

Terragen

ASX Announcement

For immediate release

28 July 2020

Terragen Holdings Limited (ASX:TGH) Quarterly Report 30 June 2020

Coolum, QLD, 28 July 2020 – Australian agricultural company Terragen Holdings Limited (“Terragen”)(ASX:TGH), is pleased to provide an update on its activities in the three-month period ended 30 June 2020.

Highlights

- **Sales for the quarter up 55% on the prior comparative period (“PCP”) and 56% for the financial year.**
- **Cash reserves in excess of \$16.38 million at 30 June 2020.**
- **Appointment of Mr Travis Dillon as Non-Executive Director and Mr Jim Cooper as Managing Director and CEO strengthens the Board and management team.**
- **Covid-19 has had negligible impact on Terragen’s operations.**

Financial Highlights

Sales

Sales increased 55% for the quarter and 56% for the full year reflecting continued uptake of *Mylo*® and *Great Land*®. Of particular note is the growth in sales of *Mylo*® to the dairy industry where the product is increasingly used to supplement feed for milking cows as well as calves.

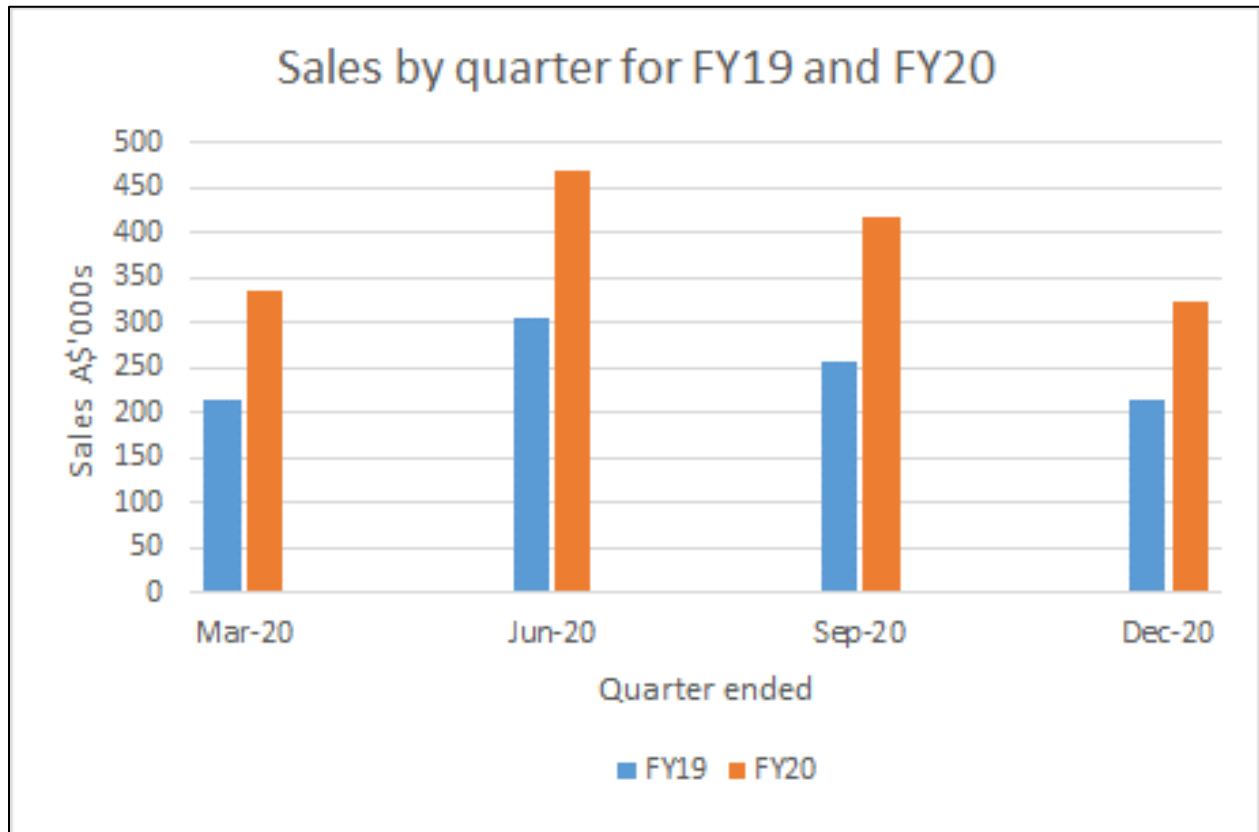


Figure 1 – sales revenue by quarter for FY19 and FY20

Receipts for the period were approximately \$10,000 below sales reflecting normal working capital movements.

Expenditure

Expenditure increased due mainly to new marketing initiatives promoting *Mylo*® and to an increase in production capacity.

Attachment 2 provides a comparison of expenditure incurred in the period from 11 December 2019 (being the date Terragen’s securities commenced trading on the

ASX) to 30 June 2020 to the proposed Use of Funds disclosed in Terragen's Prospectus.

The Company made payments totaling approximately \$103,000 to related parties during the quarter for Directors' remuneration.

Operational Highlights

Production

Production increased during the June 2020 quarter to satisfy rising demand for Terragen's products. Notable was the increased volume of *Mylo*® produced for the autumn season.

COVID-19 has had negligible impact on the manufacturing and distribution activities of Terragen.

Commercialisation studies

During the quarter the principal commercialisation activities undertaken were the study of *Mylo*® in lactating cows, the study of soil microbiomes and investigations into new formulation approaches for Terragen's products.

Board and Management changes

Terragen continued to strengthen its Board and management team as it transitions from research and development to commercialising its products with the appointment of Mr Travis Dillon as Non-Executive Director effective 1 May 2020 and Mr Jim Cooper as Managing Director and CEO effective 25 June 2020.

Terragen notes the separate ASX announcement dated 28 July 2020 on the appointment of Mr Travis Dillon as Chair and other changes in Board positions.

Outlook

Terragen continues to focus on sales growth of its key products in Australia and New Zealand and is pursuing continued sales growth in the coming year.

About Terragen Holdings Limited

Terragen develops and markets biological products for agricultural applications. Each product uses a unique combination of naturally-occurring live microbe strains selected to address soil health or help boost the productivity, welfare and resilience of farm production animals. Terragen's aim is to increase farm productivity through the use of these products, whilst providing improved environmental sustainability that will be attractive to consumers.

Terragen has two products on the market in Australia and New Zealand: a microbial feed supplement *Mylo*® for animals; and a soil conditioner *Great Land*®.

For further information, please contact:

Terragen Holdings Limited	Authorisation and Additional Information
Travis Dillon Chairman media@terragen.com.au	This announcement was authorised by the Board of Directors of Terragen Holdings Limited.
Jim Cooper Managing Director and CEO + 61 417 321 145 jimc@terragen.com.au	

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Attachment 1

Appendix 4C

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

Name of entity

TERRAGEN HOLDINGS LIMITED (ASX:TGH)

ABN

36 073 892 636

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	367	1,595
1.2 Payments for		
(a) research and development (direct and indirect)	(85)	(659)
(b) product manufacturing and operating costs	(247)	(710)
(c) advertising and marketing	(161)	(233)
(d) leased assets	-	-
(e) staff costs	(838)	(2,968)
(f) administration and corporate costs	(459)	(1,705)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	38	97
1.5 Interest and other costs of finance paid	(8)	(15)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	129	1,014
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,264)	(3,584)

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(41)	(295)
	(d) investments	-	-
	(e) intellectual property	-	(36)
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(g) entities	-	-
	(h) businesses	-	-
	(i) property, plant and equipment	-	-
	(j) investments	-	-
	(k) intellectual property	-	-
	(l) 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	(41)	(331)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	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	-	(1,420)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(66)	(201)
3.7	Transaction costs related to loans and borrowings	(2)	(2)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
3.8	Dividends paid	-	
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(68)	18,427

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	17,750	1,837
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,264)	(3,584)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(41)	(331)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(68)	18,427
4.5	Effect of movement in exchange rates on cash held	0	28
4.6	Cash and cash equivalents at end of period	16,377	16,377

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	16,377	17,750
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)	16,377	17,750

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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	103
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		Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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>			
7.1	Loan facilities		
7.2	Credit standby arrangements	-	-
7.3	Other – finance lease liabilities	438	438
7.4	Total financing facilities	438	438

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.

Financing facilities represent liabilities under leasing arrangements determined in accordance with the requirements of AASB16. These leasing facilities are secured against assets with a written down book value of approximately \$0.438 million as at 30 June 2020. All leases have a maturity date of less than 5 years.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,264)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	16,377
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	16,377
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	13

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

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:

Not applicable

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:

Not applicable

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:

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: **28 July 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".

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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.

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Attachment 2

Comparison of expenditure in the period 11 December 2019 to 30 June 2020 to the Use of Funds in the Prospectus dated 18 October 2019

Use of Funds	Expenditure incurred since Listing \$000s (Note 1)	Use of Funds per Prospectus \$000s (Note 2)	Actual expenditure as a % of Proposed Use of Funds
Commercialisation - Australia and New Zealand	997	4,300	23.2
Market Development and Support - Animal Nutrition	203	4,100	4.9
Market Development and Support - Animal Health	138	3,900	3.5
Market entry and commercialisation - USA	6	1,100	0.6
Market entry and commercialisation - Europe	-	900	0.0
Formulations and technology development support	351	1,900	18.5
Administration costs and working capital	661	2,500	26.4
Payment of costs of the offer	1,468	1,500	97.9
	3,823	20,200	18.9

Note 1 – Represents expenditure incurred in the period from 11 December 2019 (being the date the Company’s listing on the ASX) to 30 June 2020 analysed according to the categories of expenditure set out in the Use of Funds included at Section 7.3 of the Prospectus dated 18 October 2019.

Note 2 – Represents the Proposed Use of Funds for the 24-month period following listing as set out in Section 7.3 of the Prospectus dated 18 October 2019.

The Company confirms that its cash reserves are sufficient to implement its commercialisation and development objectives set out in the Prospectus. Taking into consideration current market conditions the Company is focusing on growing sales in Australia and New Zealand and has deferred the previously planned expansion into the USA and European markets.

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