

GALE PACIFIC LIMITED

(ASX: GAP)

ASX Release

28 January 2026

Quarterly Activity Report and Appendix 4C

GALE Pacific Limited (**GALE** or the **Company**) attaches its Quarterly Activity Report and Appendix 4C (**Quarterly Cash Flow Report**) for the quarter ended 31 December 2025.

This Quarterly Cash Flow Report has been authorised for release by the Company's Board of Directors.

For further information:

Company

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Investor Relations

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Keys Thomas Associates
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GALE PACIFIC LIMITED

Quarterly Activity Report

First Half FY26 Update – Operational discipline and strategic focus underpin improved performance

Note: results presented in this update are unaudited.

Pleasingly, the strategic focus on improving the Company's operating model is beginning to deliver benefits. For Q2 FY26 GALE delivered EBITDA of \$4.4 million resulting in a H1 FY26 EBITDA of \$5.7 million, which was ahead of the \$4 million EBITDA guidance provided in November 2025 and slightly above H1 FY25.

Further, positive operating cash flow of \$15.3 million in Q2 FY26 resulted in H1 FY26 operating cash flow of \$11.6 million delivering a significantly improved Net Cash/(Debt) position of \$1.7 million at the end of December.

These improvements came despite difficult trading conditions in the U.S. and a slow start to the Australian peak retail season impacting year-on-year revenue which was down 9% for H1.

Encouraging trends for H1 include:

- Australian Retail margin dollars improved 3.8% year on year due to improved product mix and margin improvement initiatives.
- U.S. Retail margin percentage remains resilient despite ongoing uncertainty surrounding U.S. tariff policy.
- Promising progress toward securing a new U.S. retailer and expanding ranges with an existing retail customer.
- New sales team established in Thailand.
- Operating overheads across the Company reduced by \$3.8 million or 12%.
- Benefits from the U.S. operating model restructure have begun to flow.

The structural changes being executed across the Company are beginning to show promising results, despite the difficult U.S. trading environment and a cooler, wetter start to the Australian peak retail season. The Australian grain season supported Commercial revenue, with just over 1 million linear metres sold. While this is below last year's record 1.5 million linear metres, it remains well above the long-term average. Operating expenses fell across the Company, reflecting the focus on productivity and efficiency.

Net revenue of \$82.1 million for H1 was \$8.6 million or 9% lower than the prior year. Lower grain fabric sales in Australia reduced total Commercial revenue by \$2.4 million. Revenue in the Americas fell by \$5.8 million due to weaker retail demand and GALE's revised approach to avoid overstocking with customers.

A softer USD against the AUD also impacted translated revenue. Developing Markets revenue grew 5.2%, slightly softer than expected due to tightening economic conditions driven by regional instability in the Middle East.

The Company's continued focus on productivity and efficiency is evident in its ability to maintain production margins despite inflationary pressures. Overheads fell \$3.8 million or 12% year on year for H1. Adjusting for one-off costs in the prior year relating to ERP implementation and leadership changes, underlying overheads reduced \$2.1 million. Further benefits from improvement initiatives are expected through and beyond FY26.

Cashflow

The Company generated positive operating cashflow of \$15.3 million in Q2 FY26 resulting in positive operating cashflow of \$11.6 million for the first half, a \$14 million improvement on the prior year. Significant reductions in working capital, particularly inventory, are driving this result. First half FY26 inventory was \$47.2 million, down from \$57.8 million in the prior half year. Inventory reduction and working capital efficiency remains a key priority for the Company.

Reflecting the strong cashflow performance, Net Cash/(Debt) at the end of the half was \$1.7 million, an improvement of \$8.5 million on the prior year.

Payments to related parties disclosed in Appendix 4C item 6.1 represent Directors' fees.

Strategic focus and effective execution

Despite significant changes to the U.S. operating model, including a previously communicated 24% headcount reduction, the U.S. team has made encouraging progress. The business is advancing toward signing a new national retail customer and has been awarded an incremental range extension with an existing partner. The appointment of a new Global Vice President, Innovation & Marketing, based in Charlotte, North Carolina, has reset the innovation and product development pipeline, which is now being rebuilt with initiatives aligned to the refreshed strategy presented at the FY25 AGM.

During the first half, the Company launched the first phase of its refreshed digital strategy:

- coolarousa.com – a fully e-commerce-enabled retail site for the U.S. market
- galecommercial.com – an enhanced global digital presence for the Commercial business
- galepacific.com – a refreshed corporate website reflecting our updated brand and strategy

In the coming months, a harmonised global consumer site, coolaroo.com will be launched.

The Company has made strong progress in diversifying its manufacturing footprint outside China. The appointment of a new General Manager, Supply Chain, based in Melbourne, has accelerated this initiative. Alongside establishing HDPE knitting and final assembly capabilities outside China, the Company is implementing productivity improvements in its China operations to ensure they remain sustainable as the manufacturing footprint evolves.

Outlook

The Company is pleased with the strategic progress achieved over the past six months and will continue to focus on the delivery of productivity and efficiency initiatives, while remaining cautiously optimistic for the remainder of FY26.

GALE CEO Troy Mortleman commented:

“While trading conditions in the U.S. remain challenging and the Australian retail season started late, the first half shows the changes we’ve made to our operating model is starting to work: better mix, lower costs and strong cash conversion. We enter the second half with clear priorities—improved productivity, disciplined execution of our strategy and continued work to drive further efficiencies—while remaining cautiously optimistic about the opportunities ahead.”

A further update on strategic progress will be provided in the half-year results presentation in February.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

GALE PACIFIC LIMITED

ABN

082 263 778

Quarter ended ("current quarter")

31 December 2025

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	54,420	99,222
1.2 Payments for		
(a) research and development	(225)	(351)
(b) product manufacturing and operating costs	(23,222)	(57,358)
(c) advertising and marketing	(310)	(1,148)
(d) leased assets	(1,906)	(3,530)
(e) staff costs	(9,029)	(18,051)
(f) administration and corporate costs	(3,584)	(5,500)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(947)	(1,892)
1.6 Income taxes paid	77	183
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	15,274	11,575
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(520)	(693)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
2.2 Proceeds from disposal of:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	41	42
(d) investments		
(e) intellectual property		
(f) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	(479)	(651)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2 Proceeds from issue of convertible debt securities		
3.3 Proceeds from exercise of options		
3.4 Transaction costs related to issues of equity securities or convertible debt securities		
3.5 Proceeds from borrowings	(5,677)	(3,539)
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.10 Net cash from / (used in) financing activities	(5,677)	(3,539)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	16,748	18,603
4.2 Net cash from / (used in) operating activities (item 1.9 above)	15,274	11,575
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(479)	(651)

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(5,677)	(3,539)
4.5	Effect of movement in exchange rates on cash held	(155)	(277)
4.6	Cash and cash equivalents at end of period	25,712	25,712

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	25,712	16,748
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	25,712	16,748

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(104)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000																																								
7.1	Loan facilities	(46,326)	(23,809)																																								
7.2	Credit standby arrangements																																										
7.3	Other (please specify)																																										
7.4	Total financing facilities																																										
7.5	Unused financing facilities available at quarter end		(22,517)																																								
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.																																										
	There were no other facilities entered into at the end of the 31 December 2025 quarter end.																																										
	<table border="1"> <thead> <tr> <th>Lender</th> <th>Amount A\$000s</th> <th>Interest Rate %</th> <th>Maturity DD/MM/YY</th> <th>Comment</th> </tr> </thead> <tbody> <tr> <td>HSBC USA</td> <td>2,241</td> <td>6.2%</td> <td>8/01/2026</td> <td>Secured - Working Capital</td> </tr> <tr> <td>HSBC USA</td> <td>1,494</td> <td>6.2%</td> <td>8/01/2026</td> <td>Secured - Working Capital</td> </tr> <tr> <td>HSBC USA</td> <td>1,494</td> <td>6.2%</td> <td>8/01/2026</td> <td>Secured - Working Capital</td> </tr> <tr> <td>HSBC USA</td> <td>379</td> <td>8.3%</td> <td>31/01/2026</td> <td>Secured - Working Capital</td> </tr> <tr> <td>HSBC AUS</td> <td>11,500</td> <td>6.1%</td> <td>16/01/2026</td> <td>Secured - Working Capital</td> </tr> <tr> <td>HSBC AUS</td> <td>5,000</td> <td>6.1%</td> <td>5/03/2026</td> <td>Secured - SBLC (HSBC China)</td> </tr> <tr> <td>HSBC China</td> <td>1,701</td> <td>4.0%</td> <td>23/01/2026</td> <td>Secured - Land and Buildings</td> </tr> </tbody> </table>			Lender	Amount A\$000s	Interest Rate %	Maturity DD/MM/YY	Comment	HSBC USA	2,241	6.2%	8/01/2026	Secured - Working Capital	HSBC USA	1,494	6.2%	8/01/2026	Secured - Working Capital	HSBC USA	1,494	6.2%	8/01/2026	Secured - Working Capital	HSBC USA	379	8.3%	31/01/2026	Secured - Working Capital	HSBC AUS	11,500	6.1%	16/01/2026	Secured - Working Capital	HSBC AUS	5,000	6.1%	5/03/2026	Secured - SBLC (HSBC China)	HSBC China	1,701	4.0%	23/01/2026	Secured - Land and Buildings
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	The facilities drawn on HSBC-USA and HSBC-AUS are asset-based financing, which revolves monthly, secured by the working capital of Gale Pacific AUS and Gale Pacific USA.																																										
	The facilities drawn on HSBC China are working capital loans, which revolve every 3 months, secured by the Land and Buildings of Gale Pacific Special Textiles.																																										

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	15,274
8.2	Cash and cash equivalents at quarter end (item 4.6)	25,712
8.3	Unused finance facilities available at quarter end (item 7.5)	22,517
8.4	Total available funding (item 8.2 + item 8.3)	48,229
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: **28 January 2026**

Authorised by: **the Board of Directors**

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.