-recovery;</li> </ul> </li> <li>• We evaluated contract performance and the timing of revenue recognition during and subsequent to year end in order to test timing of revenue recognition and the accuracy of year end cut offs; and</li> <li>• Ensured appropriate disclosure in the financial statements of revenue policies and significant estimates and judgement applied.</li> </ul>

Ownership and Carrying value of Vessels	
Refer to Note 2.Y Impairment, Note 15 Asset Held for Sale and Note 18 Property, Plant and Equipment	
<p>At 30 June 2024, the Group had \$30.3 million of property, plant and equipment and assets held for sale, as disclosed in Notes 18 and 15 respectively.</p> <p>The asset held for sale, M/V Ocean Ute, is under a binding memorandum of agreement</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Verifying ownership of the two vessels and related Bare Boat Charter and repurchase arrangements.</li> <li>• Evaluating the Group's assessment of whether there were any indicators of asset impairment, by comparing market capitalisation to the net the asset value of the Group as at 30 June 2024,</li> </ul>



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WELLARD LIMITED (CONTINUED)

### Key Audit Matters (continued)

Ownership and Carrying value of Vessels	
Refer to Note 2.Y Impairment, Note 15 Asset Held for Sale and Note 18 Property, Plant and Equipment	
<p>signed by the Group for the sale of the vessel, with delivery expected to be completed in September 2024.</p> <p>The other vessel, M/V Ocean Drover, is subject to a bareboat charter financing arrangement until June 2032, which allows the Group full access to offer it to customers for the transport of livestock. The bareboat charter includes a Memorandum of Agreement (MoA) in which the third party was legally obliged to redeliver the vessel to the Group by 1 September 2023. However, the vessel has been included in a package of assets given as security by the third party under an arrangement with the third party's financiers. The third party has been unable to discharge the two registered mortgages over the vessel and has therefore been unable to meet its obligations under the MoA to redeliver legal title to the vessel to the Group. During the current year liquidators were appointed to the third party and, as a result, the redelivery of the legal title of the vessel to the Group has been prevented. The Group has mitigated this risk by putting the long-term bareboat charter in place, preserving the legal right to operate the vessel until 2032, and is now negotiating with the liquidator of the third party in order to agree an outcome that will result in the redelivery of legal title to the vessel to the Group.</p> <p>The Group considered whether there were any indicators of impairment for individual assets having regard to the performance of those assets as well as any adverse industry economic conditions.</p> <p>Accounting standards require the carrying value of assets tested for impairment to be compared to their recoverable amount. The Group estimated recoverable amounts for vessels by reference to external valuations performed by external parties</p>	<p>consideration of the utilisation, performance and results derived from operating the vessel fleet and consideration of any adverse economic conditions.</p> <ul style="list-style-type: none"> <li>• In relation to external valuations obtained from third parties we: <ul style="list-style-type: none"> <li>– evaluated the competence, experience and objectivity of the expert used;</li> <li>– evaluated the scope and appropriateness of the valuations obtained; and</li> <li>– assessed whether the valuations obtained were consistent with other audit evidence obtained, including management's value-in-use calculations.</li> </ul> </li> <li>• In relation to the accounting for the sale of M/V Ocean Ute, we have obtained and evaluated the binding contract relating to the sale of the vessel and have ensured the vessel has been appropriately classified in the accounts.</li> <li>• In relation to value-in-use calculations we assessed the significant estimates and assumptions used in the cash flow models including discount rates and residual values used, based on our knowledge of the business and the industry.</li> <li>• Regarding the bareboat charter arrangement for the M/V Ocean Drover, we have: <ul style="list-style-type: none"> <li>– Held multiple discussions with the directors regarding the current situation and the assets' accounting treatment;</li> <li>– Obtained legal correspondence and advice regarding Wellard's position up until audit sign off; and</li> <li>– assessed the appropriateness of the relevant disclosures included in the financial report.</li> </ul> </li> <li>• Assessing the appropriateness of the relevant disclosures included in Notes 2.Y, 15 &amp; 18 to the financial report.</li> </ul>

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WELLARD LIMITED (CONTINUED)

### Key Audit Matters (continued)

Ownership and Carrying value of Vessels	
<b>Refer to Note 2.Y Impairment, Note 15 Asset Held for Sale and Note 18 Property, Plant and Equipment</b>	
as well as through value-in-use models using discounted cashflow projections.	
This was a key audit matter because of the significance of the asset class to the Group and the significant judgement involved in considering impairment indicators and estimating the recoverable amounts of these assets, including determining the key assumptions supporting the expected future cash flows from these assets.	

### Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2024 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of:

- the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and;
- the consolidated entity disclosure statement that is true and correct in accordance with the *Corporation Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

- the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WELLARD LIMITED (CONTINUED)**

### **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. This description forms part of our auditor's report.

### **Report on the Remuneration Report**

#### **Opinion on the Remuneration Report**

We have audited the Remuneration Report as included in the directors' report for the year ended 30 June 2024.

In our opinion, the Remuneration Report of Wellard Limited, for the year ended 30 June 2024 complies with section 300A of the *Corporations Act 2001*.

#### **Responsibilities**

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



NEIL PACE  
PARTNER



MOORE AUSTRALIA AUDIT (WA)  
CHARTERED ACCOUNTANTS

Signed at Perth this 29<sup>th</sup> day of August 2024.





ASX  
ADDITIONAL  
INFORMATION



## ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The information is accurate as at 22 August 2024.

### SUBSTANTIAL SHAREHOLDERS

No.	Registered Shareholder	Number of shares held	% of all shares
1.	Hongkong Fulida International Trading Company Limited	130,094,894	24.49
2.	Bell Potter Nominees Ltd	83,950,729	15.80
3.	BNP Paribas Noms Pty Ltd	50,935,700	9.59
4.	One Managed Invst Funds Ltd	38,967,981	7.34

### SHARES ON ISSUE

The total number of shares on issue is 531,250,312 and these shares are held by a total of 790 registered shareholders.

### DISTRIBUTION OF SHAREHOLDING

The distribution of all shareholders is set out below.

Range	Total holders	Shares	% of all shareholders
1 - 1000	50	6,412	6.33
1001 - 5000	37	118,783	4.68
5001 – 10,000	42	336,575	5.32
10,001 – 100,000	472	17,453,632	59.75
100,001 and over	189	513,334,910	23.92
Total	790	531,250,312	100

### UNMARKETABLE PARCEL

The minimum parcel size at 22 August 2024 is per unit is 12,500 shares.

There are 168 shareholders that hold unmarketable parcels.

An “unmarketable parcel” is a parcel of shares that is worth less than A\$500.

## ASX ADDITIONAL INFORMATION

### TOP 20 SHAREHOLDERS

The top twenty registered shareholders of the Company are set out below.

No.	Shareholder	Number of shares held	% of all shares
1.	Hongkong Fulida International Trading Company Limited	130,094,894	24.49
2.	Bell Potter Nominees Ltd	83,950,729	15.80
3.	BNP Paribas Noms Pty Ltd	50,935,700	9.59
4.	One Managed Invst Funds Ltd	38,967,981	7.34
5.	Innovation Bloom Limited	36,881,588	6.94
6.	Vine Street Investments Pty Ltd	31,626,009	5.95
7.	One Fund Services Ltd	18,320,453	3.45
8.	Mr David Allan Dixon & Ms Catherine Louise Ramm	7,460,588	1.40
9.	Mr Zixiao Zhao	7,280,000	1.37
10.	Citicorp Nominees Pty Limited	6,255,042	1.18
11.	Mr Steven Boyd Taylor	5,937,097	1.12
12.	Hamsar Holdings Pty Ltd	4,417,100	0.83
13.	BNP Paribas Nominees Pty Ltd	3,577,767	0.67
14.	Brazil Farming Pty Ltd	3,500,000	0.66
15.	Dynamic Supplies Investments Pty Ltd	3,000,000	0.56
15.	Ms Xia Zhao	3,000,000	0.56
16.	Mr Ross Maxwell Hargreaves	2,250,000	0.42
17.	Mr Orlando Berardino Di Iulio & Ms Catharina Maria Koopman	2,185,489	0.41
18.	Mr Lei Wang	2,085,992	0.39
19.	Jastal Family Investments Pty Ltd	2,000,000	0.38
20.	Mr Feng Shi	1,835,723	0.35
<b>Total</b>		<b>445,562,152</b>	<b>83.87</b>
<b>Balance of Register</b>		<b>85,688,160</b>	<b>16.13</b>
<b>Grand Total</b>		<b>531,250,312</b>	<b>100</b>

### OPTIONS

The Company has no options on issue.

### VOTING RIGHTS

All ordinary shares (whether fully paid or not) carry one vote per share without restriction. There are no voting rights attaching to any convertible note. There is no other class of security in the Group.

## DIRECTORS

John Klepec  
Executive Chairman

John Stevenson  
Non-Executive Director

Kanda Lu  
Executive Director

Philip Clausius  
Non-Executive Director

## COMPANY SECRETARY

Michael Silbert

## AUDITORS

Moore Australia Audit (WA)

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Phone: +61 8 9225 5355  
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Website: [www.moore-australia.com.au](http://www.moore-australia.com.au)

## REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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135 High Street  
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Phone: +61 8 9432 2800  
Facsimile: +61 8 9432 2880  
Website: [www.wellard.com.au](http://www.wellard.com.au)

## SHARE REGISTRY

Link Market Services

Level 12, QVI Building  
250 St Georges Terrace  
Perth WA 6000

Phone: +61 1300 554 474 (toll free within Australia)  
General Shareholder Enquiries: +61 1300 554 474

Website: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

## SECURITIES EXCHANGE LISTING

Shares in Wellard Limited are listed on the Australian Securities Exchange (ASX: WLD).