

Terragen

ASX Announcement

For immediate release

18 January 2021

TERRAGEN HOLDINGS LIMITED

Quarterly Report for the three months ended

31 December 2020

Terragen Holdings Limited (ASX:TGH) 18 January 2021 – Australian agricultural company Terragen Holdings Limited (“Terragen”) is pleased to provide an update on its activities in the three month period ended 31 December 2020.

Highlights

- **Sales for the quarter up 80% compared with the same quarter last year**
- **Tactical marketing campaign for Mylo® commenced prior to Christmas to drive demand during autumn calving and throughout the year in mature dairy cows**
- **Cash reserves of \$14.1 million at 31 December 2020**

Terragen Holdings Limited
Unit 6, 41 Access Crescent, Coolum, QLD, 4573, Australia
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Financial Highlights

Net sales for the quarter were \$565k.

Total sales were up 80% compared with the same quarter last year, with sales of *Mylo*® up 291% over the same period.

Each year the period from November to December is usually a lower sales period because spring dairy calving has finished and dairy farmers are busy cutting hay and silage.

The increased *Mylo*® sales this quarter compared with the same quarter last year reflects the increased uptake by dairy farmers of *Mylo*® for mature dairy cows.

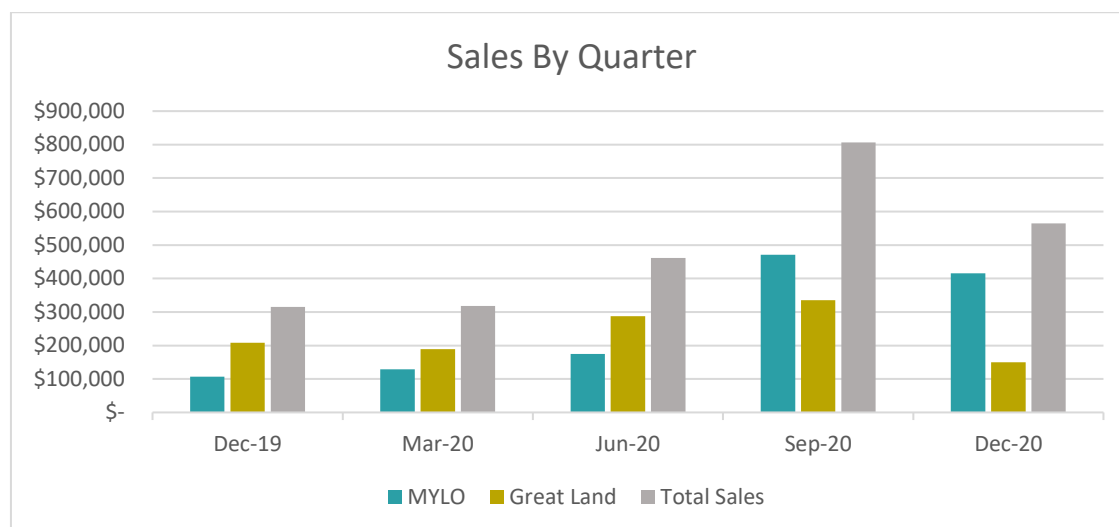


Figure 1 – net sales revenue by quarter for FY2020 and FY2021

Actual cash received from sales (\$0.79 million) for the quarter as shown in Appendix 4C was higher than sales of \$0.56 million reported above. This reflects the timing difference between cash and accrual accounting and a significant decrease in accounts receivable over the quarter of \$0.25 million.

Operating expenditure for the December 2020 quarter of \$2.0 million was higher than the \$1.71 million spent in the September 2020 quarter. This increase in expenditure was largely due the commencement of a new targeted marketing strategy for *Mylo*® into dairy farms and the recruitment of new sales, marketing and production staff.

The Company made payments totaling \$0.186 million to related parties during the quarter for Directors' remuneration.

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

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ASX) to 31 December 2020 of the proposed Use of Funds disclosed in Terragen's Prospectus.

Operational Highlights

Sales Strategy

Management's focus is to reach cash break-even as quickly as possible.

This is being executed through the following actions:

- prioritising sales of *Mylo*® to dairy farms;
- activating the agent network to support sales of *Mylo*®;
- driving sales of *Mylo*® for dairy calves first in spring and autumn, where quick results are apparent, and then targeting these dairy farms for *Mylo*® to be used in their mature cows;
- promoting the *Mylo*® pump program which supports the delivery of *Mylo*® direct to the feed of cows while they are being milked;
- employing new sales team members in the Western District of Victoria, South Australia and Gippsland, the biggest dairy areas in south-east Australia; and
- commencing a significant marketing campaign to all dairy farmers promoting the Terragen brand and *Mylo*® (details provided below).

Management is confident that the focus on marketing and sales in Victoria, South Australia and Tasmania is the correct strategy.

Marketing

A tactical marketing campaign for *Mylo*® commenced prior to Christmas to drive demand during autumn calving and throughout the year in mature dairy cows.

Social media, TV, digital and print ads are being deployed to target dairy farmers in the key dairy regions.

A 15-second TV commercial featuring *Mylo*® has achieved more than 13,000 views on *YouTube* since launching on 18 December 2020. It will be broadcast on targeted regional TV channels from 18 January 2021. (Please view it [here](#).)

This campaign marks the beginning of a planned 12-month program to raise awareness and understanding of the Terragen brand and its ability to drive sustainability in agriculture through its products, *Mylo*® and *Great Land*®.

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Product development

Management is developing a business case for a teat conditioner for dairy cows, called *Lactolin*®. This product was referred to in the prospectus for the listing of Terragen on the ASX.

Lactolin® is a teat conditioner developed by Terragen and it is comprised of Lactobacillus microbes. If the business case is positive, *Lactolin*® will be a complementary product for *Mylo*® and *Great Land*®.

Production

During the December 2020 quarter, Terragen installed and commissioned new blending equipment at its production facility at Coolum, in Queensland. The new blending capability decreases reliance on external service providers.

Ongoing research and development projects

During the quarter the principal research and development activities were:

- developing the study of the productivity benefits of *Mylo*® in a large cohort of mature dairy cows and initiating the selection process for the location of the study;
- examining the changes in gut and soil microbiomes from the use of *Mylo*® and *Great Land*®;
- conducting an *in vivo* study of the impact of *Mylo*® on greenhouse gas emissions from cattle; and
- conducting studies to optimise the formulation of products and improving the production processes used in the manufacture of products.

Impact of COVID-19

At this time, COVID-19 has had a negligible impact on Terragen's production and distribution activities and only a minor impact on Terragen's other operations during the December 2020 quarter. Terragen received \$12.5k in cash flow boost payments from the Australian government. No other COVID-19 related financial support was received.

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 help boost the productivity, welfare and resilience of farm production animals and address soil health. 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 called *Great Land*®.

For further information, please contact:

Terragen Holdings Limited	Authorisation and Additional Information
Travis Dillon Chairman media@terrigen.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@terrigen.com.au	

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 2020

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	789	1,528
1.2 Payments for		
(a) research and development (direct and indirect)	(150)	(246)
(b) product manufacturing and operating costs	(109)	(290)
(c) advertising and marketing	(177)	(246)
(d) leased assets		
(e) staff costs	(894)	(1,691)
(f) administration and corporate costs	(678)	(1,247)
1.3 Dividends received (see note 3)		
1.4 Interest received	32	68
1.5 Interest and other costs of finance paid	(2)	(5)
1.6 Income taxes paid		
1.7 Government grants and tax incentives (Comprising \$14.3k NSW Department of Industry grant and \$12.5k Cash flow boost)	27	143
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(1,162)	(1,986)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(49)	(246)
	(d) investments	-	-
	(e) intellectual property	(25)	(25)
	(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)	-	-
2.6	Net cash from / (used in) investing activities	(74)	(271)

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	71	103
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(51)	(123)
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	20	(20)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
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4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	15,317	16,377
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,162)	(1,986)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(74)	(271)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	20	(20)
4.5	Effect of movement in exchange rates on cash held	(2)	(1)
4.6	Cash and cash equivalents at end of period	14,099	14,099

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	14,099	15,317
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)	14,099	15,317

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
186
-

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 – finance lease liabilities

7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
361	361
361	361

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 \$0.361m as at 31 December 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)	(1,162)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	14,099
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	14,099
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	12

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: **18 January 2021**

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.

Attachment 2

Comparison of expenditure in the period 11 December 2019 to 31 December 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	2,065	4,300	48.0
Market Development and Support - Animal Nutrition	410	4,100	10.0
Market Development and Support - Animal Health	598	3,900	15.3
Market entry and commercialisation - USA	6	1,100	0.5
Market entry and commercialisation - Europe	-	900	-
Formulations and technology development support	556	1,900	29.3
Administration costs and working capital	999	2,500	40.0
Payment of costs of the offer	1,468	1,500	97.9
	6,101	20,200	30.2

Note 1 – Represents expenditure incurred in the period from 11 December 2019 (being the date the Company's listing on the ASX) to 31 December 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. As noted in previous reports and 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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