Wellard Limited

ACN 607 708 190

Annual Report 2023

Wellard

CONTENTS

EXECUTIVE CHAIRMAN'S REPORT

MESSAGE FROM THE EXECUTIVE CHAIRMAN

John Klepec
Executive Chairman

To record a loss of US$15.5 million after three consecutive profitable financial years was disappointing for the Company and its shareholders. Unfortunately, the result wasn't surprising given the predicted very tough live export trading conditions all exporters, ship operators and importers experienced combined with some one-offs which exacerbated the loss (see the Company's previous Outlook statements in the FY2022 annual report, FY2023 Interim Result and May 2023 Market Update).

We are commencing FY2024 with a more promising charter book, and therefore growth outlook, than in previous years. This is largely due to the increased trading activity from South America to Turkiye, where two of our ships are positioned, and a decline in fuel prices. However, charter rates are still subdued and the increased acvitity we are currently experiencing has yet to translate into confirmed charters for Q2 FY2024.

So that provides some promise for FY2024 to recover from a disappointing FY2023.

Principally the FY2023 loss was caused by:

- A second year of depressed live cattle exports from Australia and South America that directly impacted both charter rates and number of voyages. Consequently, we scheduled longer times at anchor and completed some 'break-even' and sub-profitable voyages in H2 FY2023.
- The breakdown of the M/V Ocean Swagman's starboard engine and subsequent 87.5 days off-hire period with repair costs incurred in FY2023, and any insurance recovery from Hull & Machinery and Loss of Hire to be booked in FY2024.
- The cost of relocation of two ships to South America in June 2023.
- The ongoing oversupplied livestock shipping market keeping charter rates very low with an inability to pass on volatile or inflation-linked operating cost increases such as crew and marine fuel costs (noting that although spot fuel prices decreased throughout FY2023, total fuel spend increased in FY2023 when compared to FY2022).

At a macro level there were 611,324 cattle exported by sea from Wellard's principal market of Australia in FY2023, a number very similar to the 608,903 cattle shipped in FY2022, and therefore still at 10 year lows[1].

Even though the total size of the market remained relatively stable, the trend of smaller consignments became further entrenched, as feedlotters in Australia's largest live cattle export destination, Indonesia, continued to buy small consignments. This was for fear that an outbreak of Foot and Mouth Disease (FMD) or Lumpy Skin Disease (LSD) would be financially devastating if they held large numbers on-hand and which, if found to be subject to those diseases, would be euthanized; and because Australian cattle prices were materially higher than imported frozen Indian Buffalo Meat and Brazilian beef.

Illustrating this trend was that 10 voyages departed the Port of Darwin in June 2023, with an average consignment size of just 1,448 head. For context, this average consignment would take up less than one deck on the M/V Ocean Drover, leaving its remaining 8 decks empty. Or, alternatively, all the cattle on those 10 voyages would have fitted on a single M/V Ocean Drover voyage, with room to spare.

Wellard operates mid to large-sized carriers, so demand for these small shipment sizes has made trading conditions difficult for the Company.

To date, the recent fall in Australian live export feeder steer A$ prices – they were A$450 cents a kilogram liveweight at the start of FY2023[2] and most recent shipments have been at A$290-300c/kg has not prompted a change to Indonesia's cattle buying patterns. This is in contrast to previous years when a drop in live cattle prices would have stimulated a commensurate pick-up in volumes. 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.

[1] Total cattle exported from Australia: https://www.agriculture.gov.au/biosecurity-trade/export/controlled-goods/live-animals/live-animal-export-statistics/livestock-exports-by-market
[2] www.beefcentral.com price graphs

Despite the fall in Australian cattle prices, Indian Buffalo Meat and frozen Brazilian beef still remain cheaper for Indonesian consumers than freshly processed Australian cattle. Therefore, Indonesian importers remain reluctant to commit to large orders of Australian cattle or increase their importing capacity to previous levels. Producers will need to release cattle for export at prices that are competitive to stimulate feedlot demand.

For these reasons, in June 2023 Wellard relocated the large-sized M/V Ocean Drover, and subsequently the mid-sized M/V Ocean Swagman, to the reactivated South America to Turkiye trade.

This was part of a reasonably significant refocusing of the routes that Wellard vessels serviced in FY2023 to reflect the underlying market demand.

Fortunately fuel prices eased considerably in the second half of FY2023, albeit from record highs in late FY2022 and early FY2023. The fall in fuel prices has enabled Wellard to start to normalise its charter rates, whereas in late FY2022 and early FY2023 it was forced to absorb some of the high fuel prices rather than passing them onto customers.

Wellard ended the financial year with US$7.4 million cash and cash equivalents. Loans and borrowings amounted to just US$2.6 million (FY2022: US$7.7 million) and coupled with the US$7.4 million of cash at bank, once again resulting in a negative net debt (i.e. cash surplus) position of US$4.8 million.

Voyage success rates 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 99.95% success rate, this year from the 142,086 cattle that boarded our vessels.

Voyage success rates such as these are integral to the continued demand for Wellard vessels from live export companies.

Outlook

Our vessels are expected to be fully booked for Q1 FY2024. The level of inquiry currently being received for future charters is promising but has not yet translated into confirmed charters for Q2 FY2024.

The Company's cost of sales will be aided by the recent reduction in Very Low Sulphur Fuel Oil (VLSFO) prices.

As noted previously, the M/V Ocean Drover and M/V Ocean Swagman have been relocated to service the Brazil/Uruguay to Turkiye market. After the 2023 elections and the country's subsequent return to stability, the Turkish Government's release of new quotas for cattle to be imported in CY2023 to combat food inflation has stimulated this market, and most large AMSA-accredited and non-AMSA-accredited vessels are now employed on this route.

A decision on CY2024 Turkiye import quotas has not been announced.

With the M/V Ocean Drover and M/V Ocean Swagman operating in the Atlantic Ocean, the Company's smallest vessel, the M/V Ocean Ute, will service the three main markets Wellard has traditionally allocated its vessels to, breeder cattle to North Asia, feeder cattle to Indonesia and slaughter cattle to Vietnam.

The outlook for each of those markets indicates a continuation of present, challenging market conditions.

Trading conditions to Indonesia are likely to remain focused on small shipments, due to the aforementioned price competition from frozen Indian Buffalo Meat and Brazilian beef and the ongoing concern from Indonesian importers of the financial ramifications if their cattle were to contract either of Lumpy Skin Disease (LSD) and Foot and Mouth Disease (FMD). Notwithstanding a concerted campaign to vaccinate Australian cattle in Indonesian feedlots, which commenced in May 2022, in July 2023, Indonesian trade was disrupted following the detection of LSD in Australian cattle recently imported into Indonesia. Australia's Chief Veterinary Officer confirmed that Australia remains LSD free[3], however the Indonesian Agricultural Quarantine Agency (IAQA) has advised that it will not accept the importation of cattle prepared for export to Indonesia from four Registered Establishments until Australia conducts a surveillance and testing investigation for LSD to their satisfaction. At this time, Indonesia is continuing to accept cattle prepared at a further 28 Australian Registered Establishments approved by Indonesia. The situation remains fluid as testing and discussions between Australia and Indonesia will determine when the trade is fully recommenced.

[3] https://www.agriculture.gov.au/about/news/lsd-detection-in-cattle-exported-to-indonesia

The market has seen some charters for opportunistic consignments of slaughter cattle to Vietnam. There are competing supply/demand fundamentals in this market. End consumption remains depressed post-COVID, however, the inability of Queensland cattle producers to secure either a price or abattoir slots from local processors has provided exporters access to cattle and the ability to complete shipments with some profitability.

Wellard expects that this market will continue to ebb and flow in FY2024.

After a rush to secure New Zealand beef and dairy genetics before that Government's live export ban came into effect on 30 April 2023, China's demand for breeding cattle all but dried up immediately after the ban came into force. We expect charter demand for Wellard vessels to return to the Chinese market in the 2024.

Sheep voyages on Wellard vessels in FY2024 appear unlikely. The trade in sheep from Australia to the Middle East improved in FY2023, increasing by 34% from 464,664 shipped sheep in FY2022 to 620,558 sheep in FY2023.

Shipping activity on this route remains limited to vertically integrated sheep enterprises that own their own vessels.

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 negotiate the return of legal title of the vessel from financier, Ruchira Ships Limited (Ruchira), which holds legal title under a sale and leaseback financing structure. There are no further charter hire payments to be made to Ruchira under the BBC.

The Company is working hard in its negotiations with Ruchira and Ruchira's financier to secure transfer of unencumbered title back to Wellard.

M/V Ocean Swagman V148, Singapore Drydock, April 2023

Advocacy on shipping standards and livestock exporting

As a global leader in livestock shipping, Wellard continues to advocate to Australian and International regulators for improved global shipping standards.

Wellard remains engaged with various regulatory authorities to improve global standards but progress has been slow.

Wellard made a substantial submission to the Australian Federal Government's panel on its proposed phase out of live sheep exports from Australia, which was one of 4,100 submissions received. The panel has published an update on the consultation process on 27 July 2023, and Wellard's submission can be found online[4]. No final decision on implementation of its policy has been announced by Government.

[4] https://www.agriculture.gov.au/about/news/update-from-independent-panel-consulting-phase-out-live-sheep-exports

Fleet modernisation

Wellard has always prided itself on operating a modern, technologically advanced, shipping fleet, and the Company has been progressing studies and planning for new replacement livestock vessels, with a focus on animal welfare, engine efficiency, and reduced emissions.

Although modernisation of Wellard's shipping fleet remains important to the Company's directors, the lack of opportunities to fund new vessels, quoted high costs of new ship builds and the poor trading conditions has focused the Board's attention on the Company's shorter-term, operational and financial priorities. Improvements are made to our existing vessels regularly, particularly during their regular drydocks. These include the implementation of advanced energy management systems, to optimise energy consumption, reduce emissions, and improve overall efficiency (i.e. fuel system and lighting system upgrade), ventilation upgrade, and real-time cargo area monitoring to improve safety, security, and welfare during animal transportation (i.e. real-time monitoring of temperature, CO_2, and Ammonia).

Unmarketable share sale facility

On 15 May 2023, Wellard established an Unmarketable Parcel Sale Facility (Facility) for shareholders who hold less than A$500 worth of fully paid, ordinary shares in the Company (Shares), (Unmarketable Parcel).

The Company opened this facility to enable holders of unmarketable parcels to sell their Shares without having to act through a broker or incurring any brokerage or handling costs that would otherwise make a sale of their shares uneconomic or difficult, while at the same time assisting Wellard by reducing administrative costs, including printing and mailing costs and share registry expenses associated with maintaining a large number of Unmarketable Parcels.

It was conducted on an 'opt out' basis, whereby unmarketable parcels were automatically sold for the shareholder unless they elected to retain their shares by advising the Company by 30 June 2023.

Based on the price of Wellard shares at the close of trading on Friday, 12 May 2023 (Record Date) of A$0.048, a holding of less than 10,416 Shares constituted an Unmarketable Parcel, making 567 shareholders eligible to participate in the Facility.

The final number of shares sold under the Facility was 1,877,398 ordinary shares comprising 434 shareholders, which represents approximately 76.53% of eligible shareholders on 12 May 2023. The shares were sold on market by Euroz Hartleys at an average of A$0.044 per share.

Payment was dispatched to participating shareholders on 8 August 2023.

Conclusion

Finishing the Company's run of three profitable years to record a significant loss was disappointing, but not surprising given the tough trading conditions that Wellard endured, and sought to manage, throughout all of FY2023.

Wellard has been nimble in its response to limit the financial impact of those macro-conditions.

Trading conditions are improving as we enter FY2024, however the recent developments with Indonesian Government suspending livestock imports from four Australian facilities and stations due to positive Lumpy Skin Disease testing is a concern for that market.

Finally, Wellard's onshore team and on-vessel crew continue to work hard to achieve the best operational and financial results in their power, and it is important to acknowledge their hard work and dedication to those goals. The past year has been very difficult, but they have remained focused on achieving the best outcomes from the trading conditions they have been forced to contend with.

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

John Klepec
Executive Chairman

28 August 2023

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Provided below are the results for announcement to the market in accordance with Australian Securities Exchange (ASX) Listing Rule 4.2A 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 2023 (**FY2023**) compared with the year ended 30 June 2022 (**FY2022**).

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)**		2023	2022	Movement
Revenue		38,655	45,048	(14.2%)
Cost of Sales		(38,930)	(30,760)	26.5%
Gross (loss)/profit		**(275)**	**14,288**	**(101.9%)**
Other income[1]		-	12,023	(100.0%)
General and Administrative expenses		(3,850)	(4,643)	(17.1%)
Restructuring costs		-	(23)	(100.0%)
Other losses from chartering and trading activities		(306)	(3)	10100.0%
EBITDA[2]		**(4,431)**	**21,642**	**(120.5%)**
Other gains/(losses) from other activities		112	(394)	(128.5%)
Depreciation and amortisation expenses		(10,578)	(10,532)	0.4%
EBIT		**(14,897)**	**10,716**	**(239.0%)**
Net finance costs		(222)	(771)	(71.2%)
Income tax expense		(368)	(12)	2966.7%
(Loss)/profit from continuing operations after tax		**(15,487)**	**9,933**	**(255.9%)**
Profitability analysis				
Gross profit margin	%	(0.7)	31.8	(102.2%)
Operating Profit margin	%	(11.5)	48.0	(124.0%)
Net Profit margin	%	(40.1)	22.0	(282.3%)
Interest coverage[3]	Times	(20.0)	28.1	(171.2%)
Balance Sheet analysis				
Working capital	$'000	3,195	11,660	(72.6%)
Current ratio	Times	1.4	2.2	(36.4%)
Net tangible assets	$'000	37,017	52,364	(29.3%)
Net tangible assets per security	Cps	7.0	9.9	(29.3%)
Loans and borrowings	$'000	2,588	7,738	(66.6%)
Negative net debt[4]	$'000	(4,832)	(7,541)	(35.9%)
Debt to capital ratio[5]	%	6.4%	12.6%	(49.2%)
Ship loan to asset book value ratio	%	0%	13.6%	(100.0%)

[1] Other income refers to the arbitration award obtained in London against the Croatian Bank for Reconstruction and Development (Hrvatska banka za obnovu i razvitak, or "HBOR").
[2] EBITDA equals (loss)/profit from continuing operations before income tax, less depreciation and amortisation expenses, less net finance costs, less other gains/(losses) arising from other activities and less impairment expenses.
[3] Interest coverage equals EBITDA divided by net finance costs.
[4] 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.
[5] 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 of the year ended 30 June 2023 (2022: 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 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 and holds export licences to trade and ship live cattle and sheep on its own account.

LIVESTOCK LOGISTICS SERVICES:

Wellard’s predominant activity in FY2023 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 and/or controls a fleet of medium and large livestock transport vessels.

LIVESTOCK EXPORT:

Wellard retains its Australian livestock export licenses and capabilities but has reduced this activity since July 2019. When pursuing this business activity, Wellard sources livestock in markets where production is surplus to domestic requirements (including Australia, New Zealand, Chile, Brazil and Uruguay) and sells livestock to customer markets where demand exceeds local production (including Indonesia, Vietnam, the Middle East, Turkiye and China), utilising its own and third-party vessels.

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 all of FY2023, which extends the nil-nil result achieved in FY2022, and which the Company will seek to replicate in FY2024.

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

Of the 142,086 head of cattle loaded globally during the period, our vessels recorded a success rate of 99.95%.

No sheep were loaded in FY2023, as was the case in both FY2021 and FY2022.

Due to the continued difficult live export trading conditions for exporters and vessel charterers (more detail below), Wellard continued to focus on:

- a lean operating model
- strong balance sheet
- dynamic chartering
- adapting the pursuit of growth to current market conditions

The Company's strong balance sheet and healthy cash position, combined with a lean cost structure, has enabled the Company to weather the poor trading conditions of the past two years.

Lean operating model

Wellard's focus on a lean operating model, and taking costs out of the business, has provided substantial benefits in recent years.

However, the company has not been immune from global inflation which materially affected the majority of our costs, including crew costs, spare parts, and servicing.

Strong balance sheet

Previous work to fix Wellard's balance sheet has considerably reduced Wellard's interest payments and cost base, and the benefits of that work continue to be evident.

There was a significant increase in financial outflow in FY2023 with balloon payments made to Ruchira Ships Limited (Ruchira), which has provided vessel finance on the M/V Ocean Drover and M/V Ocean Ute through sale and leaseback contracts. On 8 July 2022 Wellard made a final US$0.9 million payment to Ruchira to finalise its previous financing arrangements and secure the re-transfer of the M/V Ocean Ute. On the same date, Wellard paid US$1.9 million to complete all payments due under the financing of the M/V Ocean Drover, inclusive of a (then) 10 year bareboat charter at effectively no cost to Wellard if the official title transfer was delayed. As discussed further below, the redelivery of the M/V Ocean Drover has been delayed, and Wellard is working to address that issue and secure the return of full legal title.

Vessel financing arrangements

Wellard completed the repurchase of the M/V Ocean Ute on 19 August 2022, and legal title has been handed to Wellard.

The long-term bareboat charter for approximately nine years, remains in place for the M/V Ocean Drover. This locks in Wellard's exclusive long-term access to the vessel until 2032, unless it is transferred to Wellard earlier under the MoA. The long-term bareboat charter serves to mitigate the risk that Ruchira delays or cannot complete its resale obligations. Wellard provided updates to shareholders on its negotiations with Ruchira on 28 June 2023, 3 July 2023 and 4 August 2023.

At the time of writing, Wellard has agreed to an extension of time for Ruchira and some of its associated group companies to conduct a sale of its various secured assets, and to make appropriate arrangements with its secured lending bank, United Overseas Bank Limited (UOB), to release UOB's mortgages over the M/V Ocean Drover, in order to facilitate the delivery of clear title. Ruchira has a legal obligation to redeliver title of the vessel to Wellard, and Wellard is monitoring Ruchira's progress in this regard.

M/V Ocean Swagman moved from long-term bareboat charter to short-term time charter

Wellard's bareboat charter of the M/V Ocean Swagman from Heytesbury Singapore Pte Ltd expired on 30 June 2023, at which time the vessel was time chartered by the Company for four months, with the option of an additional three months, at predetermined rates. Under these arrangements, Wellard has the ability to continue operating the M/V Ocean Swagman until early 2024.

In FY2023, prior to its redeployment to South America, the M/V Ocean Swagman was underutilised in the Australian market. The Company will continue to assess whether there is merit in extending its charter of the vessel as the calendar year progresses. Wellard may negotiate a further extension with Heytesbury should the market demand be sufficient to do so.

Heytesbury Singapore Pte Ltd is a related party of Heytesbury Pty Ltd, which remains a 15.28% shareholder in Wellard.

The Wellard fleet

	Ocean Drover	**Ocean Swagman**	**Ocean Ute**
			
	Bareboat Chartered to 30 June 2032	Time Chartered to beginning 2024	Owned
Main Particulars:			
Year built	2002	2009	1994
Year converted	N.A.	N.A.	2011
Length overall	176.7 m	136.5 m	139.9 m
Summer draft	8.7 m	7.8 m	7.2 m
Speed	18.0 Knots	15.0 Knots	13.5 Knots
Cargo Area for Cattle:			
Pens	1,415	451	414
Cargo surface area (net)	23,372 m^2	7,967 m^2	6,986 m^2
Number of animals	20,000 approx.	8,000 approx.	6,500 approx.
Cargo Area for Sheep:			
Pens	799	424	124
Cargo surface area (net)	23,665 m^2	8,084 m^2	2,155 m^2
Number of animals	75,000 approx.	25,000 approx.	7,000 approx.
Fresh-water production:			
Fresh water tank capacity	3,190 m^3	2,664 m^3	1,120 m^3
Fresh water production m^3/day	800 m^3/day	360 m^3/day	300 m^3/day
Fodder storage:			
Silo Fodder at 100% full capacity	5,181 m^3	2,433 m^3	1,234 m^3
Silo Fodder at 80% full capacity	4,145 m^3	1,946 m^3	987 m^3
Sundeck:			
Sundeck surface area available	1,126 m^2	300 m^2	200 m^2
Sundeck maximum load	1 Ton/m^2	1 Ton/m^2	1 Ton/m^2

Dynamic chartering and adapting to market conditions

A snapshot of livestock vessel activity at the start of FY2023 shone a spotlight on the poor state of trading conditions in the live export sector, with just under 25% of Wellard's AMSA-accredited competitor vessels active (loaded or ballast voyages to awaiting charter) on 28 July 2022, and many of the competitor vessels having been at anchor for an extended period of time[5].

"AMSA-accredited competitor vessels" are categorised by Wellard as active livestock vessels which possess an Australian Accreditation for the Carriage of Livestock issued by AMSA (the Australian Maritime Safety Authority). Effectively one of the highest standard of accreditation in the world, only AMSA-accredited vessels are allowed to load livestock in Australian ports.

These trading conditions continued throughout most of FY2023, with the M/V Ocean Ute and M/V Ocean Swagman spending some periods at anchor, or completing 'break-even' and sub-profitable voyages for strategic reasons as shipping companies competed with each other for the few orders available whilst striving to keep import markets open to enable future activity.

Trading conditions improved late in the financial year, due largely to a resurgent Brazil/Uruguay to Turkiye market.

Wellard's operates a competitor vessel monitoring program which provides insights into changing route dynamics and equips the Company with an ability to respond to market trends and ensure Wellard's vessels are deployed to the areas of greatest activity and profitability.

As part of this monitoring programme, a snapshot was taken of voyages every six months and analysed on a square metre basis (rather than ship-by-ship) to ensure the movement of larger carriers was appropriately weighted.

The route-by-route comparison revealed a marked shift in the routes travelled by ASMA-accredited vessels.

The resultant heatmapping revealed three key trends:

- **Trend One:** Shipping capacity between Australia and South East Asia (largely Indonesia and Vietnam) more than halved from June 2021 to June 2022 and into December 2022.

  This route represented 38% of AMSA-accredited shipping capacity in June 2021, but fell to just 17% and 18% in June 2022 and December 2022 respectively.

  There has been a small increase to 24% in June 2023, most likely from vessels that were previously engaged on the North Asia breeder cattle route.

  Reasons for this trend:

  Due to the combination of sustained very high Australian cattle prices, issues with FMD and LSD, and strong competition from Indian Buffalo Meat and Brazilian beef, Indonesian importers have only been buying small consignments of cattle at a time, taking bigger ships out of the equation on this route. Plus, the trade to Vietnam has only been small and sporadic for the past two years due to the very high Australian cattle prices.

- **Trend Two:** The market for breeder cattle trade to China is almost at a standstill, when just a year ago half of the AMSA-accredited shipping capacity was engaged on this route from both Australia and New Zealand.

  It was 22% in June 2021 and rose to 53% in June 2022. In June 2023 just 4% of capacity was engaged on this route.

  Reasons for this trend:

  With the looming New Zealand ban on live exports, importers ramped up their purchases in 12 months prior to its April 2023 closure to acquire significant breeding cattle numbers while they were available.

  This created a backlog in China, which will eventually move through the system, and we expect the trade to return to a more 'normal' cadence of activity and capacity in 2024.

[5] Monitoring is by way of publicly available data on websites such as www.marinetraffic.com; and based on vessels listed as "active" with a functional Automated Identification System (AIS)

- **Trend three:** There has been a significant shift to South America, with almost half of the AMSA fleet deployed there from a zero base just six months ago. It was 26% in June 2021, dipping to just 2% in June 2022 and zero in December 2022, but now 44%.

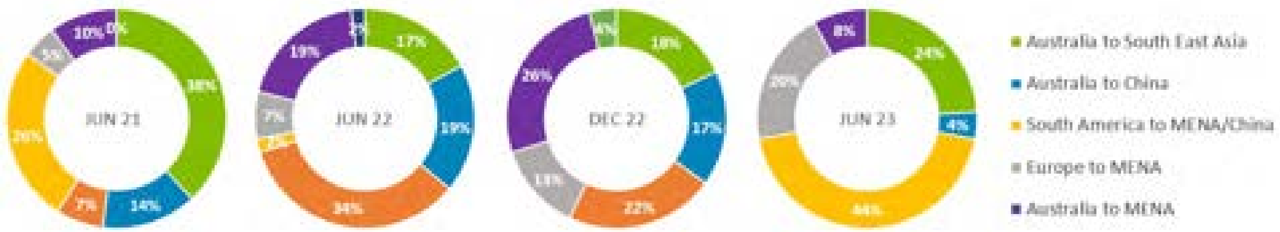
  Reasons for this trend:

  The release of import permits by the Turkish Government to combat food inflation created considerable demand for tonnage, both for AMSA-accredited and non AMSA-accredited vessels.

  As a long-haul route, exporters and importers are seeking to charter larger, more economic vessels through until the end of the year.

  It is unlikely that these vessels will return to Australia anytime soon given the demand and relocation costs.

Figure 1: Live-export trade by region (based on cattle square meters)



Modernising the Wellard fleet without stressing the Wellard balance sheet

The lack of funding opportunities to fund new vessels and the recent poor trading opportunities have focused the Board's attention on the Company's shorter-term, operational and financial priorities. Nonetheless, fleet modernisation remains important to the Company, and it continues to be strategically implemented on our existing vessels during their mandatory periodic surveys (drydocks).

Reforming global shipping standards

Wellard continued activity in this area, and will continue to do so, but reform is not easy.

It remains of considerable concern to Wellard that aging, substandard livestock vessels are allowed to continue to conduct this trade in many countries, placing the lives of the shipboard crew and its livestock cargo at peril, as well as failing to meet globally accepted safety and animal welfare standards.

There remains limited to no coordinated international oversight and regulation of this sector, to the detriment of human and animal lives and the long-term future of the live export industry, and although this has been acknowledged by the International Maritime Organization (IMO) and the Australian Maritime Safety Authority, change has not occurred with either the IMO global standards or Marine Orders 43 which are the relevant Australian standards which AMSA administers.

Without an effective IMO regulatory regime setting mandatory standards for all international livestock vessels, animal welfare on the non-AMSA-accredited fleet is likely to be at a higher risk because

- stocking densities are largely unregulated;
- there are no minimum standards for the supply of air, feed and water; and
- old, inferior vessels are used to transport sheep and cattle to their destinations.

It is encouraging to note that in recent years some individual exporting jurisdictions such as Romania and Brazil have implemented animal welfare standards for managing livestock density onboard ships.

Unfortunately, the lack of truly global standards and failure to overcome the deficiencies in Australia's own standards creates a disincentive to build new vessels because new vessels are unable to compete on price with old, substandard vessels which can operate in unregulated or substandard markets.

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

Unless standards are improved and enforced there is no or low financial incentive 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.

Wellard has long campaigned for higher shipping standards throughout the entire global industry and will continue this campaign which has the ultimate goal of protecting the long-term sustainability of the trade, based on the use of modern ships which deliver superior safety and animal welfare standards, and which meet or exceed the expectations of stakeholders, to allow good operators to fulfil the market's continued demand for best quality protein.

Our 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 have relied on a false sense of security and failed to listen to experienced industry experts who want a sustainable trade.

Of note, the National Party in New Zealand, which wants to overturn that country's ban on all livestock exports if elected, has proposed a Gold Standard which includes purpose-built vessels and an age limit[6], two changes that Wellard is seeking in Australia. If implemented, Australia will no longer be able to lay claim to possessing the best livestock shipping standards in the world.

Voyages in FY2023

In FY2023, Wellard loaded 22 external charter voyages (FY2022: 20 external charter voyages) which includes 21 voyages ex Australia or New Zealand to the following destinations:

- 12 voyages to China delivering 79,816 head of cattle;
- 6 voyages to Indonesia delivering 30,246 head of cattle;
- 3 voyages to Vietnam delivering 10,570 head of cattle.

There was also a single voyage from Brazil to Turkiye from the repositioned M/V Ocean Drover, which delivered 21,390 head of cattle.

Figure 2: Charter revenue by origins

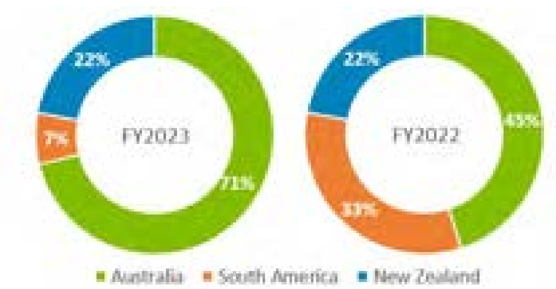


Figure 3: Charter revenue by destinations

In early July 2023, the M/V Ocean Ute completed its 100th voyage for Wellard.

Bought by Wellard in 2014, the vessel has travelled more than 715,524 nautical miles since it joined the Wellard fleet, carrying 450,018 cattle during that time. It has recorded an overall voyage success rate of 99.9%.

Its 100th voyage was a charter from Townsville to Jakarta and Panjang in Indonesia, carrying 5,406 cattle. Notably, 5,405 cattle walked off the ship.

Although closer to the end than the start of the vessel's working life, the M/V Ocean Ute has played an important role helping Wellard to keep commercial relationships on foot during the recent difficult trading conditions.

Australian live export market in FY2023

As noted above, the combination of historically very high prices for live export feeder and slaughter cattle and reduced availability has caused a significant decline in shipping activity on Wellard's core routes from Australia to Indonesia and Vietnam.

In FY2021, 164 cattle voyages departed Australia, carrying 887,964 feeder and slaughter cattle. In FY2022, there were 133 voyages carrying 608,903 cattle. FY2023 almost mirrored FY2022 with 611,324 cattle on 128 voyages.[7]

[6] https://www.nzherald.co.nz/nz/politics/national-leader-christopher-luxon-releases-farming-policy-resume-live-animal-exports-cut-red-tape-scrap-migrant-worker-median-wage/3TQTFNHWLFFL3BZPSH6BA247KQ/

[7] https://www.agriculture.gov.au/biosecurity-trade/export/controlled-goods/live-animals/live-animal-export-statistics/livestock-exports-by-market

The supply of breeder cattle (beef and dairy) to North Asia has separate supply and demand dynamics to the supply of feeder and slaughter cattle to Indonesia and Vietnam.

Similar to FY2021, charters transporting breeding cattle from Australia, New Zealand and South America to North Asia comprised Wellard's largest market in FY2022. Wellard delivered 105,739 breeder cattle (beef and dairy) to destinations in North Asia in that period.

There was however an uptick in total industry shipments from Australia to North Asia in FY2023, with 114,546 breeding cows and heifers shipped, up 12% from the 102,603 cattle shipped the year prior.

In the New Zealand market[8], the monthly volume of cattle shipments rose ahead of the trade's closure in April 2023. A total of 112,597 cattle were shipped in the 9-month period between 1 July 2022 and 30 April 2023, compared to 135,501 cattle shipped in the full 12 months of FY2022.

This was a product of the "rush" to secure New Zealand beef and dairy genetics while they still could be accessed ahead of the ban.

This year Wellard delivered 79,816 breeding cattle from Australia and New Zealand to North Asia, representing a shift to other markets.

While there was some expectation that North Asian importers would seamlessly switch to Australia and South America once New Zealand has closed, that hasn't occurred yet. In fact, total number of head shipped from Australia to North Asia halved between H1 and H2 FY2023 (76,526 head vs 38,020 head)

Official cattle export statistics from Uruguay to North Asia are difficult to source. Wellard's own vessel movements, monitoring of competitors' vessels, and anecdotal in-market advice indicate that export numbers increased, however numbers will be constrained by voyage times and distance, which impacts the landed price of the livestock.

Wellard conducted no voyages from South America to North Asia in FY2023, compared to 3 voyages from this market in FY2022, 3 voyages the year prior, and 2 voyages in FY2020.

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.

Falling bunker prices throughout FY2023 provided some respite for Wellard and the Company's customers.

At the start of FY2023 VLSFO ex-Singapore was priced at around US$1,100/tonne, largely driven by a global spike in post COVID-19 shipping activity and high oil prices. It finished the year just below US$600/tonne, a considerable fall, but still higher than the ~US$350/tonne paid in July 2020.

Note that 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 cheaper than bunker price 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 fell about 45% throughout FY2023, except for Gladstone, in Queensland, Australia, which only fell by 28%.

Impact of COVID-19

The impact of COVID-19 on the business and operations of Wellard has receded.

COVID-19's biggest impact on the Company's operations was the Company's restricted ability and higher costs to undertake crew changes. This is no longer the case, and crews are able to move freely to get to and from Wellard vessels.

At the end of FY2023, Wellard is not experiencing longer berth times at any port of call due to COVID-19 procedures, and there are no longer any mandatory quarantine requirements in place for crew members and stockmen.

COVID-19 specific regulatory compliance requirements are no longer delaying vessels and the industry has returned largely to pre-COVID port protocols.

[8] https://www.mpi.govt.nz/export/animals/live-animal-and-germplasm-export-statistics-and-reports/

Due to the reduced impact of COVID-19, at the front-end of the financial year, Wellard estimates that costs directly related to COVID-19 in FY2023 were approximately US$0.7 million.

At least one market analyst has proposed that there has been a structural change in south-east Asian markets during the COVID-19 pandemic, which is effectively a shift in consumer behaviour away from fresh meat purchased at wet markets, and towards boxed beef especially in Indonesia. This observation, however, also speculates that the impact of animal diseases also has had some effect in traditional wet markets. Certainly, as observed elsewhere in this report, there has been a downturn in Indonesian demand for live Australian cattle.[9]

M/V Ocean Swagman V148, Singapore Drydock, April 2023

Operational and market outlook

As the route heat map outline indicates, the outlook for each market is very different according to the supply and demand fundamentals relevant to that market.

Wellard commences FY2024 with reasonable demand for charters to transport cattle from Brazil and Uruguay, principally to Turkiye. Australian routes to Indonesia, Vietnam and China – remain under pressure, but with just one Wellard vessel trading from Australia, Wellard expects that the combined demand from all three markets should keep that single vessel on-hire for at least the first half of FY2024 providing the suspension of four major export facilities imposed by Indonesia in July 2023 are lifted. Note that as at the time of this report, Indonesia is continuing to accept cattle prepared on a further 28 Australian Registered Establishments approved by Indonesia.

a) South America to the Mediterranean (Turkiye and Egypt)

The demand from Turkiye and Egypt for 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, but whether that activity continues into Q2 FY2024 is uncertain, as is Turkiye's plans for FY2024 quotas.

With substantial quotas for imported cattle for Turkiye, and a combined voyage time of one month (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 the extent that Wellard is seeking.

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

Whether Turkiye will continue to import such large numbers of cattle in H2 FY2024 is less certain and Wellard will be monitoring developments in Turkiye closely to assess likely demand in the transition period.

[9] Dr Michael Patching's SE Asia Report in Beef Central 110th Edition, March 2023: https://www.beefcentral.com/live-export/se-asia-report/se-asia-report-live-export-markets-uncertain-road-to-new-normal-trading-10-march-2023/

b) Dairy and beef breeder cattle to North Asia

The heightened activity prior to the closure of the New Zealand market to exports of cattle created a backlog in late FY2023, and effectively caused the trade to grind to a halt.

Market intelligence from China indicates this is a short-term phenomenon, and trading volumes are expected to start again in 2024. Wellard has started receiving inquiries about charters to North Asia but does not have any contracted voyages to that market.

The trade in breeder cattle from Uruguay to North Asia remains sporadic and is being conducted on a shipment-by-shipment basis.

In addition, although the large distance between the supply and destination markets is the greatest barrier to increased trade between the South America and North Asia, Uruguay and China have commenced bilateral negotiations on a free trade agreement between the two countries. The signing of bilateral FTA's generally has a positive impact on diplomatic and trading relations between the signatories.

c) Australian slaughter and feeder cattle to Indonesia and Vietnam

Wellard does not envisage any significant changes to the current trading environment in the short-term, with small numbers and shipments anticipated due to the impact of LSD and reluctance of Australian producers to accept lower market pricing.

Even though feeder cattle prices have fallen by one-third, from A$450c/kg[10] liveweight at the start of FY2023 to ~A$300c/kg at the start of FY2024, there has not been a commensurate lift in demand.

The main reason for that stagnation is that due to food inflation, customers are preferring cheaper sources of protein, such as pork or chicken. And if they are choosing beef, they are choosing the cheaper frozen Indian Buffalo Meat and frozen Brazilian beef.

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.

The supply of cattle to Vietnam effectively dried up in late H1 FY2023 and early H2 FY2023, with just one shipment in each of October and December and no shipments in February 2023.

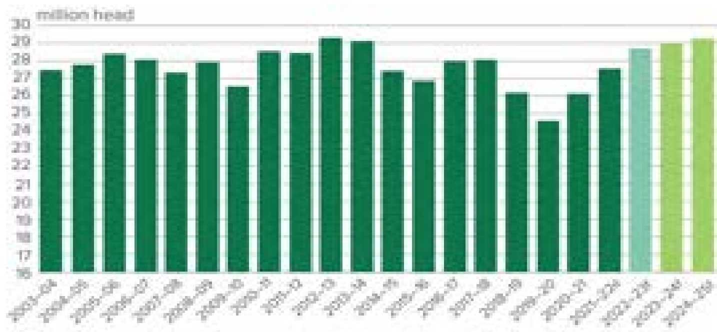
It is unclear whether the recent Vietnam uptick in June 2023 (4 shipments) will be extended, or even expanded, in H1 FY2024. The falling slaughter cattle price (heavy cow prices fell from A$313c/kg liveweight a year ago to ~A$200c/kg currently), and inability of Australian producers to gain a processing slot at local abattoirs, has provided an improved supply-side trading environment to facilitate shipping activity.

In its June 2023 Cattle Industry Projections[11], Meat and Livestock Australia indicated the Australian herd remains in a rebuilding phase (as it was this time last year), which will have a positive impact on cattle availability in future years, while reducing the number of cattle currently being marketed for sale, whether for slaughter or for export, in the near term.

According to MLA, the Australian cattle herd will reach its highest level since 2014 this year (28.7 million head) and, in 2025, is expected to hit its highest level since 1978 (29.24 million head).

[10] www.beefcentral.com price graphs
[11] https://www.mla.com.au/globalassets/mla-corporate/prices--markets/documents/trends--analysis/cattle-projections/mla_june-2023_australian-cattle-industry-projections_200623.pdf

Figure 4: National cattle herd



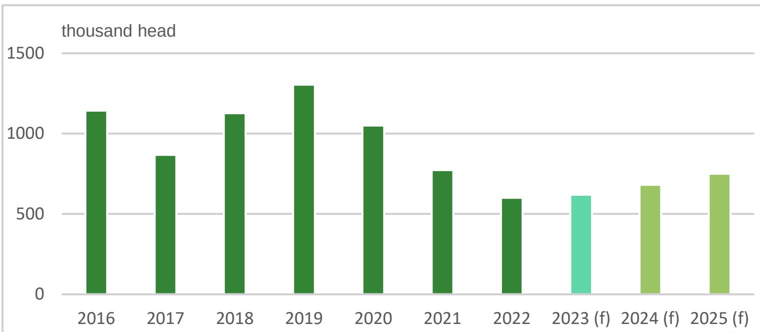
Source: ABS, MLA estimates.

In its June 2023 Cattle Projections, MLA predicted the Australian cattle herd will reach its highest level since 2014 this year.

Live export numbers are actually ahead of MLA's year ago predictions. In June 2022 it predicted cattle exports would be 500,000 head in CY2022, increasing by 6% to 530,000 head in CY2023.

In fact, 600,000 head were exported in CY2022 (still a large drop on 772,000 head in CY2021). The forecaster now expects live exports to increase marginally on this figure in CY2023, up by 3% to 619,000 head, followed by 681,000 head in CY2024 and 750,000 head in CY2025 (a 25% increase on CY2022 levels).

Figure 5: Australia live cattle exports



Source: MLA estimates.

Cattle export numbers in 2023 were similar in number to 2022.

d) Australian sheep exports to the Middle East

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

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 FY2024.

A total of 620,558[12] sheep were exported by sea from Australia to the Middle East in FY2023, an increase on the 464,664 sheep shipped in FY2022 and 570,614 sheep shipped in FY2021, but a decrease on the 947,984 sheep shipped in FY2020.

The increase was driven by a fall in sheep prices and increase in availability as processors struggled to absorb increased numbers (a product of labour shortage issues and full customer freezers).

MLA's June 2023 Sheep Projections predicted little change in export numbers to the Middle East in the next two years, with an extra 1-2 shipments a year the extent of the increase.

The Australian ban on live exports to the Middle East during the northern summer also continues to impact demand as Middle East customer confidence in Australia's long-term position regarding sheep exports has suffered greatly and remains low.

As noted in our ASX announcement on 11 May 2023, although our Company is no longer an active participant in the live sheep trade, Wellard has always opposed the Federal Labor Government's policy to close the valuable live sheep export trade. This issue is discussed further, below, under "Regulation".

[12] https://www.agriculture.gov.au/export/controlled-goods/live-animals/live-animal-export-statistics/livestock-exports-by-market

The live export sector has proven that it can export sheep in a manner that meets mandated welfare standards and community expectations, while providing a valuable export market for sheep farmers. Whilst the responsible Federal minister has given public reassurances that the closure of the live sheep export trade does not endanger the live cattle export industry, Wellard's position remains that the phase out of the live sheep export trade is misconceived, and that this important industry can be managed extremely safely and with high animal welfare outcomes.

Elsewhere, MLA is reporting a number of positive developments for trade from Australia to the Middle East in the form of reduced supply from the Horn of Africa due to drought and higher prices for European sheep. These issues, combined with a falling sheep price, may see Australian sheep regain some of their price and supply competitiveness in the Middle Eastern markets.

e) Impact of COVID-19 on the outlook

Wellard does not expect any deviation to either its current operating costs or demand for live cattle and sheep exports to occur in FY2024 due to COVID-19. COVID-19 impacts have largely receded, as discussed separately above.

Regulation

Continuing its excellent record of safe delivery of livestock for our customers, Wellard had no reportable mortality incidents in FY2023.

Wellard does however remain concerned the cost of Government regulation is placing added financial stress on its customers.

Although live exports of sheep and cattle combined are close to historical lows, there does not appear to have been a commensurate reduction in the number of Departmental staff monitoring the trades.

Therefore, the regulatory cost per animal has increased.

The Australian Federal Department of Agriculture, Water and Environment (DAWE or DAFF[13]) undertook a number of reviews and consultations throughout FY2023 which either impacted or have the potential to impact Wellard's operations, or those of its clients.

1. Phase out of live sheep exports by sea

As noted above, Wellard has not participated in this trade for some time, but is opposed to the banning of the trade.

Noting that view, if the trade is going to be phased out, Wellard is of the view that the industry must be given sufficient time to plan and implement an orderly transition, and a 10-15 year phase out.

In its detailed submission on this matter to the Federal Government's panel on the proposed live sheep export phase-out.[14], Wellard also noted that the Government must take full legal responsibility for the direct and indirect consequences of the ban, which Wellard believes has been made out of political expediency, and is not based on sound economic analysis, or a thorough examination of the science around obtainable animal welfare outcomes.

In particular, the Government must, concurrently to the consideration of any phase out, also thoroughly consider the alternative, which preserves the industry, and improves the regulations around animal welfare and the requirements of live export vessels (including the removal of sub-standard vessels from the market).

There is no good evidence that the proposed Australian ban will encourage or force our existing live-sheep customers to instead import boxed, processed sheep meat. Instead they will turn to alternative suppliers of live sheep from countries with lower animal welfare and shipping standards.

The proposed ban will effectively end an important financial, cultural and historical practice which has sustained generations of WA sheep producers. In turn, we predict that it will further degrade the strength and viability of our regional and rural communities, further hollow-out regional economies, and potentially force industry participants from their homes and farms.

It will also mean greater reliance on grain for traditional 'mixed' farmers and expose them to greater seasonal and price risk of a single commodity production than if they continued with mixed farming enterprises.

[13] The relevant department has now changed its name to the Department of Agriculture, Fisheries and Forestry, or "DAFF" following the change in Australian Federal Government in May 2022.
[14] https://www.agriculture.gov.au/biosecurity-trade/export/controlled-goods/live-animals/livestock/live-sheep-exports-phase-out#daff-page-main

Assuming an eventual ban, all supply chain participants must be compensated by the Government individually and fully for the diminution in their business value, and for any and all future opportunity cost losses which can be modelled.

The proposed ban is not based on science or economics, but instead, on politics.

In such a case, there must be fulsome and individually tailored compensation for the compulsory obligation to close some or all of a participant's business.

Compensation must not be delayed or denied. Compensation must take into account the overall effect of the ban on a business, not just the immediate forfeiture of a revenue stream. Whilst the ban may only effect one part of a business, the stresses and impacts on the overall viability and longevity of the whole enterprise must be compensated for.

2. Australian Standards for the Export of Livestock (ASEL) 2023 update

ASEL sets out the minimum animal health and welfare conditions for export. It manages risk throughout all stages of the supply chain. ASEL standards are regulated by the Australian Federal Department of Agriculture, Fisheries and Forestry (DAFF). These standards are under regular review and update, in a process which includes consultation with industry.

Proposed changes by DAFF, and currently subject to comment by industry, focus on a number of areas including accredited veterinarians and stockperson/s, definition of near and far markets, escaped livestock, horned cattle, laboratory tests, rejection criteria and reserve fodder requirements.

Most, if not all the changes, relate to how exporters manage their livestock pre-export and during the voyage, rather than impacting Wellard's operations.

3. Inspector-General of Animal Welfare and Live Animal Exports

As currently established, the Inspector-General of Live Animal Exports (IGLAE) independently reviews the performance of functions and exercise of powers by the Federal Department of Agriculture, Fisheries and Forestry in regulating livestock exports under the Export Control Act 2020 and the Export Control (Animals) Rules 2021.

The IGLAE monitors the trade, conducts inquiries and makes recommendations to improve the operations of the trade. The Government has announced that it intends to expand the role to strengthen animal welfare assurance in the export of livestock, through additional animal welfare related objectives, following the passage of relevant legislation. The expanded role will be re-named as the Inspector General of Animal Welfare and Live Animal Exports (IGAWLAE).

Fire hose testing by crew on M/V Ocean Drover V209, Sao Sebastiao, Brazil, August 2023

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 2023 (FY2023) 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.

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.

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

General Counsel and Company Secretary

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

Michael Silbert was appointed as General Counsel and Company Secretary on 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 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 and holds export licences to trade and ship live cattle and sheep on its own account.

LIVESTOCK LOGISTICS SERVICES:

Wellard's predominant activity in FY2023 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 and/or controls a fleet of purpose-built livestock transport vessels.

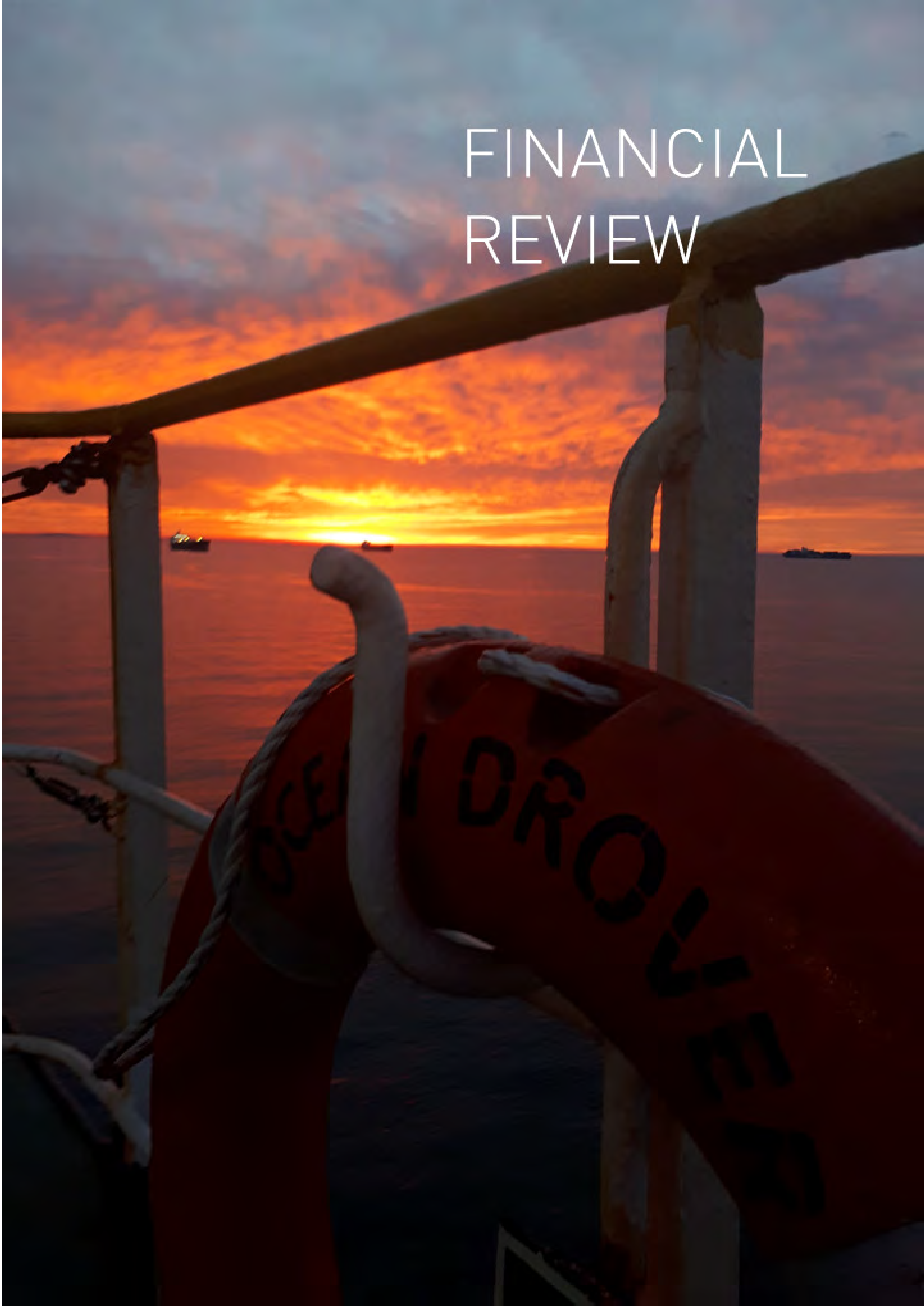
LIVESTOCK EXPORT:

Wellard retains its Australian livestock export licenses but continues to place reduced emphasis on this business activity. When pursuing this business activity, Wellard sources livestock in markets where production is surplus to domestic requirements (including Australia, Chile, Brazil and Uruguay) and sells livestock to customer markets where demand exceeds local production (including Indonesia, Vietnam, the Middle East, Turkiye and North Asia), utilising its own and third-party vessels.

OPERATIONS AND FINANCIAL REVIEW:

Full details of Wellard's operations can be found in the Operations Report commencing on page 9. Both Operations Report commencing on page 9 and Financial Review commencing on page 25, 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)**		2023	2022	Movement
Revenue		38,655	45,048	(14.2%)
Cost of Sales		(38,930)	(30,760)	26.5%
Gross (loss)/profit		**(275)**	**14,288**	**(101.9%)**
Other income[1]		-	12,023	(100.0%)
General and Administrative expenses		(3,850)	(4,643)	(17.1%)
Restructuring costs		-	(23)	(100.0%)
Other losses from chartering and trading activities		(306)	(3)	10100.0%
EBITDA[2]		**(4,431)**	**21,642**	**(120.5%)**
Other gains/(losses) from other activities		112	(394)	(128.5%)
Depreciation and amortisation expenses		(10,578)	(10,532)	0.4%
EBIT		**(14,897)**	**10,716**	**(239.0%)**
Net finance costs		(222)	(771)	(71.2%)
Income tax expense		(368)	(12)	2966.7%
(Loss)/profit from continuing operations after tax		**(15,487)**	**9,933**	**(255.9%)**
Profitability analysis				
Gross profit margin	%	(0.7)	31.8	(102.2%)
Operating Profit margin	%	(11.5)	48.0	(124.0%)
Net Profit margin	%	(40.1)	22.0	(282.3%)
Interest coverage[3]	Times	(20.0)	28.1	(171.2%)
Balance Sheet analysis				
Working capital	$'000	3,195	11,660	(72.6%)
Current ratio	Times	1.4	2.2	(36.4%)
Net tangible assets	$'000	37,017	52,364	(29.3%)
Net tangible assets per security	Cps	7.0	9.9	(29.3%)
Loans and borrowings	$'000	2,588	7,738	(66.6%)
Negative net debt[4]	$'000	(4,832)	(7,541)	(35.9%)
Debt to capital ratio[5]	%	6.4%	12.6%	(49.2%)
Ship loan to asset book value ratio	%	0%	13.6%	(100.0%)

1 Other income refers to the arbitration award obtained in London against the Croatian Bank for Reconstruction and Development (Hrvatska banka za obnovu i razvitak, or "HBOR").
2 EBITDA equals (loss)/profit from continuing operations before income tax, less depreciation and amortisation expenses, less net finance costs, less other gains/(losses) arising from other activities and less impairment expenses.
3 Interest coverage equals EBITDA divided by net finance costs.
4 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.
5 Debt to capital ratio equals loans and borrowings divided by total equity plus loans and borrowings.

OVERVIEW

For the financial year ended 30 June 2023 ("FY2023"), Wellard is reporting a net loss after tax of US$15.5 million (FY2022: profit after tax of US$9.9 million) amid extremely difficult market conditions. These include Australia's tight cattle supply, high prices that remained above the 5 and 10-year averages for the whole calendar year 2022 (“CY2022”), and the unprecedented simultaneous and significant outbreaks of foot-and-mouth disease (“FMD”) and lumpy skin disease (“LSD”) in Indonesia, which have significantly impacted Indonesian importers. Moreover, significant global economic and geopolitical challenges, such as rising global inflation (from 4.7% in CY2021 to 8.7% in CY2022[15]), the ongoing Russo-Ukrainian conflict and the COVID-19 pandemic, had profound effects on energy prices and impacted consumer confidence in Wellard’s export markets.

The result includes a non-cash depreciation and amortisation expense of US$10.6 million (FY2022: US$10.5 million), primarily relating to the depreciation of two of the Group’s vessels (M/V Ocean Ute and M/V Ocean Drover) and including the amortisation of right-of-use assets (including the M/V Ocean Swagman) amounting to US$2.8 million (FY2022: US$2.6 million) arising from the application of AASB16 ‘Leases’ from 1 July 2019.

In addition to the already mentioned challenging market conditions, other factors that impacted Wellard’s FY2023 results include:

- US$3.4 million in repairs and ancillary costs, as well as 87.5 days off-hire, for the M/V Ocean Swagman's engine breakdown in February 2023. Although insurance claims for repair and loss of hire (excluding deductibles) were submitted to the insurers, they were not yet recognised in the FY2023 income statement pending the determination of the final amount;
- the derecognition of US$1.9 million previously capitalised costs for the M/V Ocean Swagman's intermediate mandatory survey, now expensed in the income statement in FY2023, due to the short-term nature of the vessel’s time charter renewal in June 2023;
- 35 days off-hire of the M/V Ocean Ute while she underwent a mandatory dry-dock for her special survey class renewal;
- US$0.7 million in COVID-19 related costs, which continued to disrupt global shipping operations in FY2023 with restrictions on crew changes and personnel movement. These were progressively relaxed as FY2023 progressed;
- the global headline inflation rate, reported by the International Monetary Fund, reached 8.7% in CY2022 and is projected to stay slightly below 7.0% in the calendar year 2023 (“CY2023”). This inflationary environment had a substantial impact on shipping costs, particularly crew costs, spare parts, and fleet servicing expenses, with Wellard’s fleet operating expenses (“OPEX”) in FY2023 experienced an increase of US$1.8 million on a year-on-year basis;
- marine fuel costs (bunker), which during the first half of FY2023 exceeded US$1,000 per metric tonne (“mt”) in Singapore and US$1,500/mt in Australia. This made it challenging for Wellard to entirely pass on the additional costs to customers, as it would have rendered their business and/or supply agreements unviable.

Finally, Wellard has strategically chosen to reposition the M/V Ocean Drover and the M/V Ocean Swagman to cater to the growing South America to Turkiye trade. These vessels have already been booked for multiple voyages, which is expected to yield favourable outcomes in the upcoming financial year. However, it is important to acknowledge that this repositioning has had timing implications for FY2023, primarily in the form of additional costs and time lost during the extensive ballast passages to the respective loading ports that will be recovered from revenue earned in FY2024.

REVENUE AND OPERATING PERFORMANCE

Revenue declined 14.2% to US$38.7 million (FY2022: US$45.0 million), with income from chartering activities accounting for 99.9% of the Group’s revenue (FY2022: 99.8%) and with the shipping capacity fully absorbed by external chartering activities. This decrease was caused by lower fleet activity due to Wellard's exposure to the spot market and reduced commercial availability of the vessels following an increase in technical off-hire days. The percentage of technical off-hire days in FY2023 (12.3% or 135.1 days) was nearly double compared to FY2022 (6.3% or 69.3 days) and included 41.9 days for the M/V Ocean Ute while it underwent a mandatory dry-dock for her special survey class renewal and 87.5 days for the M/V Ocean Swagman that stopped in Singapore to repair her starboard side engine and complete the intermediate survey class renewal. Chartering activity represents the entirety of the Group's operating revenue in FY2023, as it did the previous year; thus, no segment reporting is provided in this section of the Annual Report.

[15] https://www.imf.org/en/Publications/WEO/Issues/2022/10/11/world-economic-outlook-october-2022; https://www.imf.org/en/Publications/WEO/Issues/2023/07/10/world-economic-outlook-update-july-2023

Gross Profit registered a negative US$0.3 million result (FY2022: positive US$14.3 million), mainly driven by the previously mentioned decrease in revenue and by a 26.5% increase in the costs of sales to US$38.9 million (FY2022: US$30.8 million) heavily burdened by US$3.4 million repairs to the M/V Ocean Swagman engine and by a dramatic increase in both variable costs (bunker and port expenses) and vessels' OPEX.

Variable costs: In FY2023, despite a decrease in chartering activity, overall bunker costs increased by 15.6% to US$19.3 million (FY2022: US$16.7 million), resulting in a record-high 49.9% incidence on revenue (FY2022: 37.9%). The consumption of Very Low Sulphur Fuel Oil ("VLSFO"), the main fuel used since the IMO 2020 regulation went into effect in January 2020, decreased by 4.4% year-over-year, primarily due to lower consumption of the M/V Ocean Swagman during the three-month stop, but the average price per metric tonne ("mt") consumed in FY2023 recorded a 17.7% increase. Similarly, Marine Diesel Oil consumption decreased by 10.8% while its average price per metric tonne increased by 25.1%.

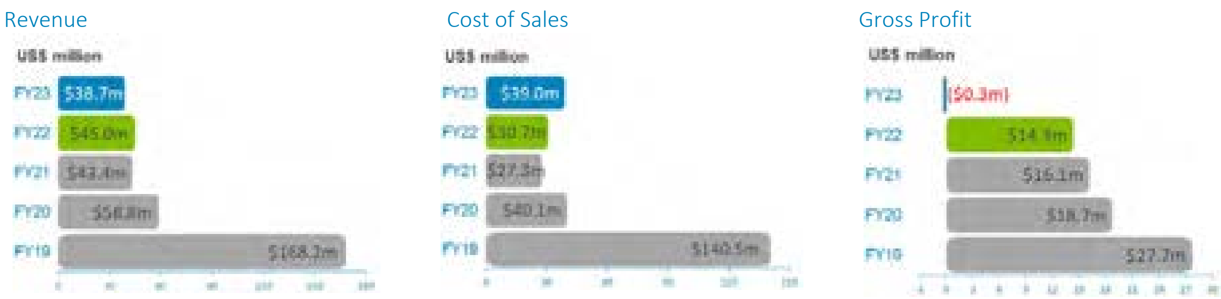
Throughout FY2023, marine fuel prices started to decline in line with the drop in crude oil prices. Singapore VLSFO prices, began FY2023 at approximately US$1,100/mt, and decreased to just below US$600/mt by the end of June 2023. However, prices remain high by historical standards. It is important to note that the dynamic of bunker prices is affected by other variables, such as trading patterns, vessel consumption, and inventory measurement methods. In FY2023, despite prices in Singapore and China falling below US$700/mt in the second half of the financial year, prices in Indonesia and Australia remained above US$900/mt for most of the year, with peaks exceeding US$1,200/mt.

Similarly, port costs experienced a notable 18.4% surge, reaching US$2.3 million in the current financial year (FY2022: US$1.9 million) despite declining charter activity levels.

Vessels' operating expenses (OPEX) – mainly consisting of crew wages, insurance, repair and maintenance costs, and other operating expenses – increased by US$1.8 million or 15.4% to US$ 13.6 million (FY2022: US$11.8 million). Most of the ordinary increase was attributed to crew costs, which were pushed up by general economic factors such as inflation and were still impacted by COVID-19 extraordinary costs for changes and personnel movement due to travel restrictions, quarantine measures, and air ticket increases.

In addition, FY2023 was burdened by US$3.4 million incurred for repairs and ancillary expenses resulting from the engine breakdown on the M/V Ocean Swagman in February 2023. This incident significantly impacted the Company's overall profitability due to the repair costs incurred and loss of income from the vessel during the nearly three-month off-hire period. The vessel successfully returned to normal operating capability in the final quarter of FY2023. The Company expects to receive insurance reimbursement for a significant portion of the repair cost and the loss of hire, however the final amounts have not been determined and cannot be included in the Company's FY2023 income statement.

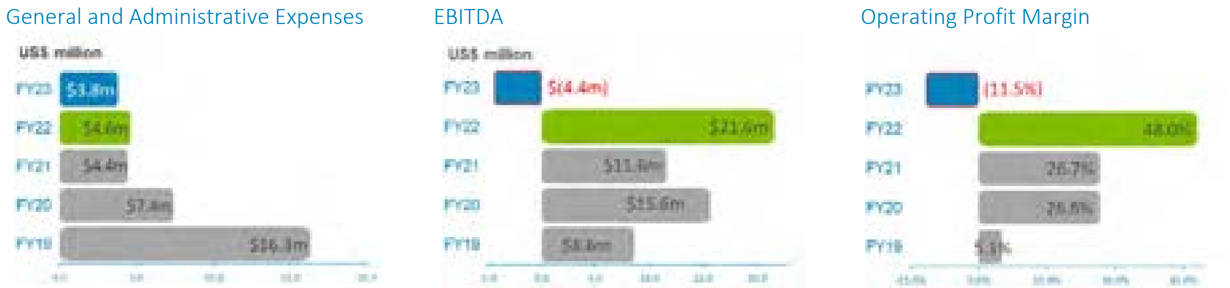
Figure 6: Track record



General and administrative expenses recorded a 17.1% decrease to US$3.8 million (FY2022: US$4.6 million), demonstrating the Group's constant effort in lowering its cost structure. These expenses primarily relate to personnel and office costs, consultancies, travel, and other miscellaneous costs.

EBITDA from continuing operations – defined as earnings from continuing operations before the impact of income tax, depreciation and amortisation expenses, finance costs and excluding other gains or losses from other activities and impairment expenses – recorded a negative result of US$4.4 million as a consequence of the negative operating performance. The result is a 120% decrease from the US$21.6 million positive EBITDA recorded in FY2022, noting FY2022 was influenced positively by the receipt of US$12.0 million from successful arbitration proceedings in London against the Croatian Bank for Reconstruction and Development (Hrvatska banka za obnovu i razvitak, or HBOR) for the M/V Ocean Kelpie.

Figure 7: Track record



EARNINGS PERFORMANCE

Depreciation and amortisation expenses marginally increased by 0.4% to US$10.6 million (FY2022: US$10.5 million) and include the derecognition of US$1.9 million costs for the M/V Ocean Swagman's intermediate mandatory survey, previously capitalised under AASB 16 and expensed in the income statement in FY2023, due to the short-term nature of the vessel's time charter renewal in June 2023. These expenses include the depreciation of right-of-use assets totalling US$2.8 million (FY2022: US$2.6 million) as a result of the application of AASB16 'Leases' beginning on 1 July 2019. In FY2023, during the annual evaluation of the fleet's useful life, Management decided to extend the expected useful life of new purpose-built livestock vessels from 25 to 30 years. The decision relied on surveys and technical inspections conducted during Wellard's decades-long experience in livestock vessel management, as well as the Company's ongoing investments in the vessels' care and maintenance, which indicated that the expected physical wear and tear over the five-year extension would not compromise the assets' capacity to operate safely and profitably. At the same time, Management believes that it is reasonable to anticipate that no technical or commercial obsolescence resulting from changes or improvements in technological advancements, regulatory requirements, or industry trends will impair Wellard's fleet's expected capacity to operate safely and economically over a 30-year useful life. Currently, the change will only affect the expected useful life of the M/V Ocean Drover with a reduced yearly depreciation of US$1.5 million.

Net finance costs were reduced by a further 71.2% in the current financial year, to US$0.2 million (FY2022: US$0.8 million), mainly due to the full repayments of the ships loans. Net finance costs included the interest expense of right-of-use assets amounting to US$0.1 million (FY2022: US$0.4 million) for the application of AASB16 'Leases' from 1 July 2019.

(Loss)/profit from continuing operations after tax reported in this financial year represents a setback after two consecutive years of upward trends. Despite Wellard's unwavering efforts, we report a loss from continuing operations after tax of US$15.5 million in FY2023 (FY2022: profit of US$9.9 million) as a result of the previously mentioned array of exceptional events and challenges in the global economic landscape, including unforeseen industry disruptions and geopolitical uncertainties. It is worth once again mentioning that the result includes US$3.4 million in repair costs for the M/V Ocean Swagman engine breakdown but excludes any expected proceeds that should derive from the insurance claims for the repair and loss of hire (excluding deductibles) that have been submitted to the insurer pending their final amount determination.

Figure 8: 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 vessels by obtaining independent market valuations by two primary brokers, considering any market offers, as well as considering forecast earnings over the vessels' lifetime. It is worth noting that, as announced to the ASX, Wellard completed the repurchase of the M/V Ocean Ute, which Ruchira Ships Limited previously owned under a sale-and-leaseback arrangement on 19 August 2022. Furthermore, on 8 July 2022, Wellard paid all remaining balances (US$1.9 million) to Ruchira under M/V Ocean Drover's sale-and-leaseback arrangement, which means there will be no further payments to Ruchira between now and the M/V Ocean Drover's title transfer date, which remains scheduled for 1 September 2023.

Capital expenditure – with the exclusion of additions due to the application of AASB16 'Leases' – was US$3.2 million (FY2022: US$1.5 million), most of which related to drydock costs for the M/V Ocean Swagman (US$1.3 million) and the M/V Ocean Ute (US$ 1.9 million). However, a total amount of US$1.9 million related to the capitalisation of the M/V Ocean Swagman's intermediate mandatory survey was derecognised and accounted in the income statement in FY2023 due to the short-term nature of the vessel's time charter renewal in June 2023.

Negative Net Debt decreased by US$2.7 million or 35.9% as a result of a US$5.1 million decrease in loans and borrowings and a decrease of US$7.9 million in cash and cash equivalent to US$7.4 million as of 30 June 2023 (30 June 2022: US$15.3 million).

As a result, the Company has a "negative net debt" – hence, cash available for the Company – of US$4.8 million (30 June 2022: US$7.5 million) and US$3.2 million working capital as of 30 June 2023 (30 June 2022: US$11.7 million).

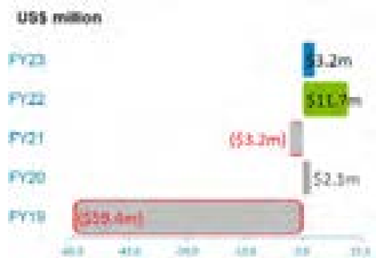
The continued focus on capital efficiency further reduced Group debt levels as a proportion of funding. As of 30 June 2023, total debt represented 6.4% of the Group's funding (30 June 2022: 12.6%), while the Group has successfully repaid all ship debt, which accounted for 13.6% of the Group's shipping assets as of 30 June 2022. This outstanding achievement reflects the Group's commitment to sound financial management and positions it well for future growth and opportunities.

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 2023, was utilised for US$2.4 million. 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 2023.

Debt Position	US$	2023	2022	Movement
M/V Ocean Drover borrowing	$'000	0	1,968	(1,968) ⬇
M/V Ocean Ute borrowing	$'000	0	879	(879) ⬇
M/V Ocean Swagman lease	$'000	0	2,656	(2,656) ⬇
Bunker facility	$'000	2,439	1,964	475 ⬆
Other lease liabilities	$'000	149	271	(122) ⬇
Total Loans and borrowings	**$'000**	**2,588**	**7,738**	**(5,150)** ⬇
Cash and cash equivalents	$'000	7,420	15,279	7,859 ⬇
Negative Net Debt	**$'000**	**(4,832)**	**(7,541)**	**(2,709)** ⬇

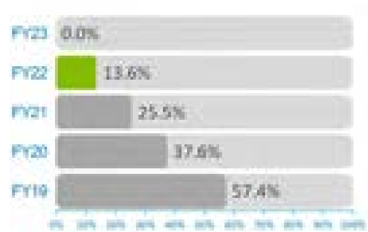
Figure 9: Track record

Working Capital



Loans and Borrowings

Ship Loan to Asset Book Value



CASH FLOWS

Cash flow from operating activities generated net cash of US$1.5 million in FY2023 (FY2022: US$17.1 million which included US$12.0 million proceeds from arbitration proceedings). As already mentioned, the FY2023 result includes the outflow of US$2.4 million related to the repairs and ancillary costs of the M/V Ocean Swagman engine breakdown.

Cash flow used for investing activities was US$3.7 million (FY2022: US$1.4 million), including US$2.4 million and US$1.3 million paid during the year for 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$5.5 million (FY2022: US$7.2 million), primarily due to borrowing and lease repayment.

During the current financial year, there was a US$7.7 million decrease in cash held (net of the effects of exchange rate changes), down from the increase in cash held of US$8.6 million reported in FY2022. On 30 June 2023, the Group's cash and cash equivalents stood at US$7.4 million (30 June 2022: US$15.3 million).

Condensed Consolidated Statement of Cash Flows	2023 US$'000	2022 US$'000
Net cash inflow from operating activities	1,535	17,111
Net cash outflow from investing activities	(3,711)	(1,367)
Net cash outflow from financing activities	(5,538)	(7,168)
Net (decrease)/increase in cash held	**(7,714)**	**8,576**
Cash at the beginning of the financial year	15,279	6,736
Effects of exchange rate changes	(145)	(33)
Cash at the end of the financial year	**7,420**	**15,279**

Free Cash Flow Statement	2023 US$'000	2022 US$'000	
Net cash inflow from operating activities	1,535	17,111	
Income tax paid	(5)	(3)	
Net interest paid	(229)	(772)	
Free cash flow	**1,301**	**16,336**	(92.0%) ↓
Cash conversion ratio (FCF/Revenue)	**3.4%**	**36.3%**	(90.6%) ↓

Free cash flow ("FCF") for the year – defined as cash flow from operating activities less income taxes paid and net interest payments – decreased by 92.0% to US$1.3 million (FY2022: US$16.3 million). However, the results of this financial year must be interpreted in light of the lack of insurance proceeds for the M/V Ocean Swagman, pending their final definition and that the US$12.0 million receipt from the successful arbitration award contributing the largest portion of the cash inflow from operating activities of FY2022.

Figure 10: Free cash flow to sales (cash conversion) ratio

The cash conversion ratio decreased to 3.4% in the current financial year; however, the results of this financial year must be interpreted in light of the lack of insurance proceeds for M/V the Ocean Swagman, pending their final definition.

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 to analyse a Company's performance without the costs of the 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 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 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, as well as 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 contracts price 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, on occasions Wellard maybe to 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, and 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 which allows for profitable international sale, 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 continues to pursue a policy of closing the live sheep export trade in coming years. 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 remining 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 in which 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, and 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 (Ruchira), and includes a Memorandum of Agreement (MoA) in which Ruchira is 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.

There is a risk that Ruchira cannot satisfy UOB sufficiently 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. Should Ruchira become insolvent, or any party seek to appoint liquidators to Ruchira, it is possible that liquidators 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) allowing Ruchira more time to conduct asset sales and otherwise deal with UOB in a manner which discharges the Drover mortgages and redeliver 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 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 have been reports that Australian cattle imported into Indonesia have tested positive for LSD. Australia's Chief Veterinary Officer has 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 point in time, it has a policy of continuous assessment of alternative routes. At the time of writing, Wellard's major markets are in South America to Turkiye, not due to biosecurity issues, but due to 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.

The Coronavirus (COVID-19)

The worldwide outbreak of COVID-19 in 2020 introduced additional challenges and risks to Wellard's operations. In particular, measures implemented by some countries to prevent the further spread brought new and complicated operational consequences for our ships and crews. Travel restrictions and quarantine requirements due to the coronavirus pandemic have made it difficult to effect crew change on ships and made it challenging to load, unload, inspect and service the vessels. Supply chain disruptions, shortage of workforce and implementation of social distancing measures in ports and shipyards caused considerable logistical impediments and delays. Ports operated with their own individual approaches to managing the coronavirus situation, making it difficult to prepare the vessel – or the crew – for the challenges facing them when they prepare to berth. To a large extent, these issues are greatly diminished at the end of FY2023.

A further outbreak of the COVID-19 virus, new variants, or similar pandemics could pose an economic risk to Wellard's operations and its trade volumes.

There remains an ongoing possibility that COVID-19 or another similar variant or virus will arise and have an impact on international demand and the free flow of products. Should such virus impacts restrict availability of products or cause unsustainable increases in pricing, there is likely to be a tendency for markets which previously relied on cheap and easy international supply chains for their commodities globally to pivot towards greater self-sufficiency in the longer term.

The Company undertakes specific measures to ensure the health and safety of its ship's crews and employees globally, and along with all other participants in global trade, monitors the particular requirements of the market destinations it services.

Climate Change Risk

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

At present, there is an increasing focus by governments, regulators and industry 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 CO2 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, on the basis of a maritime GHG emissions pricing mechanism.

As a way of mitigating against the impact of planned changes to regulations which penalise greenhouse gas emissions in shipping, Wellard commenced a feasibility study for a fleet renewal project centered 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 loss of key management and operating personnel, inability to recruit and retain skilled and experienced employees or by increases 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.

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.

Cyber Security Risk

Cyber attacks, information misuse and 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.

DIRECTORS' MEETINGS

The following table sets out the number of Directors' meetings (including meetings of Board committees) held during the year ended 30 June 2023, and the number of meetings attended by each Director:

	Board		Nomination and Remuneration committee		Audit and Risk Committee		Conflicts of Interest Committee	
Directors	held	present	held	present	held	present	held	present
John Klepec	10	10	2	2	2	2	-	-
Philip Clausius	10	10	2	2	2	2	-	-
Kanda Lu	10	9	-	-	-	-	-	-
John Stevenson	10	10	2	2	2	2	-	-

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:

	Ordinary shares held	
Directors	2023	2022
John Klepec[1]	437,500	437,500
Philip Clausius	-	-
Kanda Lu	-	-
John Stevenson	-	-

Notes:
1. 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 of the year ended 30 June 2023 (2022: Nil).

EQUITY ISSUES DURING THE YEAR

At 30 June 2023, the Company had authorised share capital totalling 531,250,312 ordinary shares issued and paid.

EVENTS OCCURRING AFTER REPORTING PERIOD END

Other than matters after 30 June 2023 disclosed in the Operations Report, there are no other significant events which have occurred after reporting period end. 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 practice 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 three 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 standard 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 environmental prosecutions this year.

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 48.

Details of the non-audit services undertaken by, and amounts paid to, the Auditor, are detailed in Note 23 to the financial statements.

The Directors have formed the view that the provision of non-audit services during the financial year ended 30 June 2023 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 2023. 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 at the same time it lodges its Annual Report with the 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 2023. This Directors' Declaration is included on page 47 of this Annual Report.

On behalf of the Directors

Mr John Klepec

Executive Chairman

Mr Paolo Triglia

Group Chief Financial Officer

Dated: 28 August 2023

REMUNERATION REPORT

The following sections form the Remuneration Report for the Wellard Group for the financial year ended 30 June 2023. 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 that 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 2023.

Key Management Personnel covered in this report

Name	Position(s) held	KMP term FY2023
NON-EXECUTIVE DIRECTORS		
Philip Clausius	Non-Executive Director (19 November 2015 – present)	Full year
John Stevenson	Non-Executive Director (23 November 2019 – present)	Full year
EXECUTIVE DIRECTORS		
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
OTHER KMP		
Paolo Triglia	Managing Director – Wellard Ships Pte Ltd (18 November 2015 – present) Chief Financial Officer (22 November 2019 – present)	Full year
Michael Silbert	General Counsel and Company Secretary (18 October 2016 – present)	Full year

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 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 2023.

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.

(b) Independent Remuneration Consultants

In FY2023, 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 2023. 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 FY2023 are included in 3(c) below.

In FY2023, 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.

(b) Remuneration framework

Wellard's remuneration comprises the following elements:

Element	Purpose	Potential Value	Changes for FY2023
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, determined by EBITDA hurdles.	No changes
Long term incentives	Maintain 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 FY2023, 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 (KPIs) 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 FY2023.

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 FY2023.

Long-term incentives

No options in Wellard's LTIP were granted to KMP's in FY2023.

Statutory performance indicators

Wellard aims to align its executive remuneration to strategic and business objectives and the creation of shareholder wealth. The below table 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.

	2023	2022	2021	2020	2019
(Loss)/profit for the year attributable to owners of Wellard Limited (A$'000)	(22,998)	13,688	2,493	245	(48,443)
Basic (loss)/earnings per share (A$ cents)	(4.33)	2.58	0.5	0.1	(8.8)
Dividend payments (A$'000)	-	-	-	-	-
Dividend payout ratio (%)	-	-	-	-	-
Increase / (decrease) in share price (%)	(46.2)	+21.9	+77.8	+50.0	(76.0)

(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[1]	Currency
John Klepec	3 Aug 18 - present	At the Board's Discretion	2 weeks	2 weeks	2023	400,000	A$
					2022	400,000	A$
Kanda Lu	12 May 17 - present	At the Board's Discretion	4 weeks	4 weeks	2023	105,525	A$
					2022	105,154	A$
Paolo Triglia	18 Nov 15 - present	STI Program and at the Board's Discretion	3 months	3 months	2023	364,008	SGD
					2022	350,004	SGD
Michael Silbert	18 Oct 16 - present	STI Program and at the Board's Discretion	6 months	3 months	2023	400,573	A$
					2022	385,166	A$

1. *This is inclusive of superannuation payments where applicable.*

(e) Executive KMP remuneration table

The table below sets out the remuneration received by Wellard KMP for FY2023 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 FY2023 is presented in United States Dollars:

		Short-term benefits			Long-term benefits					
Name	Year	Base salary US$	STI[1] US$	Other[2] US$	Accrued annual leave[3] US$	Long service leave[4] US$	Termination benefits US$	Post-employment benefits Superannuation US$	Total remuneration US$	% Remuneration "at risk"
EXECUTIVE DIRECTORS										
John Klepec	2023	262,961	-	-	-	-	-	6,399	269,360	-
	2022	283,679	-	-	-	-	-	6,597	290,276	-
Kanda Lu	2023	64,308	-	-	259	168	-	6,753	71,488	-
	2022	69,600	-	-	98	181	-	6,709	76,588	-
OTHER KMP										
Paolo Triglia[5]	2023	266,981	-	92,841	11,871	-	-	-	371,693	-
	2022	257,064	125,649	81,046	1,933	-	-	-	465,692	27.0%
Michael Silbert	2023	252,714	-	-	8,450	4,084	-	17,032	282,280	-
	2022	235,911	126,996	-	15,630	5,112	-	16,126	399,775	31.8%
Total in US$	**2023**	**846,964**	**-**	**92,841**	**20,580**	**4,252**	**-**	**30,184**	**994,821**	**-**
	2022	**846,254**	**252,645**	**81,046**	**17,661**	**5,293**	**-**	**29,432**	**1,232,331**	**20.5%**

1. *This includes cash bonuses provided to KMP in relation to FY2022.*
2. *This includes short-term benefits such as leave passage and accommodation.*
3. *This includes statutory leave for Executive Directors and other KMP.*
4. *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.*
5. *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.*

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 FY2023. 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:

		2023		
Fees / Benefits	Description	Fees A$	Superannuation A$	Included in shareholder approved cap?
BOARD FEES				
Wellard board				
	Chairman	190,498	9,502	Yes
	Members	90,498	9,502	Yes
COMMITTEE FEES				
Audit and risk compliance committee				
	Chairman	25,000	-	Yes
	Members	9,050	950	Yes
Nomination and remuneration committee				
	Chairman	22,624	2,376	Yes
	Members	10,000	-	Yes

OTHER FEES / BENEFITS	
Short-term incentives	
	Non-Executive Directors are eligible to participate in short-term incentive arrangements.
Long-term incentives	
	Non-Executive Directors are eligible to participate in long-term incentive arrangements.
Other group fees	
	Non-Executive Directors are not paid additional fees for participation on the board of any of the Wellard Group's subsidiary companies.
Termination payments	
	Termination benefits are not payable to Non-Executive Directors.
Other benefits	
	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[1] A$	Total A$
NON-EXECUTIVE DIRECTORS				
Philip Clausius	2023	122,172	12,828	135,000
	2022	122,727	12,273	135,000
John Stevenson	2023	125,000	-	125,000
	2022	125,000	-	125,000
Total	**2023**	**247,172**	**12,828**	**260,000**
	2022	**247,727**	**12,273**	**260,000**

1. *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 SHAREHOLDING

(a) Equity-based remuneration

The Board considers equity-based remuneration an important element of the Wellard executive remuneration framework. The Board believes equity-based remuneration helps align the interests of Wellard shareholders and senior executives and encourages executives to carefully consider the interests of Wellard shareholders while performing their duties as senior executives.

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 2022	Change to aggregate KMP balance	Balance at 30 June 2023
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	-	-	-
Total	**1,564,300**	**-**	**1,564,300**

(b) 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, provides 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$1,777 (2022: US$15,503).

(c) Outstanding balance from services rendered.

As at 30 June 2023, there was no outstanding due to Transport Capital Pte Ltd (30 June 2022: US$4,379).

(d) Loans to / from related parties

Nil

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 2023 and of its performance for the year ended on that date; and

    ii. 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 2023.

Signed in accordance with a resolution of the Directors.

Mr John Klepec
Executive Chairman
28 August 2023

Moore Australia Audit (WA)

Level 15, Exchange Tower,
2 The Esplanade, Perth, WA 6000

PO Box 5785, St Georges Terrace, WA 6831

T +61 8 9225 5355
F +61 8 9225 6181

www.moore-australia.com.au

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 2023, 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	Moore Australia
NEIL PACE PARTNER	MOORE AUSTRALIA AUDIT (WA) CHARTERED ACCOUNTANTS

Signed at Perth this 28th day of August 2023.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED 30 JUNE	NOTE	2023 US$'000	2022 US$'000
CONTINUING OPERATIONS			
Revenue	4(A)	38,655	45,048
Cost of sales	6(A)	(38,930)	(30,760)
Gross (loss)/profit		**(275)**	**14,288**
Other income	5	-	12,023
Other losses	6(B)	(194)	(420)
Net finance costs	6(C)	(222)	(771)
Depreciation and amortisation expenses		(10,578)	(10,532)
General and administrative expenses	6(D)	(3,850)	(4,643)
(Loss)/profit from continuing operations before income tax		**(15,119)**	**9,945**
Income tax expense	8	(368)	(12)
(Loss)/profit for the period after tax		**(15,487)**	**9,933**
OTHER COMPREHENSIVE (LOSS)/INCOME			
Items that may be reclassified to profit or loss			
(Loss)/gain from foreign currency translation		(178)	207
Other comprehensive (loss)/ income for the period, net of tax		**(178)**	**207**
Total comprehensive (loss)/income for the period		**(15,665)**	**10,140**
		US$ Cents	**US$ Cents**
(Loss)/earnings per share from continuing operations attributable to ordinary equity holders of the Company			
Basic (loss)/earnings per share	9	(2.92)	1.87
Diluted (loss)/earnings per share	9	(2.92)	1.87

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE	NOTE	2023 US$'000	2022 US$'000
CURRENT ASSETS			
Cash and cash equivalents	10	7,420	15,279
Trade and other receivables	13	974	1,132
Inventories	12	1,210	3,631
Contract assets	4(B)	639	545
Other assets	14	705	980
Total current assets		**10,948**	**21,567**
NON-CURRENT ASSETS			
Property, plant and equipment	17	33,830	40,747
Intangible assets	18	840	1,158
Other assets	14	64	63
Total non-current assets		**34,734**	**41,968**
Total assets		**45,682**	**63,535**
CURRENT LIABILITIES			
Trade and other payables	15	3,713	1,976
Loans and borrowings	11	2,545	7,652
Provisions	19	55	79
Contract liabilities	4(B)	1,440	200
Total current liabilities		**7,753**	**9,907**
NON-CURRENT LIABILITIES			
Loans and borrowings	11	43	86
Provisions	19	29	20
Total non-current liabilities		**72**	**106**
Total liabilities		**7,825**	**10,013**
Net assets		**37,857**	**53,522**
EQUITY			
Issued capital	20	412,259	412,259
Reserves	28	(277,126)	(276,948)
Accumulated losses	29	(97,276)	(81,789)
Total equity		**37,857**	**53,522**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

				RESERVES			
FOR THE YEARS ENDED 30 JUNE	NOTE	ISSUED CAPITAL US$'000	ACCUMULATED LOSSES US$'000	SHARE-BASED PAYMENTS US$'000	OTHER RESERVES US$'000	COMMON CONTROL US$'000	TOTAL US$'000
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**
2022							
Opening balance		412,259	(91,722)	12,963	5,650	(295,768)	43,382
Comprehensive income for the period:							
Profit for the period	29	-	9,933	-	-	-	9,933
Other comprehensive income	28	-	-	-	207	-	207
Total comprehensive income for the period		-	**9,933**	-	**207**	-	**10,140**
Closing balance		**412,259**	**(81,789)**	**12,963**	**5,857**	**(295,768)**	**53,522**

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	2023 US$'000	2022 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		39,708	55,593
Payments to suppliers and employees		(38,200)	(38,488)
Interest received		32	9
Income tax paid		(5)	(3)
Net cash inflow from operating activities		**1,535**	**17,111**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(3,711)	(1,367)
Purchase of intangible assets		-	-
Net cash outflow from investing activities		**(3,711)**	**(1,367)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net repayments of borrowings		(2,397)	(3,802)
Principal payment of lease liabilities		(2,912)	(2,594)
Interest paid		(229)	(772)
Net cash outflow from financing activities		**(5,538)**	**(7,168)**
Net (decrease)/increase in cash held		**(7,714)**	**8,576**
Cash at the beginning of the financial year		15,279	6,736
Effects of exchange rate changes on cash and cash equivalents		(145)	(33)
Cash at the end of the financial year	10	**7,420**	**15,279**

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

RECONCILIATION OF CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of (loss)/profit after tax to net cash flows from operating activities.

FOR THE YEARS ENDED 30 JUNE	2023 US$'000	2022 US$'000
(Loss)/profit after tax	(15,487)	9,933
Adjustment for:		
Depreciation and amortisation	10,578	10,532
Income tax expense	368	12
Interest income	(32)	(9)
Allowance for impairment loss	306	3
Interest expense and borrowing costs	254	780
Net loss on disposal of property, plant and equipment	1	-
Unrealised foreign exchange losses	24	363
Change in assets and liabilities, net of the effects of purchase and of subsidiaries		
Change in trade and other receivables and other assets	25	(975)
Change in inventories	2,421	(1,806)
Change in trade and other payables and provisions	1,810	(421)
Change in deferred revenue	1,240	(1,307)
	1,508	**17,105**
Interest received	32	9
Income tax paid	(5)	(3)
Net cash flows from operating activities	**1,535**	**17,111**

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

Reconciliation of liabilities arising from financing activities:

FOR THE YEAR ENDED 30 JUNE 2023	Opening balance US$'000	Principal and interest payments US$'000	Non-cash changes: Addition during the year US$'000	Interest expense US$'000	Effect of movement in exchange US$'000	Non-cash movement US$'000	Closing balance 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
Total borrowings	**7,738**	**(22,468)**	**17,067**	**254**	**(5)**	**2**	**2,588**
Less: Cash and cash equivalents							(7,420)
Negative Net debt							**(4,832)**

FOR THE YEAR ENDED 30 JUNE 2022	Opening balance US$'000	Principal and interest payments US$'000	Non-cash changes: Addition during the year US$'000	Interest expense US$'000	Effect of movement in exchange US$'000	Non-cash movement US$'000	Closing balance US$'000
Loan and borrowings (Note 11)							
Borrowings	7,512	(4,990)	-	358	-	(35)	2,845
Lease liabilities	5,391	(2,963)	135	369	(3)	-	2,929
Other loans	1,116	(18,188)	18,973	63	-	-	1,964
Total borrowings	**14,019**	**(26,141)**	**19,108**	**790**	**(3)**	**(35)**	**7,738**
Less: Cash and cash equivalents							(15,279)
Negative Net debt							**(7,541)**

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

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 2023, that were authorised for issue in accordance with a resolution of the Directors on 28 August 2023.

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 activities 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 and holds export licences to trade and ship live cattle and sheep on its own account.

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. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The significant 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.

Sale of goods

Revenue is determined on a per shipment or per contract basis and is recognised in line with the customer trading terms.

Wellard trades using CIF contract terms (cost, insurance and freight). Control of the assets does not pass until the unloading of the vessel; as such, shipping is not a separate performance obligation. Revenue is recognised on discharge.

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.

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 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 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 they meet 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% - 5%, 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%, straight-line basis.

Improvements

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

Right-of-use assets

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

R. 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.

S. 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.

T. 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.

U. 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.

V. 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 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.

W. 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.

X. 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$60.7 million (FY2022: US$44.9 million) relating to the tax and capital losses of the Australian tax consolidated group and US$2.0 million (FY2022: 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 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 11.0% 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$0.3 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$2.6 million.

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

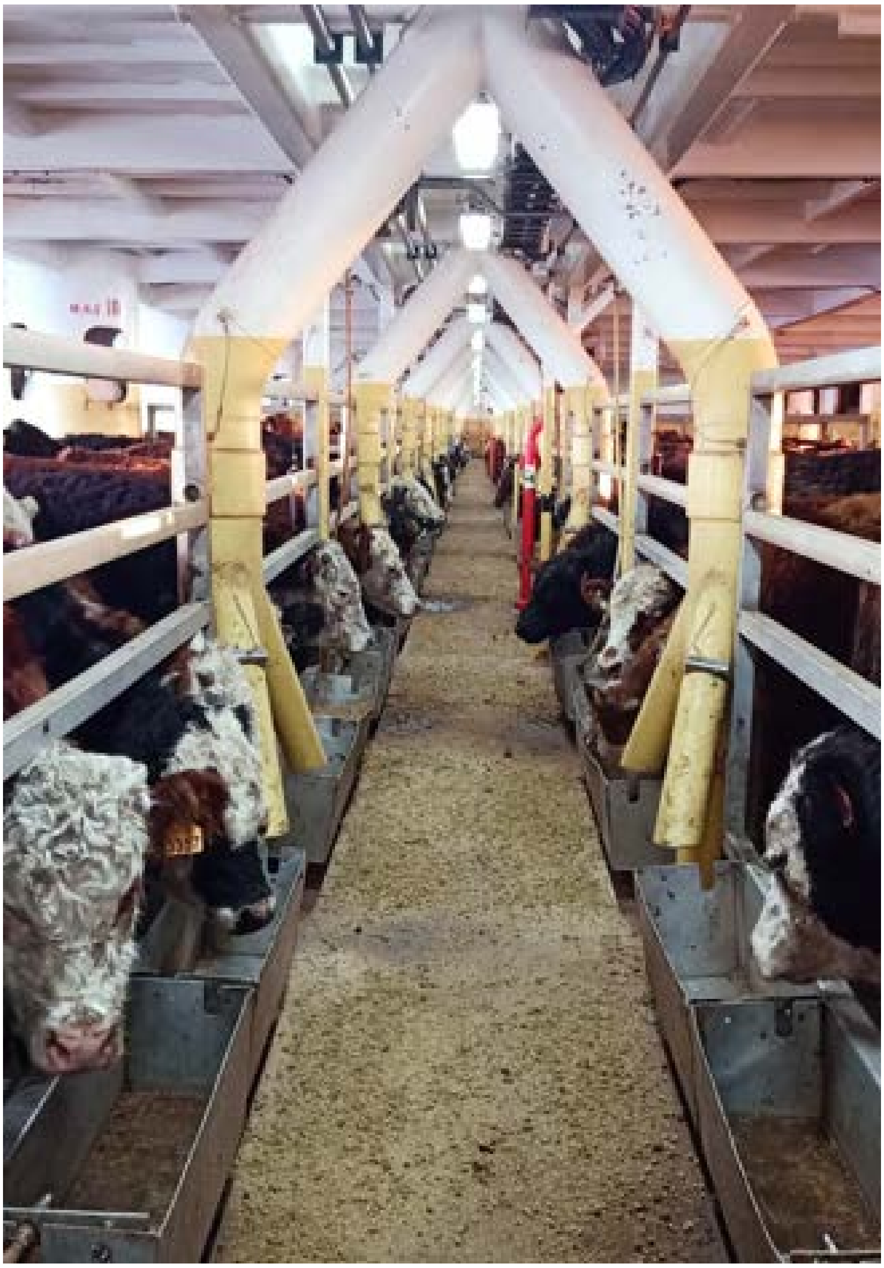
Investments in subsidiaries

We have estimated the recoverable amount based on the value-in-use of the subsidiaries. No impairment (2022: 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 live 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.

During the financial year, 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 in the current period.



M/V Ocean Swagman V149, on route to Turkiye, July 2023

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

A) DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

FOR THE YEARS ENDED 30 JUNE	2023 US$'000	2022 US$'000
REVENUES		
Chartering	38,619	44,965
Other revenue	36	83
	38,655	**45,048**

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:

AS AT 30 JUNE	2023 US$'000	2022 US$'000
CHARTERING		
Contract assets	639	545
Contract liabilities	1,440	200

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

FOR THE YEARS ENDED 30 JUNE	2023 US$'000	2022 US$'000
Arbitration award received	-	12,023

This refers to the arbitration award obtained in London against the Croatian Bank for Reconstruction and Development (Hrvatska banka za obnovu i razvitak, or "HBOR") in favour of Wellard's subsidiary, Wellard Ships Pte Ltd, relating to refund guarantees supporting Wellard's terminated 2015 contract for the building of the planned livestock vessel to have been known as the "M/V Ocean Kelpie" with the Uljanik d.d shipyard (Uljanik).

6. EXPENSES

FOR THE YEARS ENDED 30 JUNE	2023 US$'000	2022 US$'000
A) COST OF SALES		
Chartering	38,930	30,780
Trading	-	(20)
	38,930	**30,760**

6. EXPENSES (continued)

FOR THE YEARS ENDED 30 JUNE		2023 US$'000	2022 US$'000
B) OTHER LOSSES			
Losses arising from chartering and trading activities			
Allowance for impairment loss		306	3
		306	**3**
(Gains)/losses arising from other activities			
Net foreign exchange (gains)/losses		(113)	394
Net loss on disposal of property, plant and equipment		1	-
Restructuring and integration costs		-	23
		(112)	**417**
		194	**420**
C) NET FINANCE COSTS			
Interest income		(32)	(9)
Interest expense		254	790
Borrowing costs		-	(10)
		222	**771**
D) GENERAL AND ADMINISTRATIVE EXPENSES			
Labour expenses	6(E)	2,470	3,087
Consulting costs		544	824
General and administrative costs		478	511
Travel expenses		223	90
Occupancy costs		73	86
Motor vehicle expenses		58	44
Repairs and maintenance costs		4	1
		3,850	**4,643**
E) LABOUR EXPENSES			
Wages and salaries		2,012	2,538
Employee entitlements		328	409
Superannuation		130	140
		2,470	**3,087**

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

a) **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.

7. SEGMENT INFORMATION (continued)

b) **Other:** This segment consists of trading and corporate services. Trading refers to the business of livestock marketing, buying livestock from multiple sources for export to buyers in international markets globally. Although Wellard retains its Australian livestock export licenses and capabilities, trading activity has reduced since July 2019 and is now very marginal. 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.

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 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**
FOR THE YEAR ENDED 30 JUNE 2022			
Revenue	44,965	83	45,048
Depreciation and amortisation expenses	(10,173)	(359)	(10,532)
Net finance costs	(769)	(2)	(771)
Profit from continuing operations before income tax	1,877	8,068	9,945
Total segment assets	**57,282**	**6,253**	**63,535**
Total segment liabilities	**9,564**	**449**	**10,013**

Revenue of approximately US$34.2 million were derived from four external customers of the chartering segment, which individually account for greater than 10.0% of total revenue (FY2022: revenue of approximately US$41.0 million from four external customers, which individually account for greater than 8.0% of total revenue).

Geographical information

Wellard operates in several geographical locations around the world, spanning multiple continents for both procurement and sales of livestock, as well as sale of space on the Group's vessels.

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

FOR THE YEARS ENDED 30 JUNE	Australia US$'000	Singapore US$'000	Brazil US$'000	Total US$'000
2023	5	38,630	20	38,655
2022	14	45,034	-	45,048

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

AS AT 30 JUNE	Australia US$'000	Singapore US$'000	Total US$'000
2023	916	33,818	34,734
2022	1,232	40,736	41,968

8. TAXATION

INCOME TAX EXPENSE

FOR THE YEARS ENDED 30 JUNE	2023 US$'000	2022 US$'000
INCOME TAX EXPENSE		
Income tax expense comprises:		
Current tax	11	5
Under provision for income tax in prior years	357	7
Income tax expense reported during the year	**368**	**12**
Income tax expense is attributable to:		
Continuing operations	368	12
Discontinued operations	-	-
	368	**12**

NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACE TAX PAYABLE

FOR THE YEARS ENDED 30 JUNE	2023 US$'000	2022 US$'000
(Loss)/profit from continuing operations before income tax	(15,119)	9,945
Tax at the Australian tax rate of 30% (2022: 30%)	(4,536)	2,984
Add/(deduct) the effect of other assessable items		
Attributable foreign income	363	841
Exempt foreign shipping activities	895	(1,694)
Current year losses and temporary differences not recognised	321	522
Income not subject to tax	(43)	(2,459)
Statutory stepped income exemption	(11)	(6)
Expenses not deductible for tax purposes	1,347	1,541
Under provision for income tax in prior years	357	7
Total other assessable items	**(1,307)**	**1,736**
Add/(less) the effect of other non-assessable items		
Effect of different tax rates in other countries	1,675	(1,724)
Total other non-assessable items	**1,675**	**(1,724)**
Income tax expense reported during the year	**368**	**12**

The under provision for income tax in prior years includes US$361K income tax on the receipt of arbitration award as disclosed in Note 5.

At the reporting date, the Group has unused tax losses of US$46.2 million (FY2022: US$46.9 million) and capital losses of US$16.5 million (FY2022: Nil) 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.

9. (LOSS)/EARNINGS PER SHARE

FOR THE YEARS ENDED 30 JUNE		2023	2022
BASIC (LOSS)/EARNINGS PER SHARE			
From continuing operations attributable to the ordinary equity holders of the Company	US$ cents	(2.92)	1.87
DILUTED (LOSS)/EARNINGS PER SHARE			
From continuing operations attributable to the ordinary equity holders of the Company	US$ cents	(2.92)	1.87
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	2023 US$'000	2022 US$'000
Cash at bank and in hand	7,420	15,279
	7,420	**15,279**

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

11. LOANS AND BORROWINGS

AS AT 30 JUNE	2023 US$'000	2022 US$'000
CURRENT		
Secured		
Borrowings (i)	-	2,845
Un-secured		
Lease liabilities (ii)	106	2,843
Other loans (iii)	2,439	1,964
Total Current Loans and Borrowings	**2,545**	**7,652**
NON-CURRENT		
Secured		
Borrowings (i)	-	-
Un-secured		
Lease liabilities (ii)	43	86
Total Non-current Loans and Borrowings	**43**	**86**
Total Loans and Borrowings	**2,588**	**7,738**

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.

11. LOANS AND BORROWINGS (continued)

(i) Borrowings

Secured

Borrowings from a non-related party, Ruchira Ships Limited ("Ruchira"), refer to the lease obligations on the bareboat charter contracts for M/V Ocean Drover and M/V Ocean Ute, following a distinct sale and finance leaseback arrangement in prior years. It was assessed in accordance with SIC – 27 "Evaluating the substance of transactions involving the legal form of a lease". The vessels have been reported in the consolidated statement of financial position as plant and equipment at their original costs less accumulated depreciation, and the lease obligation presented as borrowings.

In August 2019, the Group renegotiated an agreement with Ruchira to extend the repayment schedules of M/V Ocean Drover and M/V Ocean Ute until December 2021. Through this arrangement, the Group incurred a loss on loan modification of US$1.7 million. In June 2022, the Group and Ruchira mutually agreed to extend the purchase obligation of M/V Ocean Ute and M/V Ocean Drover to 29 July 2022 and 30 June 2023 respectively. On 8 July 2022, Wellard paid all remaining balances (US$2.8 million) to Ruchira.

On 19 August 2022, Wellard subsidiary Niuyang Express Pte Ltd completed the repurchase of the M/V Ocean Ute, and that vessel is now owned unencumbered by Wellard. The underlying bareboat charter agreement of this vessel from Ruchira was also cancelled, as the vessel is now operated by Wellard as principal.

On 30 June 2023, the title transfer of the M/V Ocean Drover was extended to 4 August 2023 and on 4 August 2023, it was further extended to 1 September 2023. See Note 17(B) for information on bareboat charter arrangement.

The Group will maintain full control of the M/V Ocean Drover until the end of the term of its bareboat charter agreement and the exercise of the purchase obligation on the vessel at the end of the charter period. The arrangement is secured by the carrying amount of its pledged asset and is supported by a guarantee from Wellard Limited. There will be no further payments to Ruchira between now and the title transfer date of the M/V Ocean Drover, which is scheduled for 1 September 2023.

(ii) 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.

On 4 November 2019, the Group entered into a sale and leaseback agreement of the M/V Ocean Swagman with Heytesbury Singapore Pte Ltd. Through this transaction, the Group maintained full control of the vessel until 31 March 2022 and no purchase obligation was granted. On 15 June 2021, the Group modified the existing arrangement to exercise the extension options until 30 June 2023. This transaction expired on 30 June 2023, at which time the vessel was time chartered by the Company for four months, with the option of an additional three months, at predetermined rates. Under these arrangements, Wellard has the ability to continue operating the M/V Ocean Swagman until early 2024.

(iii) Other loans

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

AS AT 30 JUNE	Currency	Financial year of maturity	2023 US$'000	2022 US$'000
LOANS AND BORROWINGS				
Secured				
Borrowings	US$	2023	-	878
Borrowings	US$	2023	-	1,967
Un-secured				
Lease liabilities	US$	2023	-	2,656
Lease liabilities	SGD	2024	88	248
Lease liabilities	A$	2026	61	25
Other loans	US$	2024	2,439	1,964
			2,588	**7,738**

The maturity profile of principal repayments is set out in Note 16(C).

12. INVENTORIES

AS AT 30 JUNE	2023 US$'000	2022 US$'000
Raw materials	1,210	3,631
	1,210	**3,631**

Inventories are reported at the lower of cost and net realisable value. No write-downs of inventory to net realisable value were recognised during the year (FY2022: Nil).

13. TRADE AND OTHER RECEIVABLES

AS AT 30 JUNE	2023 US$'000	2022 US$'000
CURRENT		
Trade receivables	979	756
Allowance for impairment loss	(306)	-
Other receivables	301	376
	974	**1,132**

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. Export customers have payment terms ranging from a percentage payable on vessel's loading, to a percentage payable 14 days after discharge of livestock. Non-export trading terms are generally 14 days. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired in excess of expected credit losses.

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:

AS AT 30 JUNE	2023 US$'000	2022 US$'000
0 to 3 months	619	707
3 to 6 months	5	-
Over 6 months	355	49
	979	**756**

Information on the Group's credit risk is disclosed in Note 16(B).

14. OTHER ASSETS

AS AT 30 JUNE	2023 US$'000	2022 US$'000
CURRENT		
Prepayments	705	480
Deposit	-	500
	705	**980**
NON-CURRENT		
Deposits	64	63
	64	**63**

15. TRADE AND OTHER PAYABLES

AS AT 30 JUNE	2023 US$'000	2022 US$'000
CURRENT		
Trade payables	2,756	523
Sundry payables and accrued expenses	957	1,453
	3,713	**1,976**

Trade and other payables are non-interest bearing.

16. 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.

16. FINANCIAL RISK MANAGEMENT (continued)

A) MARKET RISK (continued)

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.

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:

AS AT 30 JUNE	2023 US$'000	2022 US$'000
Loans and borrowings	2,439	1,964
	2,439	**1,964**

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:

FOR THE YEARS ENDED 30 JUNE	2023 US$'000	2022 US$'000
+0.1%	2	2
-0.1%	(2)	(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:

AS AT 30 JUNE	2023 US$'000	2022 US$'000
0 to 3 months	619	707
3 to 6 months	5	-
Over 6 months	355	49
	979	**756**

16. FINANCIAL RISK MANAGEMENT (continued)

B) CREDIT RISK (continued)

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.

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

AS AT 30 JUNE	2023 US$'000	2022 US$'000
United States dollar	927	746
Australian dollar	52	10
	979	**756**

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

FOR THE YEARS ENDED 30 JUNE	2023 US$'000	2022 US$'000
Opening balance	-	1,678
Allowance for impairment recognised during the year	306	-
Receivables collected during the year	-	(3)
Receivables written off during the year as uncollectable	-	(1,675)
Closing balance	**306**	**-**

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 e 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.

16. FINANCIAL RISK MANAGEMENT (continued)

B) CREDIT RISK (continued)

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

FOR THE YEARS ENDED 30 JUNE	2023 US$'000	2022 US$'000
IMPAIRMENT LOSSES		
Individually impaired trade receivables	306	-
	306	**-**

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 2023 and 2022, 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 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
	6,280	**12**	**22**	**23**	**6,337**	**6,301**

FOR THE YEAR ENDED 30 JUNE 2022	<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	1,976	-	-	-	1,976	1,976
Fixed rate	4,346	1,469	87	-	5,902	5,774
Variable rate	1,978	-	-	-	1,978	1,964
	8,300	**1,469**	**87**	**-**	**9,856**	**9,714**

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.

16. 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

17. PROPERTY, PLANT AND EQUIPMENT

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**

AS AT 30 JUNE 2022	IMPROVEMENTS US$'000	PLANT AND EQUIPMENT US$'000	RIGHT-OF-USE ASSETS US$'000	TOTAL US$'000
Opening net book amount	75	43,973	5,249	49,297
Additions	71	1,448	177	1,696
Foreign exchange revaluation	(3)	(9)	(2)	(14)
Depreciation expense	(62)	(7,526)	(2,644)	(10,232)
Closing balance	**81**	**37,886**	**2,780**	**40,747**
Cost	538	110,217	9,930	120,685
Accumulated depreciation and impairments	(457)	(72,331)	(7,150)	(79,938)
Closing balance	**81**	**37,886**	**2,780**	**40,747**

A) There is no property, plant and equipment pledged as security for the liabilities as disclosed in Note 11 (2022: US$36,735,094).

17. PROPERTY, PLANT AND EQUIPMENT (continued)

B) 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 is 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.

There is a risk that Ruchira cannot satisfy UOB sufficiently 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. Should Ruchira become insolvent, or any party seek to appoint liquidators to Ruchira, it is possible that liquidators 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) allowing Ruchira more time to conduct asset sales and otherwise deal with UOB in a manner which discharges the Drover mortgages and redeliver 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.

C) 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.

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:

Assets classified within Right-of-Use Assets	2023 US$'000	2022 US$'000
Property	154	302
Equipment	4	8
Vessel	-	2,468
Motor Vehicle	-	2
	158	**2,780**

Lease liabilities	2023 US$'000	2022 US$'000
Current	106	2,843
Non-current	43	86
	149	**2,929**

17. PROPERTY, PLANT AND EQUIPMENT (continued)

(iii) Depreciation during the year

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

Depreciation charge of right-of-use assets	2023 US$'000	2022 US$'000
Property	208	205
Equipment	5	5
Vessels	2,543	2,422
Motor Vehicle	2	12
	2,758	**2,644**

(iv) Interest expense on lease liabilities during the financial year 2023 was US$125,365 (2022: US$368,989)
(v) Lease expense not capitalised in lease liabilities – short-term leases was US$86,615 (2022:US$74,369).
(vi) Total cash outflow for all the leases during the financial year 2023 was US$3,037,480 (2022: US$2,963,740).
(vii) Additions of Right-of-use assets during the financial year 2023 was US$136,914 (2022: US$177,236).

18. INTANGIBLE ASSETS

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

AS AT 30 JUNE 2022	SOFTWARE US$'000	TOTAL US$'000
Opening net book amount	1,574	1,574
Additions	-	-
Foreign exchange revaluation	(116)	(116)
Amortisation expense	(300)	(300)
Closing balance	**1,158**	**1,158**
Cost	2,782	2,782
Accumulated amortisation	(1,624)	(1,624)
Closing balance	**1,158**	**1,158**

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.

19. PROVISIONS

AS AT 30 JUNE	2023 US$'000	2022 US$'000
CURRENT		
Employee entitlements	55	79
	55	**79**
NON-CURRENT		
Employee entitlements	29	20
	29	**20**

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$54,863 (2022: US$78,645) is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations.

20. ISSUED CAPITAL

The Company's share capital comprises fully paid-up 531,250,312 (2022: 531,250,312) ordinary shares with no par value, amounting to a total US$412,258,944 (2022: 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 2023.

21. COMMITMENTS

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

22. SIGNIFICANT ITEMS

There are no other significant items to be disclosed for the financial year ended 30 June 2023.

23. AUDITOR'S REMUNERATION

FOR THE YEARS ENDED 30 JUNE	2023 US$'000	2022 US$'000
Fees in respect of the audit of the consolidated and parent company financial statements	110	108
Other audit fees, principally in respect of audits of accounts of subsidiaries in Singapore	18	18
Other assurance services	4	4
Total auditor's remuneration	**132**	**130**

24. 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	2023 %	2022 %
PARENT ENTITY			
Wellard Limited	Australia		
SUBSIDIARIES OF WELLARD LIMITED			
Wellard Feeds Pty Ltd[1]	Australia	-	100
Wellard Rural Exports Pty Ltd	Australia	100	100
Wellard Animal Processing Pty Ltd[1]	Australia	-	100
Wellard NZ Ltd	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	Turkiye	100	100

Notes:
1. Wellard Feeds Pty Ltd and Wellard Animal Processing Pty Ltd were deregistered on 17 August 2022.

25. 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 24(a).

(b) Key management personnel compensation

FOR THE YEARS ENDED 30 JUNE	2023 US$'000	2022 US$'000
Short-term benefits	940	1,180
Long-term benefits	25	23
Post-employment benefits	30	29
	995	**1,232**

Detailed remuneration disclosures are available in the Remuneration Report on page 43.

25. RELATED PARTY TRANSACTIONS (continued)

(c) Transactions with other related parties

FOR THE YEARS ENDED 30 JUNE	2023 US$'000	2022 US$'000
ENTITIES CONTROLLED BY KEY MANAGEMENT PERSONNEL		
Technical shipping consultancy service rendered	2	16

(d) Outstanding balance from services rendered from related parties

As at 30 June 2023, there was no outstanding balance from services rendered from related parties (2022: US$4,379).

26. PARENT ENTITY

(a) Summary financial information

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

AS AT 30 JUNE	2023 A$'000	2022 A$'000
NET ASSETS		
Current assets	4,150	7,535
Total assets	12,849	16,602
Current liabilities	(310)	(575)
Total liabilities	(419)	(603)
Net assets	**12,430**	**15,999**

FOR THE YEARS ENDED 30 JUNE	2023 A$'000	2022 A$'000
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	(577,715)	(574,146)
Total equity	**12,430**	**15,999**
Loss for the period	3,569	4,627
Total comprehensive loss	3,569	4,627

(b) Guarantees provided by the parent entity

At 30 June 2023, 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 2023 (30 June 2022: Nil).

26. 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 24.

27. SHARE-BASED PAYMENTS

Under the Company's Executive Share Option Plan, share options are granted to employees as determined, in its absolute discretion, by the Board.

Executive Share Options may be granted with an exercise price as determined by the Board, including, for the avoidance of doubt, with no exercise price.

The Company may determine, at its discretion, whether to settle the vested and exercised Executive Share Options in cash or shares and may either issue new Shares or acquire Shares on the market.

The Executive Share Options may be subject to milestone dates prior to which performance conditions must be satisfied.

Movement in the number of unissued ordinary shares of the Company under option during the year:

FOR THE YEAR ENDED 30 JUNE	OPTIONS AT BEGINNING OF PERIOD	GRANTED DURING PERIOD	EXPIRED / CANCELLED DURING PERIOD	VESTED / EXERCISED DURING PERIOD	OPTIONS AT END OF PERIOD
2023					
LTIP - 2019	1,000,000	-	1,000,000	-	-
	1,000,000	**-**	**1,000,000**	**-**	**-**

Details of unissued ordinary shares of the Company under option during the year:

Performance condition	Tranche 1	Tranche 2	Tranche 3
Grant date	1 Nov 2018	1 Nov 2018	1 Nov 2018
Maturity date	1 Nov 2022	1 Nov 2022	1 Nov 2022
Vesting period from grant date	3 years	3 years	3 years
Knock in price (A$/share) (30-day VWAP)	0.25	0.40	0.60
Exercise price	0.00	0.00	0.00
Share price	0.045	0.045	0.045
Risk free rate	2.14%	2.14%	2.14%
Volatility	71.53%	71.53%	71.53%
Fair value at grant date	**4,734**	**3,965**	**1,814**
Entitled no of employees[1]	7	7	7

Notes:

1. Three entitled employees declined the invitation to participate in the Executive Share Option Plan. Three entitled employees had left in prior years.

Subject to "Good Leaver" provisions, a participant's options lapse on termination of employment.

Vested options may be exercised from the time of Vesting (three years from issue) until the Last Exercise Date. The Board has exercised its discretion under the Plan and determined that the Last Exercise Date for Vested Options is four years after issue. The vested options were expired on 1 November 2022.

28. RESERVES

AS AT 30 JUNE	COMMON CONTROL US$'000	SHARE BASED PAYMENTS US$'000	FOREIGN CURRENCY TRANSLATION US$'000	TOTAL US$'000
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)**
2022				
Opening balance	(295,768)	12,963	5,650	(277,155)
Current year movements	-	-	207	207
Closing balance	**(295,768)**	**12,963**	**5,857**	**(276,948)**

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	2023 US$'000	2022 US$'000
Opening balance	(81,789)	(91,722)
Share options lapsed	-	-
Net (loss)/profit for the year	(15,487)	9,933
Closing balance	**(97,276)**	**(81,789)**

30. SUBSEQUENT EVENTS

Other than matters after 30 June 2023 disclosed in Note 11(i) and Note 17(B), there are no other significant events occurred after balance sheet date.

31. CONTINGENT ASSETS/LIABILITIES

(a) ALPHA COMMODITIES

In October 2017, Wellard Ships entered into a charter agreement with Alpha Commodities S.A ("Alpha") for the vessel M/V Ocean Shearer, and non-refundable deposits of US$2.0 million were received. Alpha subsequently defaulted on the remainder of its charter obligations, and the voyages the subject of the charter did not proceed. In January 2021, the Company obtained a judgment in the U.K. High Court proceedings against Alpha Commodities S.A. in the amount of US$10,380,722.93 plus interest and costs.

Wellard no longer expects to be able to recover against this judgement.

Wellard has not been able to identify Alpha as being an entity with any financial substance in Brazil or elsewhere, and cannot track any responsible persons who might be effectively pursued.

(b) SHAREHOLDER CLASS ACTION

Wellard has continued to prepare its defence in response to a class action launched against the Company (see ASX announcement 10 March 2020). Under the auspices of the Federal Court in Melbourne, pre-trial preparatory work has been undertaken and both expert and lay-witness evidence has been prepared and exchanged between the parties in advance of a mediation which is scheduled to take place in September 2023.

There is a possibility that the matter may settle at or after mediation. If that does not eventuate, the court has set the matter down for trial in around June/July 2024.

The status of the class action has still not reached a stage where Wellard is able to reliably estimate the quantum of liability, if any, that Wellard may incur in respect of the class action.

No contingency has been raised in these accounts in respect of the class action. Wellard has been asked by a number of shareholders whether it possesses Directors and officers (D&O) liability insurance. The specific arrangements Wellard has with its insurers are confidential. However, as would be expected of a listed public company, Wellard has various insurances in place to deal with a variety of risks, and the Company would be expected to give ongoing consideration to its entitlements under any potentially relevant insurance.

(c) 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 is being made following this successful litigation brought by the Brett Cattle Company.

Progress on this matter has been slow, and 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.

As reported in the Australian press, the Commonwealth has proposed an all-inclusive settlement sum to the remaining claimant group of A$215 million.

The parties continue to work towards a resolution, with a further Court date yet to be set for consideration of the foundational issues in dispute. The determination of these issues will be fundamental to the progression and finalisation of the matter. 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.

(d) INSURANCE CLAIM ON THE M/V OCEAN SWAGMAN STARBOARD ENGINE REPAIR

On 10 February 2023, the M/V Ocean Swagman experienced starboard engine failure after discharging cargo in China. The vessel was navigated to Singapore, where she completed the repairs and her intermediate class survey in early May 2023 over a period of 87.5 off-hire days. The Company has incurred costs amounted to US$3.4 million, which was included in the consolidated statement of comprehensive income – Cost of Sales. Insurance claims under the Hull & Machinery and Loss of Hire policies were submitted to insurers. The insurers are processing the insurance claims and the final settlement amount has not been determined however management expects that an amount of approximately US$3.5 million to US$4.0 million to be received and accounted in FY2024.

Moore Australia Audit (WA)

Level 15, Exchange Tower,
2 The Esplanade, Perth, WA 6000
PO Box 5785, St Georges Terrace, WA 6831

T +61 8 9225 5355
F +61 8 9225 6181

www.moore-australia.com.au

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 2023, 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 significant accounting policies, 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 2023 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.

MOORE

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"	
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. The accurate recording of revenue is highly dependent upon the following key factors; • Knowledge of the individual characteristics and status of contracts; • Management's invoicing process including; – accurate measurement of services and provided each month – invoices prepared in compliance with contract terms such as services performed, cargo delivered and rates charged; and • 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. 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.	Our procedures included, amongst others: • 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; • We selected a sample of sales invoices raised during the year and performed the following procedures: – agreed to contractual terms and rates – agreed to general ledger accounts and subsequent receipts from the customer – for variations or claims we checked they were in accordance with contract terms and evaluated for risk of non-recovery; • 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 • Ensured appropriate disclosure in the financial statements of revenue policies and significant estimates and judgement applied.

Ownership and Carrying value of Property, Plant and Equipment	
Refer to Note 2.X and Notes 17 Property, Plant and Equipment	
Property, plant and equipment (PPE) totalled $33.8 million, the majority of which related to vessels, as disclosed in Note 17. One vessel is owned, the other is subject to a bareboat charter financing arrangement until June 2032 which allows Wellard full access to offer to customers for the transport of livestock. The bareboat charter includes a MoA in which the third party is legally obliged	Our procedures included, amongst others: • Verifying ownership of the two vessels and related Bare Boat Charter and repurchase arrangements. • 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 2023, consideration of the utilisation, performance and results derived from operating the vessel fleet and

Key Audit Matters (continued)

Ownership and Carrying value of Property, Plant and Equipment	
Refer to Note 2.X and Notes 17 Property, Plant and Equipment	
to redeliver the vessel to Wellard at 1 September 2023. The vessel has been included in a package of secured assets under an arrangement with the 3rd parties' bank. The 3rd party must discharge the two registered mortgages over the vessel before it is able to meet its obligations under the MoA to redeliver the vessel to Wellard. There is a risk that the 3rd party can not clear the mortgages and therefore the redelivery of the legal title of the vessel to Wellard may be delayed or potentially prevented. Wellard has mitigated this position by putting the long-term bareboat charter in place, preserving the legal right to operate the vessel until 2032 which allows the 3rd party more time to discharge the vessel mortgages. 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. 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 as well as through value-in-use models using discounted cashflow projections. Based on the assessed recoverable amounts no impairment losses were recorded in respect off the Group's vessel fleet for the year ended 30 June 2023. 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.	consideration of any adverse economic conditions. • In relation to external valuations obtained from third parties we: – evaluated the competence, experience and objectivity of the expert used; – evaluated the scope and appropriateness of the valuations obtained; and – assessed whether the valuations obtained were consistent with other audit evidence obtained, including management's value-in-use calculations. • 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. • Regarding the bareboat charter arrangement for the Ocean Drover, we have: – Held multiple discussions with the directors regarding the current situation and the assets' accounting treatment; – Obtained legal correspondence and advice regarding Wellard's position up until audit sign off; and – assessed the appropriateness of the relevant disclosures included in the financial report. • Assessing the appropriateness of the relevant disclosures included in Notes 2.X & 17 to the financial report.

MOORE

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2023 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 that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company 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 Company or to cease operations, or has no realistic alternative but to do so.

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 on the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2021.pdf. 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 2023.

In our opinion, the Remuneration Report of Wellard Limited, for the year ended 30 June 2023 complies with section 300A of the *Corporations Act 2001*.

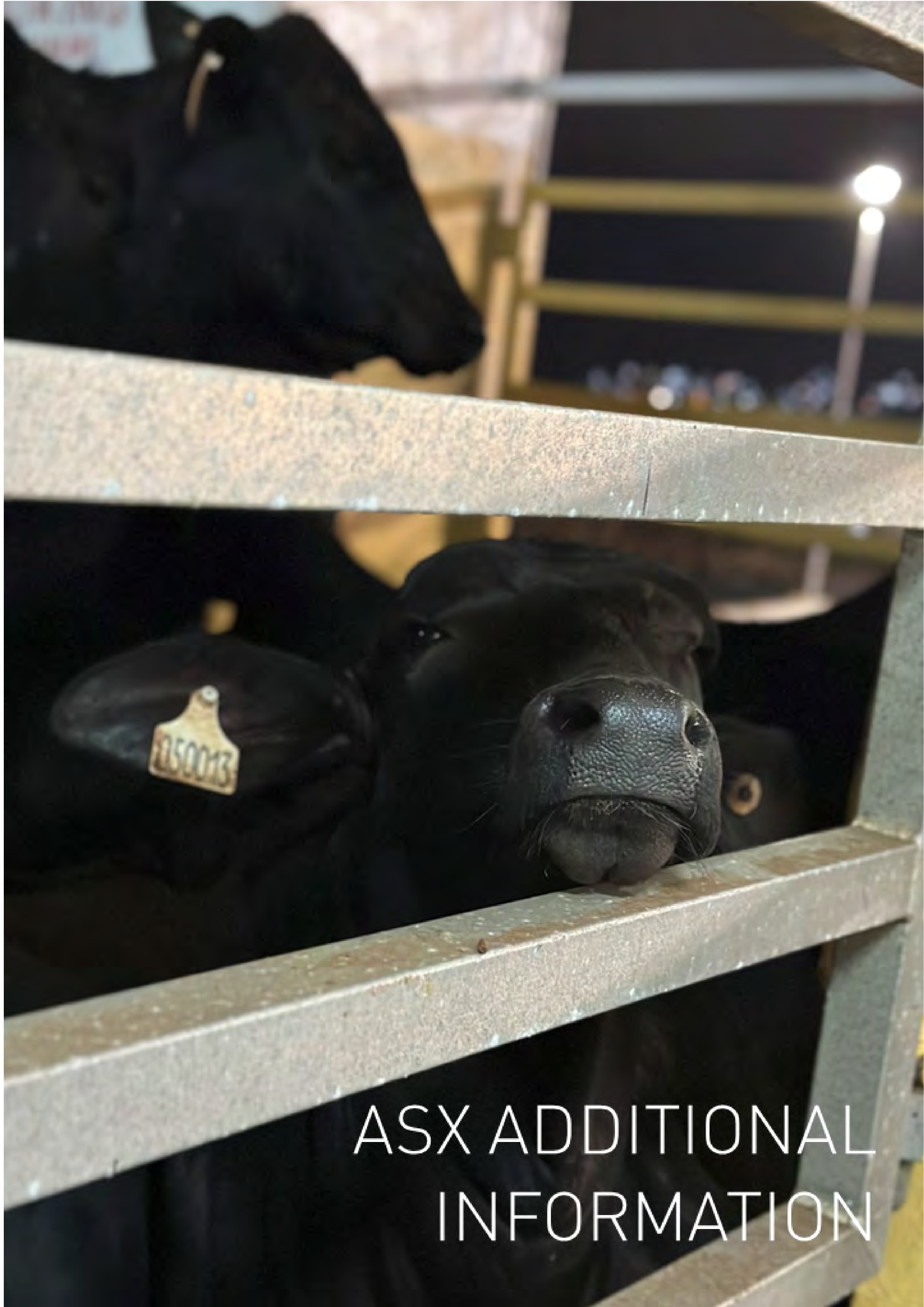
INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF WELLARD LIMITED (CONTINUED)

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 28th day of August 2023.



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 21 August 2023.

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 Invt 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 845 registered shareholders.

DISTRIBUTION OF SHAREHOLDING

The distribution of all shareholders is set out below.

Range	Total holders	Shares	% of all shareholders
1 - 1000	55	7,688	6.51
1001 - 5000	42	137,209	4.97
5001 – 10,000	40	322,914	4.74
10,001 – 100,000	511	18,863,342	60.47
100,001 and over	197	511,919,159	23.31
Total	**845**	**531,250,312**	**100**

UNMARKETABLE PARCEL

The minimum parcel size at 21 August 2023 is per unit is 10,638 shares.

There are 141 shareholders that hold unmarketable parcels.

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

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 Invt Funds Ltd	38,967,981	7.34
5.	Innovation Bloom Limited	36,881,588	6.94
6.	Vine Street Investments Pty Ltd	34,126,009	6.42
7.	One Fund Services Ltd	18,320,453	3.45
8.	Mr Zixiao Zhao	7,250,000	1.36
9.	Mr Steven Boyd Taylor	5,937,097	1.12
10.	Citicorp Nominees Pty Limited	5,127,307	0.97
11.	Hamsar Holdings Pty Ltd	4,799,100	0.90
12.	HSBC Custody Nominees (Australia) Limited	4,158,163	0.78
13.	Mr David Allan Dixon & Ms Catherine Louise Ramm	3,960,588	0.75
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.	BNP Paribas Nominees Pty Ltd	2,734,036	0.51
17.	Jastal Family Investments Pty Ltd	2,000,000	0.38
17.	Bultitude Investment Pty Ltd	2,000,000	0.38
18.	Mr Lei Wang	1,835,992	0.35
19.	Mr Feng Shi	1,835,723	0.35
20.	Mr Ross Maxwell Hargreaves	1,800,000	0.34
	Total	**446,215,360**	**84.00**
	Balance of Register	**85,034,952**	**16.00**
	Grand Total	**531,250,312**	**100**

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)

Level 15, Exchange Tower,
2 The Esplanade
Perth WA 6000

Phone:	+61 8 9225 5355
Facsimile:	+61 8 9225 6181
Website:	www.moore-australia.com.au

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Manning Buildings
Suite 20, Level 1
135 High Street
Fremantle WA 6160

Phone:	+61 8 9432 2800
Facsimile:	+61 8 9432 2880
Website:	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

SECURITIES EXCHANGE LISTING

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