

# Terragen

## ASX Announcement

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**For immediate release**

31 January 2020

### **TERRAGEN HOLDINGS LIMITED**

### **QUARTERLY REPORT FOR THE THREE MONTHS ENDED**

### **31 DECEMBER 2019**

**Coolum Beach, QLD, 31 January 2020** – Australian ag-tech company Terragen Holdings Ltd (“Terragen”), is pleased to provide an update on its activities in the three-month period ended 31 December 2019. The Company’s activities during the quarter were primarily focused on completion of the Company’s strongly supported initial public offering (**IPO**).

#### **Highlights**

- Sales for the quarter (net of rebates) up 24% on the prior comparative period. Half-year sales (net of rebates) up 33% on the prior comparative period.
- Partnership strategy on track, with 16 partnership agreements delivering sales through 73 individual retail outlets.
- Positive feedback from Australian trials of Mylo® - supports expansion into NZ and US and European markets.
- As at 31 December 2019, cash reserves of \$19.04 million; fully funded to implement its commercialisation and development objectives set out in the Prospectus.
- An update on commercialisation strategy to be released prior to the end of February.

#### **Terragen Holdings Ltd**

Unit 6, 41 Access Crescent, Coolum Beach, QLD, 4573, Australia  
+61 1300 837 724 | <http://www.terragen.com.au/> | 36 073 892 636

## Sales

The company has achieved significant sales growth over the prior comparative period (**PCP**) during the quarter and the six months ended 31 December 2019.

	Sales net of rebates <sup>1</sup> \$000s	PCP growth %	Sales before rebates <sup>1</sup> \$000s	PCP growth %
Three months ended 31 December 2019	\$322,012	24%	\$400,562	54%
Six months ended 31 December 2019	\$739,490	36%	\$930,076	71%

<sup>1</sup> Under the terms of the retail sales agreements, retail agencies can earn a rebate of up to 30% of the gross sales value if they achieve specified milestones. The business to business distribution strategy, to which these rebates apply came into effect in February 2019 and as such rebates were not payable on prior period comparative sales.

Australian sales growth has been underpinned by the launch, in February 2019, of the business-to-business distribution strategy which now includes 16 national and regional agricultural retail organisations including Elders Rural Services and Murray Goulburn.

In total, 73 individual retail outlets are involved in the distribution of Great Land and Mylo®, with each having been accredited by Terragen Biotech through a product training program.

Sales in Australia and New Zealand also reflect the rollout of the 'Mylo®' microbial feed supplement. The strong growth of Mylo® sales has been accompanied by positive feedback from farmers who have been trialing Mylo®, reinforcing the results of the studies that have been undertaken in conjunction with the University of Queensland. Several farmers have committed to expanding the application of Mylo® to their herds.

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## **Corporate**

### Cash Reserves

As at 31 December 2019, the Company had cash reserves of \$19.042 million.

Significant cash flow items reported in the attached Appendix 4C for the quarter ended 31 December 2019 include:

- i. Equity proceeds of \$20,000,000 received pursuant to the IPO that was completed during the quarter.
- ii. IPO related costs totalling \$1,408,643 paid during the quarter which was in line with the forecast IPO related costs of \$1,500,000 in the Company's Prospectus.
- iii. In the December quarter, the Company received an Australian research and development credit in the amount of \$623,945 in relation to qualifying research and development expenditure incurred in the 2019 financial year.
- iv. In the December quarter, the Company made payments totalling \$189,000 to related parties. These payments represented remuneration paid to the Managing Director and Non-Executive Directors.

The Company confirms that its cash reserves are sufficient to implement its commercialisation and development objectives set out in the Prospectus.

### **Board Changes**

During the Quarter, the Company strengthened its Board to reflect its transition to an ASX Listed Company with the appointment of Dr John Ryals and Ingrid van Dijken as Non-Executive Directors.

Dr. Ryals has a Bachelor of Arts in biology and chemistry from the University of North Texas and Master and Doctorate degrees from the University of Texas at Dallas. Dr. Ryals served as president and CEO at Metabolon from 2002 until 2018. Dr Ryals has 30 years of experience in the biotechnology industry, including senior research positions at Novartis and Ciba-Geigy. He currently serves on the Board of Directors of AgBiome, a provider of early-stage Research and Development for agriculture, and the advisory board of the College of Agriculture and Life Sciences at North Carolina State University.

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Ms. van Dijken holds a Masters' degree in International Relations from the Graduate Institute in Geneva and an undergraduate degree from the Universiteit Utrecht, in the Netherlands. Ms. van Dijken has more than 20 years' experience in private banking and funds management both in Australia and Switzerland.

## **Implementation of commercialisation and development strategy**

The Company's shares commenced trading on the ASX on 11 December 2019 after the Company raised \$20 million through the issue of 80 million fully paid ordinary shares.

Terragen intends to use the proceeds from its IPO to accelerate growth by increasing its sales and distribution networks in Australia and New Zealand and launching commercial trials of Mylo® and Lactolin in the United States.

Subsequent to the completion of the IPO on 11 December 2019, the Company has undertaken the following activities towards implementation of its strategy as set out in the IPO Prospectus:

- i. Mr Matthew Pollard has been employed as Head of Manufacturing Operations. Matthew has 17 years of relevant industry experience, with the last five years being as head of GMP manufacturing, operations, and GLP laboratory facilities at Teva Pharmaceuticals in Sydney. Matthew holds a BSc (Honours) and PhD in biochemistry and microbiology from the University of Bristol.
- ii. In December and January, the Company's Managing Director travelled to the United States for meetings with regulators, feed lot operators, large-scale dairy farms and potential distribution partners regarding the commercialisation of Great Land, Mylo® and Lactolin in California, the largest dairy state in the United States. Those meetings were encouraging, and the Company will provide further updates to the market as discussions advance.
- iii. The Company has continued to advance discussions with potential retail agency partners and anticipates executing additional retail agency agreements in the near term.
- iv. The Company has employed an additional Sales Manager to drive sales growth in the Gippsland region of Victoria and in Tasmania.

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## **Outlook**

The Company intends to provide an update on the planned implementation of its commercialisation and development strategy to shareholders prior to the end of February.

## **About Terragen Holdings Ltd**

Terragen develops and sells a range of biological products that use live microbes to address soil health and help boost the growth, quality and resilience of farm production animals. The Company aims to reduce farmers reliance on chemical-based fertilisers, pesticides and antibiotics.

Terragen believes that its biological products can help generate better outcomes for farmers with their crops and livestock and provide better environmental outcomes that will be more acceptable to consumers.

Terragen has two products on the market in Australia and New Zealand: soil conditioner 'Great Land' and microbial feed supplement 'Mylo®'. Terragen is also developing veterinary medicines: Lactolin, a teat conditioner to maintain and improve the udders of lactating production animals; and Halo, an anti-inflammatory product to assist dairy cattle with mastitis and companion animals such as dogs with mobility impairments.

## **Authorisation**

This announcement was authorised by the Chairman of the Board of Directors of Terragen Holdings Ltd

## **For further information, please contact:**

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## Appendix 4C

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

**Name of entity**

TERRAGEN HOLDINGS LIMITED

**ABN**

36 073 892 636

**Quarter ended ("current quarter")**

31 December 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	468	940
1.2 Payments for		
(a) research and development (direct and indirect)	(433)	(570)
(b) product manufacturing and operating costs	(147)	(327)
(c) advertising and marketing	(30)	(66)
(d) leased assets	-	-
(e) staff costs	(617)	(1,270)
(f) administration and corporate costs	(424)	(859)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	15	16
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives (Comprising R&D credit of \$624k and \$87k CRC Banana Research Grant)	711	798
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(457)</b>	<b>(1,338)</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(51)	(43)
	(d) investments	-	-
	(e) intellectual property	(29)	(19)
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(80)</b>	<b>(62)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	20,000	20,050
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	(1,409)	(1,420)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(39)	(51)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>18,552</b>	<b>18,579</b>

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
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<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,012	1,837
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(457)	(1,338)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(80)	(62)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	<b>18,552</b>	<b>18,579</b>
4.5	Effect of movement in exchange rates on cash held	16	27
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>19,043</b>	<b>19,043</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	19,043	1,012
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>19,043</b>	<b>1,012</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
189
-

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**

*Note: the term "facility" includes all forms of financing arrangements available to the entity.*

*Add notes as necessary for an understanding of the sources of finance available to the entity.*

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
-	-

7.5 **Unused financing facilities available at quarter end**

-

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.

Not applicable

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(457)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	19,043
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	19,043
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	42

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

- 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:

**Not applicable**

- 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:

**Not applicable**

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

Answer:

**Not applicable**

## 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: **31 January 2020**

Authorised by: **The Board of Directors of Terragen Holdings Limited**  
(Name of body or officer authorising release – see note 4)

## 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.