

Appendix 4E – Preliminary Final Report under ASX Listing Rule 4.3A

1. Company Details

Name of entity:	Terragen Holdings Limited
ABN:	36 073 892 636
Reporting period:	For the year ended 30 June 2021
Previous period:	For the year ended 30 June 2020

2. Results for announcement to the market

Key information	% change		\$
Total revenue from continuing operations	Up 86%	to	3,652,301
Loss for the year attributable to the equity holders of the parent entity	Up 24%	to	(6,100,151)

3. Details relating to dividends

There were no dividends paid, recommended, or declared during the reporting period or the previous period.

4. Dividend reinvestment plans

Not applicable.

5. Net tangible assets per share

	As at	
	30 June 2021 Cents per share	30 June 2020 Cents per share
Net tangible assets per share	6.75 ¹	9.05 ²

6. Details of subsidiaries and associates

The Company did not gain or lose control over any entities during the reporting period.

The Company has no associated entities.

7. Audit qualification or review

The consolidated financial statements for the year ended 30 June 2021 on which this report is based, have been audited by Deloitte who have issued an unqualified audit opinion.

¹ Right of Use Assets and Liabilities arising from the application of AASB 16 Leases have both been included in the calculation of the net tangible assets per security.

² Right of Use Assets and Liabilities arising from the application of AASB 16 Leases have both been included in the calculation of the net tangible assets per security.

8. Other information

Additional Appendix 4E disclosure requirements and further information including commentary on significant features of the operating performance, results of segments and other factors affecting performance for the reporting period are contained in the accompanying consolidated financial statements for the year ended 30 June 2021.



Signed : _____

Jim Cooper
Managing Director and Chief Executive Officer

27/08/2021

Date: _____



Terragen Holdings Limited and Controlled Entity

ABN 36 073 892 636

Financial Report

For the year ended 30 June 2021

Financial Report Contents

Contents

Directors' Report.....	3
Auditor's Independence Declaration.....	21
Independent Auditor's Report.....	22
Consolidated Statement of Profit or Loss and Other Comprehensive Income.....	25
Consolidated Statement of Financial Position.....	26
Consolidated Statement of Changes in Equity.....	27
Consolidated Statement of Cash Flows.....	28
Notes to the Financial Statements.....	29
Directors' Declaration.....	60

Directors' report

The directors of Terragen Holdings Limited (the "Company" or "Terragen") submit herewith the financial report of the Company and the entity it controlled for the year ended 30 June 2021 (collectively "Group"). To comply with the provisions of the Corporations Act 2001, the directors report as follows.

Directors

The following persons were directors of Terragen Holdings Limited during the whole of the year under review and up to the date of this report, unless otherwise stated:

- Travis Dillon - Non-Executive Chair (appointed Chair 27 July 2020)
- Dr Paul Schober – Non-Executive Director (Chair 11 December 2019 to 27 July 2020)
- Sam Brougham – Non-Executive Director
- Ingrid van Dijken- Non-Executive Director
- Jim Cooper – Managing Director
- Gregory Robinson – Non-Executive Director (resigned 27 July 2020)
- Dr John Ryals – Non-Executive Director (resigned 27 July 2020)

Information on directors and key management personnel in office during the financial year and to the date of this report

Name and Position	Qualifications and Experience	Particulars of interests in shares and options of Terragen Holdings Limited	
		Shares [#]	Options
Travis Dillon <i>Non-Executive Chair</i> (Appointed Non-Executive Chair on 27 July 2020)	Mr Dillon holds extensive commercial and strategic expertise in the agricultural distribution channel. Mr Dillon was the CEO and Managing Director of Ruralco Holdings Limited until its acquisition by Nutrien in September 2019. Prior to becoming Ruralco's Managing Director in 2015, he was the Executive General Manager of Ruralco's Operations. Over a career in Agriservices, spanning nearly 3 decades, Mr Dillon has held many positions including Branch Manager, Agronomist, and numerous Category Manager roles. Travis is a Non-Executive Director of Lifeline Australia. Other directorships in past three years: Ruralco Holdings Limited; Lifeline Australia; Dillon Consulting Company Pty Ltd; Clean Seas Seafood Limited; S&W Seeds Australia.	219,000 held indirectly	Nil
Dr Paul Schober <i>Non-Executive Director</i>	Dr Schober has had a 30-year career in the animal health industry, including senior executive positions in which he established global distribution agreements and implemented commercial rigour for biotechnology research companies including Peptech Animal Health, Anatara Lifesciences and Apex Laboratories. Dr Schober attained PhD and MBA degrees at the University of Sydney. Other directorships in past three years: Nil	152,000 held indirectly	80,000 (Investment Options) held indirectly

Directors' report

Name and Position	Qualifications and Experience	Particulars of interests in shares and options of Terragen Holdings Limited	
		Shares [#]	Options
Sam Brougham <i>Non-Executive Director</i>	Mr Brougham has an economics degree from the University of Adelaide. He has over thirty years' experience in private and public investment and is currently a director of Ellerston Global Investments and Ceres Capital, a private global equity investment firm he cofounded in 1999. Mr Brougham also co-founded Structured Asset Management in 1993. After receiving an economics degree from the University of Adelaide, he spent his early career with Price Waterhouse, and as a partner at JB Were. Sam is a Director of Ellerston Asian Investments Limited. Other directorships in past three years: Ellerston Global Investments Limited; Ellerston Asian Investments Ltd; Crofton Park Developments Pty Ltd; Ceres Capital Pty Ltd; Stamina Pty Ltd.	15,178,718 held indirectly	1,600,000 (Investment Options) held indirectly
Ingrid van Dijken <i>Non-Executive Director</i>	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. During these years she held senior management positions and acquired an in-depth understanding of wealth management for high-net-worth individuals. Ms van Dijken currently works at a privately held funds management firm. From early 2014 until September 2018, she worked at the Impact Investment Group (IIG) in Melbourne, an Australian impact investment funds manager. She joined as the General Manager and became the Chief Operating Officer & Head of Investor Relations. Ingrid was instrumental in driving the transformation from a start-up in 2014 to a medium sized funds management business four years later. During her tenure with IIG it was involved in transactions in excess of \$1 billion across commercial real estate, large scale renewable energy infrastructure and venture capital. Ms van Dijken is a Trustee of the St Peters Eastern Hill Melbourne Charitable Foundation. She has been a non-executive board member of Escala Partners, a Melbourne based wealth management firm from 2015 until March 2019. Other directorships in past three years: Nil	970,000 held indirectly	100,000 (Investment Options) held indirectly

Directors' report

Name and Position	Qualifications and Experience	Particulars of interests in shares and options of Terragen Holdings Limited	
		Shares [#]	Options
Jim Cooper <i>Managing Director and Chief Executive Officer</i>	Mr Cooper is an experienced agribusiness, infrastructure, and supply chain CEO with expertise in business development, stakeholders, sustainability, and strategy. Jim's experience in infrastructure and supply chain comes from 13 years managing privatised shipping ports in Portland and Melbourne. He has policy experience with 6 years as a Board member of Ports Australia, and he has been a member of numerous Government committees and advisory boards. Other directorships in past three years: Ports Australia Limited – Director and Deputy Chairman	400,000 held indirectly	8,000,000 (Incentive Options) held directly
Kara King <i>Company Secretary and Chief Financial Officer</i> (Appointed 5 October 2020)	Mrs King is a highly commercial senior finance and accounting executive. Prior to joining Terragen, Mrs King was at Port of Portland for 9 years, most recently as Financial Controller managing the overall financial activities of the organisation. Prior to that role she was the Business Development Manager, responsible for the commercial growth of the business. Mrs King has extensive experience managing projects and implementing new systems and processes in growing organisations. She is CPA qualified and holds a Bachelor of Commerce and Masters of Professional Accounting.	Nil	Nil

Includes shares in which the Director has an indirect interest through associated entity.

Directors' report

Name and Position	Qualifications and Experience
Gregory Robinson <i>Non-Executive Director</i> (Resigned 27 July 2020)	<p>Mr Robinson holds a BSc (Hons) and PhD in Physics, is a fellow of the Financial Services Institute of Company Directors and a Member of the Australian Institute of Company Directors.</p> <p>He has undertaken business development in many parts of the globe, and has also managed businesses domiciled in Hong Kong, Singapore, Japan, and the US.</p> <p>Other directorships in past three years: Nil</p>
Dr John Ryals <i>Non-Executive Director</i> (Resigned 27 July 2020)	<p>Dr Ryals has a Bachelor of Arts in biology and chemistry from the University of North Texas and masters and doctorate degrees from the University of Texas at Dallas.</p> <p>Dr Ryals served as president and CEO at Metabolon from 2002 until 2018.</p> <p>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.</p> <p>Other directorships in past three years: Nil</p>
Mr Stephen Kelly <i>Company Secretary and Chief Financial Officer</i> (Resigned 2 December 2020)	<p>Mr Kelly was appointed as the Company Secretary and Chief Financial Officer of the Company on 2 August 2019. A qualified Chartered Accountant, Mr Kelly has more than 30 years' international experience in the areas of external and internal audit, risk management and compliance, treasury, and corporate finance across a range of industry sectors including mining, infrastructure, property development and banking and finance.</p>
Company secretaries Kara King (appointed 5 October 2020) Stephen Kelly (resigned 2 December 2020)	

Directors' report

Meetings of Directors

The number of meetings of the Group's board of directors and each board committee held during the year ended 30 June 2021, and the numbers of meetings attended by each director were as follows:

Number of meetings held	Board Meetings	
	9	
	Number of meetings eligible to attend	Number of meetings attended
Travis Dillon	9	9
Dr Paul Schober	9	9
Sam Brougham	9	9
Ingrid van Dijken	9	8
Jim Cooper	9	9
Gregory Robinson (resigned 27 July 2020)	1	1
Dr John Ryals (resigned 27 July 2020)	1	1

All Board members sit on the Audit and Risk Committee (Chairperson: Dr Paul Schober) and Remuneration and Nomination Committee (Chairperson: Sam Brougham). The numbers of meetings attended by each committee member were as follows

Number of Audit and Risk Committee meetings held	Meetings	
	2	
	Number of meetings eligible to attend	Number of meetings attended
Travis Dillon	2	2
Dr Paul Schober	2	2
Sam Brougham	2	2
Ingrid van Dijken	2	2
Jim Cooper	2	2

Number of Remuneration and Nomination Committee meetings held	Meetings	
	1	
	Number of meetings eligible to attend	Number of meetings attended
Travis Dillon	1	1
Dr Paul Schober	1	1
Sam Brougham	1	1
Ingrid van Dijken	1	1
Jim Cooper	1	1

Principal activities

The consolidated entity's principal activities during the financial year were research, development, and early market development of biological products in the agriculture sector. There were no significant changes in the nature of these activities during the financial year.

Directors' report

Corporate activities

During the year, the Group:

- Issued 8,000,000 options over ordinary shares to Managing Director Jim Cooper as a component of his remuneration. The options vested immediately on issue in December 2020, across 3 tranches, exercisable as follows:
 - Tranche 1 - 1,000,000 options exercisable at \$0.25 with an expiry date of 4 December 2025.
 - Tranche 2 - 2,000,000 options exercisable at \$0.50 with an expiry date of 4 December 2025.
 - Tranche 3 - 5,000,000 options exercisable at \$1.00 with an expiry date of 4 December 2025.No consideration was received by the Company in relation to those options.
- During the year 3,993,333 options were exercised and converted into shares.
- Made the following Board and Management Changes:
 - Appointed Travis Dillon as Non-Executive Chairman effective 27 July 2020
 - Dr Paul Schober resigned as Chairman on 27 July 2020. He remained on the Board of Directors as a Non-executive Director
 - Appointed Kara King as the Company Secretary and Chief Financial Officer effective 5 October 2020
 - Stephen Kelly resigned as Company Secretary and Chief Financial Officer on 2 December 2020
 - Appointed Paul Grave as the General Manager New Zealand effective 10 May 2021
 - Dr Gregory Robinson and Dr John Ryals retired from the Board effective 27 July 2020

Operating and financial review

The Group reported a loss after tax for the year of \$6,100,151 (2020: loss of \$4,925,615). The significant items affecting the operating result were:

- Revenues of \$3,652,301 from the sale of the Company's two products *Mylo*® and *Great Land*® in Australia and New Zealand. This represents growth of 86% on sales revenue of \$1,963,603 in the year ended 30 June 2020. The strong sales growth is due to a strategic focus on sales of *Mylo*® into dairy farms.
- Grant income of \$203,153 (2019: \$315,655) received under a Commonwealth of Australia CRC Funding program for a specific research project being undertaken in relation to banana crops. During the period, the CRC Funding program concluded, in terms of the agreement.
- Income tax benefit of \$580,692 (2020: \$517,938) comprising the accrued research and development tax benefit in relation to research and development expenditure incurred by the Group during the year.
- Operating expenses of \$10,726,707 in the year have increased from the prior year operating expenses of \$7,902,206 due principally to the following costs:
 - Non-cash share-based payment expense of \$1,664,734 for 8,000,000 employee options issued in December 2020 and vested immediately across 3 tranches as follows:
 - Tranche 1 - 1,000,000 options exercisable at \$0.25 with an expiry date of 4 December 2025. The options had a grant date fair value of \$277,125.
 - Tranche 2 - 2,000,000 options exercisable at \$0.50 with an expiry date of 4 December 2025. The options had a grant date fair value of \$466,493.
 - Tranche 3 - 5,000,000 options exercisable at \$1.00 with an expiry date of 4 December 2025. The options had a grant date fair value of \$921,116.
 - Additional \$583,446 in Salaries & Wages as the company strengthens its sales, manufacturing and management teams in line with its growth strategy.

Directors' report

- Additional \$362,025 in Advertising and marketing spend in line with the Company strategy implemented on listing, to promote sales of *Mylo*® and *Great Land*®. The Company embarked on a number of marketing campaigns including, amongst others, the Pumps for *Mylo*® program, engagement of marketing agency Comunicado and commencement of a print, digital, tv/radio, social campaign via Cole Media.
- Additional \$286,923 in research expenditure for project activities under the CRC Funding program.
- Some of these extra costs are offset due to there being no Initial Public Offering (IPO) costs.

Impact of COVID-19 pandemic on operations

The outbreak of COVID-19 and the subsequent quarantine measures imposed by the Australian and other governments as well as the travel and trade restrictions imposed by Australia and other countries have caused disruption to businesses and economic activity. The COVID-19 pandemic has had a negligible impact on the Group's operation and results. The Group achieved significant sales growth over the prior financial year with sales and production activity continuing throughout the COVID-19 pandemic.

In response to COVID-19, both the Federal Government and the State Governments implemented policies and measures with the aim of containing the virus. In an effort to contain the spread of the virus, the State Governments implemented numerous restrictions throughout the year which included quarantine restrictions, travel restrictions, closure of businesses and other restrictive movement measures. This most notably impacted the state of Victoria and in more recent times, the state of New South Wales. Given the principal operating location of Terragen is in Queensland, these measures, to date, have only had a negligible impact on the business.

Earnings per share

	2021	2020
Basic loss per share from continuing operations	3.23 cents	3.27 cents
Basic diluted loss per shares from continuing operations	3.23 cents	3.27 cents

Likely developments and expected results of operations

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

Events since the end of the financial year

The outbreak of COVID-19 and the subsequent quarantine measures imposed by the Australian and other governments as well as the travel and trade restrictions imposed by Australia and other countries continues as at the date of this Report. As outlined in the "Impact of COVID-19 pandemic on operations" paragraph above the impact of COVID-19 has been negligible.

There has been no other matter or circumstance which has arisen since the end of the year that has significantly affected, or may significantly affect the Group's operations, the result of those operations or the Group's state of affairs.

Dividends

No dividends were paid or declared during the year and no recommendation is made as to payment of dividends.

Significant changes in state of affairs

There were no significant changes in the state of affairs of the Group during the financial year.

Directors' report

Environmental Regulation

The Group was not subject to any significant environmental regulation under a law of the Commonwealth or a State or Territory of Australia.

Shares under Option

Unissued ordinary shares of the Group under option at the date of this report are as follows:

Option series	Grant Date	Expiry Date	Exercise price of options	Number under options
Tranche 5	01/02/2017	30/09/2021	\$0.05	320,000
Tranche 6	16/08/2017	16/08/2022	\$0.05	600,000
Tranche 7	01/09/2017	17/01/2022	\$0.05	2,000,000
Tranche 9	01/07/2018	30/06/2022	\$0.075	795,000
Tranche 10	13/06/2019	11/12/2022	\$0.25	8,100,000
Tranche 11	10/07/2019	11/12/2022	\$0.25	2,000,000
Tranche 12	17/07/2019	11/12/2022	\$0.25	1,145,710
Tranche 13	4/12/2020	4/12/2025	\$0.25	1,000,000
Tranche 14	4/12/2020	4/12/2025	\$0.50	2,000,000
Tranche 15	4/12/2020	4/12/2025	\$1.00	5,000,000
				<hr/> 22,960,710 <hr/>

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

Shares issued on the exercise of options

During the financial year 3,993,333 shares were issued as a result of the exercise of options.

Directors' report

Remuneration Report (Audited)

This remuneration report, which forms part of the Directors' Report, sets out information about the remuneration of Terragen Holdings Limited's key management personnel for the financial year ended 30 June 2021. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing, and controlling the activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the consolidated entity. The prescribed details for each person covered by this report are detailed below under the following headings:

- Key management personnel
- Remuneration policy
- Remuneration, Group performance and shareholder wealth
- Remuneration of key management personnel
- Key terms of employment contracts.

a) Key management personnel

The directors and other key management personnel of the consolidated entity during or since the end of the financial year were:

Non-executive directors

Travis Dillon	Chair (since 27 July 2020), Non-Executive Director
Dr Paul Schober	Non-Executive Director (Chair 11 December 2019 to 27 July 2020)
Sam Brougham	Non-Executive Director
Ingrid van Dijken	Non-Executive Director
Gregory Robinson	Non-Executive Director (resigned 27 July 2020)
Dr John Ryals	Non-Executive Director (resigned 27 July 2020)

Executive Directors

Jim Cooper	Executive Director, Managing Director
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Other Key Management Personnel

Paul Grave	General Manager New Zealand (appointed 10 May 2021)
Stephen Kelly	Company Secretary and Chief Financial Officer (resigned 2 December 2020)
Kara King	Company Secretary and Chief Financial Officer (appointed 5 October 2020)

Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year.

b) Remuneration policy

The Board of Terragen Holdings Limited is responsible for determining and reviewing compensation arrangements for the non-executive directors and the executive director. The Board's remuneration policy is to ensure that the remuneration package properly reflects the person's duties and responsibilities, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost to the Group. In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Directors' report

Non-Executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Group with the ability to attract and retain directors of high calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

Remuneration of non-executive directors is determined by the Board, within the maximum amount approved by the shareholders from time to time (currently set at an aggregate of \$300,000 per annum).

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each non-executive director receives a fee for being a director of the Company. The non-executive Chair receives an annual fee of \$54,000, all other non-executive directors receive an annual fee of \$36,000. In addition, non-executive directors receive an annual fee of \$4,000 for each board sub-committee of which they are a member. Non-executive directors who are called upon to perform extra services beyond the director's ordinary duties may be paid additional fees for those services.

The following fees were paid to non-executive directors for additional services during the year ended 30 June 2021:

- \$64,000 to Travis Dillon (2020: \$12,333) in relation to consulting services provided to the Sales and Marketing Team during the year.

Non-executive directors may also be granted equity incentives from time to time. The options granted are considered by the Board to be an effective means of appropriately compensating directors whilst preserving the Group's cash reserves and providing an alignment between Director and shareholder interests. No equity incentives were issued to non-executive directors as remuneration during the financial year.

Executive Directors and Key Management Personnel Remuneration

Objective

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group so as to:

- reward executives for Group and individual performance against agreed targets;
- align the interest of executives with those of shareholders;
- link reward with the strategic goals and performance of the Group; and
- ensure total remuneration is competitive by market standards.

Structure

In determining the level and make-up of executive remuneration, the Board has had regard to market levels of remuneration for comparable executive roles. It is the Board's policy that employment contracts are entered into with all senior executives.

Directors' report

Variable Remuneration - Short and Long-Term Incentives

Objective

The objectives of the incentive plan are to:

- recognise the ability and efforts of the employees of the Group who have contributed to the success of the Group and to provide them with rewards where deemed appropriate;
- provide an incentive to the employees to achieve the long-term objectives of the Group and improve the performance of the Group; and
- attract persons of experience and ability to employment with the Group and foster and promote loyalty between the Group and its employees.

Structure

Long term incentives granted to senior executives are delivered in the form of shares, options or performance rights in accordance with an Employee Incentive Plan. As part of the Group's annual strategic planning process, the Board and Management agree upon a set of financial and non-financial objectives for the Group. The objectives form the basis of the assessment of Management performance and vary but are targeted directly to the Group's business and financial performance and thus to shareholder value.

c) Remuneration, Group performance and shareholder wealth

The development of remuneration policies and structures is considered in relation to the effect on Group performance and shareholder wealth. They are designed by the Board to align director and executive behaviour with improving Group performance and ultimately shareholder wealth. The Board considers at this stage in the Group's development, that share price growth itself is an adequate measure of total shareholder return.

Executives are currently remunerated by a combination of cash base remuneration, options and short-term incentives. The options granted are considered by the Board to provide an alignment between the employees and shareholders interests.

The table below shows for the current financial year and previous financial year the total remuneration cost of the key management personnel, earnings per ordinary share (EPS), dividends paid or declared, and the closing price of ordinary shares on ASX at year end.

Financial Year	Total Remuneration \$	EPS (Cents)	Dividends (cents)	Share Price as at 30 June (cents)
2021	2,500,558	(3.23)	-	28.0
2020	766,416	(3.27)	-	17.5
2019	488,211	(3.38)	-	n/a ¹

¹The Company commenced trading on the ASX on 11 December 2019.

Directors' report

d) Remuneration of key management personnel

Compensation paid, payable or provided by the Group or on behalf of the Group, to key management personnel is set out below. Key management personnel include all directors of the Group and certain executives who, in the opinion of the Board and Managing Director, have authority and responsibility for planning, directing, and controlling the activities of the Group directly or indirectly.

The Company's Managing Director and other members of senior management are employed under individual contracts of employment with the Company. The contracts set out:

- The individual's total fixed compensation, including fixed cash remuneration and the Company's superannuation contribution;
- Notice and termination provisions; and
- Employee entitlements including leave.

The Company makes contributions with respect to the senior executives to complying superannuation funds in accordance with relevant superannuation legislation and the individual contracts of employment. Summaries of material service agreements are set out below:

Jim Cooper, Managing Director and Chief Executive Officer

- Term of Agreement – Commencing from 25 June 2020 and ongoing unless terminated in accordance with its terms.
- Base Remuneration – Effective 25 June 2020 \$301,125 per annum, including superannuation contributions, on a fulltime basis, subject to annual increases at the discretion of the Board of Directors.
- Additional annual car allowance of \$19,495.
- Termination – By four months' notice from either party.
- Incentive benefits – Under the Employee Incentive Plan, to be determined by the Board of Directors after review of the annual company result for the relevant calendar year, and Management's performance
- Equity – The Director shall be entitled to participate in the Employee Incentive Plan of the Company.

Paul Grave, General Manager New Zealand (appointed 10 May 2021)

- Base Remuneration – Effective 10 May 2021 NZD \$257,500 per annum, including KiwiSaver contributions, plus car allowance NZD\$25,000, on a fulltime basis, subject to annual increases at the discretion of the Board of Directors.
- Annual incentive of NZD\$100,000 on achievement of Key Performance Indicators set by the Company.
- Termination – By three months' notice from either party.

Kara King, Chief Financial Officer and Company Secretarial services

- Base Remuneration – Effective 5 October 2020 \$195,000 per annum, including superannuation contributions, on a fulltime basis, subject to annual increases at the discretion of the Board of Directors.
- Termination – By three months' notice from either party.
- Incentive benefits – Under the Employee Incentive Plan, to be determined by the Board of Directors after review of the annual company result for the relevant calendar year, and Management's performance
- Equity – The employee shall be entitled to participate in the Employee Incentive Plan of the Company.

Stephen Kelly, Chief Financial Officer and Company Secretarial services (resigned 2 December 2020)

Up until Mr. Kelly's resignation on 2 December 2020, the Company continued the Consultancy Agreement with KCG Advisors Pty Limited pursuant to which Mr. Kelly provided Chief Financial Officer and Company Secretarial services to the Company. The key terms of the Agreement were:

- KCG Advisors Pty Limited to receive \$10,000 per month, exclusive of GST, for services provided by Mr. Kelly.
- Additional fee of \$225 per hour for each additional hour of services provided over 60 hours in a calendar month. No additional hours were billed during the period.
- The Agreement is subject to a mutual 3-month notice period (but which may be immediately terminated by Terragen in the event of serious misconduct).

Directors' report

2021	Cash and salary fees	Super-annuation	Employee entitlements ⁱ	Share based payments	Other	Total remuneration	Proportion of remuneration that is performance based
	\$	\$			\$	\$	%
<i>Non-Executive Directors</i>							
Travis Dillon ^{a, b}	62,000	-	-	-	64,000	126,000	0%
Dr Paul Schober ^c	44,000	-	-	-	-	44,000	0%
Sam Brougham ^d	44,000	-	-	-	-	44,000	0%
Ingrid van Dijken	44,000	-	-	-	-	44,000	0%
Gregory Robinson ^e	-	-	-	-	-	-	0%
Dr John Ryals ^e	-	-	-	-	-	-	0%
Total Non-Executive Directors	194,000	-	-	-	64,000	258,000	0%
<i>Executive Directors</i>							
Jim Cooper	279,431	21,694	21,494	1,664,734	19,495	2,006,848	0%
Total Executive Directors	279,431	21,694	21,494	1,664,734	19,495	2,006,848	0%
<i>Other Key Management Personnel</i>							
Paul Grave ^f	33,701	1,011 ^h	2,969	-	3,416	41,097	0%
Kara King	128,567	12,214	3,832	-	-	144,613	0%
Stephen Kelly ^g	50,000	-	-	-	-	50,000	0%
Total Key Management Personnel	212,268	13,225	6,801	-	3,416	235,710	0%
Total Director and KMP Compensation	685,699	34,919	28,295	1,664,734	86,911	2,500,558	0%

^a Appointed Chair on 27 July 2020

^b Travis Dillon invoices director fees via Dillon Consulting Company Pty Ltd.

^c Dr Paul Schober invoices director fees via an ABN

^d Sam Brougham invoices director fees via Crofton Park Developments Pty Ltd atf Sam Brougham Family Trust.

^e Resigned 27 July 2020

^f Appointed 10 May 2021. Paul Grave's earnings are paid in NZD and have been translated to AUD for the purposes of this table.

^g Resigned 2 December 2020

^h KiwiSaver contribution of 3% of Gross Earnings

ⁱ Reflects annual and long service leave movements during the year

Directors' report

2020	Salary and fees	Super-annuation	Employee entitlements	Other	Total remuneration	Proportion of remuneration that is performance based
	\$	\$		\$	\$	%
<i>Non-Executive Directors</i>						
Dr Paul Schober	44,665	-	-	-	44,665	0%
Sam Brougham	45,833	-	-	-	45,833	0%
Gregory Robinson	40,169	-	-	-	40,169	0%
David Ryan	3,000	-	-	-	3,000	0%
Dr John Ryals	19,500	-	-	-	19,500	0%
Ingrid van Dijken	21,665	-	-	-	21,665	0%
Travis Dillon	6,667	-	-	12,333	19,000	0%
Total Non-Executive Directors	181,499	-	-	12,333	193,832	0%
<i>Executive Directors</i>						
Justus Homburg	290,785	21,048	6,717	140,000	458,550	0%
Jim Cooper	3,466	301	267	-	4,034	0%
Total Executive Directors	294,251	21,349	6,984	140,000	462,584	0%
<i>Other Key Management Personnel</i>						
Stephen Kelly	110,000	-	-	-	110,000	0%
Total Key Management Personnel	110,000	-	-	-	110,000	0%
Total Director and KMP Compensation	585,750	21,349	6,984	152,333	766,416	0%

Share-based compensation

On 17 July 2019, Terragen established an employee incentive plan (Employee Incentive Plan) to assist in the motivation, reward and retention of its Directors, executive staff, and other selected employees.

Incentives under the Employee Incentive Plan may be offered to an Eligible Employee which means:

- an employee of a Group Company;
- an executive director, a non-executive director, or a company secretary of a Group Company; or
- a contractor or consultant who provides services to a Group Company.

In selecting Eligible Employees to apply for, or otherwise receive incentives (Incentives), the Board will have regard to:

- the position in the Terragen Group held or to be held by the Eligible Employee;
- the Eligible Employee's length of service with the Terragen Group;
- the contribution made by the Eligible Employee to the Terragen Group;
- the potential contribution to be made by the Eligible Employee to the Terragen Group; and
- any other matters which the Board considers relevant.

The following incentives may be issued under the Employee Incentive Plan:

- a performance right;
- an option; and
- a share.

Directors' report

A grant of Incentives under the Employee Incentive Plan is subject to both the rules of the Employee Incentive Plan and the terms of the specific grant.

Options or performance rights granted under the Employee Incentive Plan may only be exercised if, at the time of exercise:

- the options or performance rights have vested;
- the options or performance rights have not been forfeited or lapsed; and
- the exercise price (for option or performance right (as adjusted if applicable)) has been paid.

During the financial year the following options were issued under the Employee Incentive Plan:

- 8,000,000 options over ordinary shares to Managing Director Jim Cooper as a component of his remuneration. The options were issued in December 2020 and vested immediately on grant date across 3 tranches, exercisable as follows:
 - Tranche 1 - 1,000,000 options exercisable at \$0.25 with an expiry date of 4 December 2025. The fair value of these options at grant date was \$277,125.
 - Tranche 2 - 2,000,000 options exercisable at \$0.50 with an expiry date of 4 December 2025. The fair value of these options at grant date was \$466,493.
 - Tranche 3 - 5,000,000 options exercisable at \$1.00 with an expiry date of 4 December 2025. The fair value of these options at grant date was \$921,116.

There are no further options, over ordinary shares in the Group, which were provided as remuneration to directors and key management personnel in prior years.

The Board has rules that contain restrictions on removing the 'at risk' aspect of the options granted to executives. Executives may not enter into any transactions designed to remove the 'at risk' aspect of an instrument before it vests.

There are no vesting conditions attached to the options. In the event of termination (specified circumstances) only vested options are entitled to be exercised and must be exercised within thirty days of termination or such other period as may be determined by the Board of Directors.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are determined using an option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Shares provided on exercise of remuneration options

No shares were issued as a result of the exercise of options during the year.

Directors' report

Unlisted option holdings

The numbers of options over ordinary shares in the Group held during the financial year by each director and each key management person of the Group, including their personally related parties, are set out below:

2021 Name	Balance at start of year	Granted as remuneration	Acquired other than as remuneration	Exercised	Held at time of ceasing to be KMP	Balance at end of year	Vested and exercisable
Travis Dillon	-	-	-	-	-	-	-
Dr Paul Schober	80,000	-	-	-	-	80,000	80,000
Sam Brougham	1,600,000	-	-	-	-	1,600,000	1,600,000
Ingrid van Dijken	100,000	-	-	-	-	100,000	100,000
Dr John Ryals	-	-	-	-	-	-	-
Gregory Robinson	-	-	-	-	-	-	-
Jim Cooper	-	8,000,000	-	-	-	8,000,000	8,000,000
Paul Grave	-	-	-	-	-	-	-
Stephen Kelly	-	-	-	-	-	-	-
Kara King	-	-	-	-	-	-	-
Total	1,780,000	-	-	-	-	9,780,000	9,780,000

2020 Name	Balance at start of year	Granted as remuneration	Acquired other than as remuneration	Exercised	Held at time of ceasing to be KMP	Balance at end of year	Vested and exercisable
Dr Paul Schober	-	-	80,000	-	-	80,000	80,000
Sam Brougham	800,000	-	800,000	-	-	1,600,000	1,600,000
Gregory Robinson	-	-	320,000	(320,000)	-	-	-
Dr John Ryals	-	-	-	-	-	-	-
Ingrid van Dijken	-	-	100,000	-	-	100,000	100,000
Travis Dillon	-	-	-	-	-	-	-
Justus Homburg	2,000,000	-	200,000	-	(2,200,000)	-	-
Jim Cooper	-	-	-	-	-	-	-
Stephen Kelly	-	-	-	-	-	-	-
Total	2,800,000	-	1,500,000	(320,000)	(2,200,000)	1,780,000	1,780,000

e) Share holdings

The number of shares in the Group held during the financial year by each director of Terragen Holdings Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation (2019: nil).

2021	Balance at start of year	Shares held on appointment as KMP	Acquisitions during the year	Disposals during the year	Options converted	Shares held on ceasing to be KMP	Balance at the end of the year
Travis Dillon	219,000	-	-	-	-	-	219,000
Dr Paul Schober	152,000	-	-	-	-	-	152,000
Sam Brougham	14,721,616	-	457,102	-	-	-	15,178,718
Ingrid van Dijken	1,290,000	-	-	(320,000)	-	-	970,000
Gregory Robinson	3,758,000	-	-	-	-	(3,758,000)	-
Dr John Ryals	-	-	-	-	-	-	-
Jim Cooper	200,000	-	200,000	-	-	-	400,000
Paul Grave	-	-	-	-	-	-	-
Kara King	-	-	-	-	-	-	-
Stephen Kelly	60,000	-	-	-	-	(60,000)	-
	20,400,616	-	657,102	(320,000)	-	(3,818,000)	16,919,718

Directors' report

e) Share holdings (continued)

2020	Balance at start of year	Shares held on appointment as KMP	Acquisitions during the year	Options converted	Shares held on ceasing to be KMP	Balance at the end of the year
Dr Paul Schober	152,000	-	-	-	-	152,000
Sam Brougham	10,371,616	-	4,350,000	-	-	14,721,616
Gregory Robinson	3,363,000	-	75,000	320,000	-	3,758,000
David Ryan	741,032	-	-	-	(741,032)	-
Dr John Ryals	-	-	-	-	-	-
Ingrid van Dijken	-	1,290,000	-	-	-	1,290,000
Travis Dillon	-	-	219,000	-	-	219,000
Justus Homburg	200,000	-	75,000	-	(275,000)	-
Jim Cooper	-	200,000	-	-	-	200,000
Stephen Kelly	-	-	60,000	-	-	60,000
	14,827,648	1,490,000	4,779,000	320,000	(1,016,032)	20,400,616

f) Loans to key management personnel

There were no loans to key management personnel at any time during the financial year however unpaid director and other fees amounted to \$106,778 (2020: \$126,091).

End of Remuneration Report

Insurance and indemnification

To the extent permitted by law, the Group has indemnified (fully insured) each director and the secretary of the Group. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings (that may be brought) against the officers in their capacity as officers of the Company or a related body, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. Premiums paid during the year for Directors & Officers liability insurance were \$144,592.

Proceedings on behalf of the Group

The Group is not aware that any person has applied to the court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings in which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group with leave of the court under section 237 of the Corporations Act 2001.

Non-audit Services

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important. Details of amounts paid or payable to the auditor for audit and non-audit services provided during the year by the auditor are set out in Note 2 to the Financial Statements.

Directors' report

Non-audit Services (continued)

The directors are satisfied that the provision of non-audit services, during the year, by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are of the opinion that the services, as disclosed in note 2 to the financial statements, do not compromise the external auditor's independence, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 'Code of Ethics for Professional Accountants', including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Details of the amounts paid or payable to the auditor, Deloitte for audit services provided during the year are set out in note 2 to the financial report.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is attached to this report.

Auditor

Deloitte continues in office in accordance with section 327 of the Corporations Act 2001.

Rounding off of amounts

The company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest dollar unless otherwise indicated.

This report is made in accordance with a resolution of directors.

On behalf of the Directors



Jim Cooper
Managing Director

Melbourne, 27 August 2021

The Board of Directors
Terragen Holdings Limited
Unit 6, 39 Access Street
COOLUM BEACH QLD 4573

27 August 2021

Dear Board Members,

Terragen Holdings Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Terragen Holdings Limited.

As lead audit partner for the audit of the financial statements of Terragen Holdings Limited for the financial year ended 30 June 2021, I declare to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Peter Glynn
Partner
Chartered Accountants

Independent Auditor's Report to the members of Terragen Holdings Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Terragen Holdings Limited (the "Company"), and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2021, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 2021 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 are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and 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.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 for the current period. 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.

Key Audit Matters (cont'd)

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Share-based payments</p> <p>For the year ended 30 June 2021, the Group has recognised Shared Based Payment expenditure of \$1,664,734 as disclosed in Note 21.</p> <p>The recognition and measurement of the Shared Based Payment expenditure involved significant management judgment in relation to the use of the volatility factor to calculate the fair value of granted options.</p>	<p>To address this key audit matter, our procedures included:</p> <ul style="list-style-type: none"> • Verifying the number of options, the grant date and corresponding exercise price to support documentation. • Evaluating whether management's assumptions are in accordance with the accounting standards with respect to methodology and valuation techniques. • Engaging our valuation specialists to challenge the reasonableness of the valuation method used and assumptions adopted. <p>We also assessed the appropriateness of the disclosures included in Note 21 of the financial statements.</p>

Other Information

The directors are responsible for the other information. The other information comprises the Operating and Financial Overview, Directors' Report and ASX Announcement – Annual Results Announcement which we obtained prior to the date of our auditors report, and also includes the following information which will be included in the Group's annual report (but does not include the financial report and our auditor's report thereon): Corporate Directory, Corporate Governance Report and Shareholder Information, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the Corporate Directory, Corporate Governance Report and Shareholder Information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

The Directors' Responsibilities 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 Group's ability 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 Group or to cease operations, or have 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

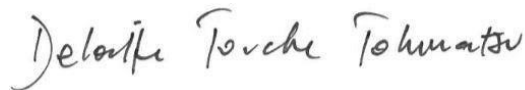
Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 11 to 19 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Terragen Holdings Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of Terragen Holdings Limited 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.



DELOITTE TOUCHE TOHMATSU



Peter Glynn
Partner
Chartered Accountants
Melbourne, 27 August 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2021

	Notes	2021 \$	2020 \$
Revenue	3	3,652,301	1,963,603
Other income	3	393,563	495,050
Accounting and audit expenses	2	(194,032)	(231,324)
Advertising and marketing expenses		(622,593)	(260,568)
ASX and share registry expenses		(85,221)	(79,665)
Computer costs		(110,467)	(88,292)
Consulting costs		(373,283)	(361,740)
Depreciation and amortisation expense	4	(524,310)	(443,427)
Direct research expenses	6	(871,232)	(584,309)
Employee benefits expense	5	(3,771,687)	(3,188,241)
Finance costs	7	(22,466)	(29,824)
Insurance costs		(216,739)	(98,583)
Initial public offering costs		-	(428,691)
Legal costs		(126,787)	(112,736)
Motor vehicle costs		(73,966)	(94,164)
Occupancy costs		(134,245)	(141,843)
Commissions		(972,999)	(432,750)
Raw materials and consumables used		(464,417)	(444,225)
Transport costs		(263,574)	(190,561)
Travel and accommodation		(76,023)	(152,165)
Share based payment expenditure	21	(1,664,734)	-
Other expenses		(157,932)	(539,098)
Loss before income tax expense from continuing operations		(6,680,843)	(5,443,553)
Income tax benefit	9	580,692	517,938
Loss for the year after income tax benefit		(6,100,151)	(4,925,615)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Gain on translation of foreign operations		317	40
Total comprehensive loss for the year		(6,099,834)	(4,925,575)
Basic and diluted loss per share (cents per share)	10	(3.23)	(3.27)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Financial Position**As at 30 June 2021**

	Notes	2021 \$	2020 \$
Current assets			
Cash and cash equivalents	22	11,641,681	16,378,408
Trade and other receivables	11	322,078	547,970
Inventories		3,409	64,155
Other current assets	12	243,158	185,448
Current tax asset	13	1,098,630	517,938
Total current assets		13,308,956	17,693,919
Non-current assets			
Right of use assets	14	354,581	397,837
Property, plant, and equipment	15	908,713	776,779
Intangible assets	16	149,578	132,290
Other assets		2,560	122,256
Total non-current assets		1,415,432	1,429,162
TOTAL ASSETS		14,724,388	19,123,081
Current liabilities			
Trade and other payables	17	1,055,830	1,329,852
Borrowings	18	144,444	221,321
Employee provisions	19	219,413	219,825
Total current liabilities		1,419,687	1,770,998
Non-current liabilities			
Borrowings	18	213,513	254,985
Employee provisions	19	67,900	54,543
Total non-current liabilities		281,413	309,528
TOTAL LIABILITIES		1,701,100	2,080,526
NET ASSETS		13,023,288	17,042,555
Equity			
Issued capital	20	42,438,295	41,560,581
Reserves	21	2,801,268	1,636,894
Accumulated losses		(32,216,275)	(26,154,920)
TOTAL EQUITY		13,023,288	17,042,555

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Changes in Equity**For the year ended 30 June 2021**

2021	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
Balance as at 1 July 2020	41,560,581	1,636,894	(26,154,920)	17,042,555
Loss for the year	-	-	(6,100,151)	(6,100,151)
Other comprehensive income	-	317	-	317
Total comprehensive loss for the year	-	317	(6,100,151)	(6,099,834)
Transactions with owners in their capacity as owners:				
Options exercised or lapsed in relation to employee incentive arrangements	877,714	(500,677)	38,796	415,833
Fair value of share options issued	-	1,664,734	-	1,664,734
Total transactions with owners in their capacity as owners	877,714	1,164,057	38,796	2,080,567
Balance as at 30 June 2021	42,438,295	2,801,268	(32,216,275)	13,023,288

2020	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
Balance as at 1 July 2019	22,222,619	1,877,793	(21,264,148)	2,836,264
Loss for the year	-	-	(4,925,615)	(4,925,615)
Other comprehensive income	-	40	-	40
Total comprehensive loss for the year	-	40	(4,925,615)	(4,925,575)
Transactions with owners in their capacity as owners:				
Issue of share capital	20,050,000	-	-	20,050,000
Capital raising costs	(918,134)	-	-	(918,134)
Options exercised or lapsed in relation to employee incentive arrangements	206,096	(240,939)	34,843	-
Total transactions with owners in their capacity as owners	19,337,962	(240,939)	34,843	19,131,866
Balance as at 30 June 2020	41,560,581	1,636,894	(26,154,920)	17,042,555

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Cash Flows**For the year ended 30 June 2021**

		2021 \$	2020 \$
Cash flow from operating activities			
Receipts from customers		2,979,462	1,550,056
Payments to suppliers and employees		(7,761,435)	(6,472,549)
Interest and other costs of finance paid		(22,467)	(29,824)
Interest received		123,137	98,455
Government grants received		157,354	315,655
Research and development tax concessions received		-	645,321
Net cash flows used in operating activities	22(b)	(4,523,949)	(3,892,886)
Cash flow from investing activities			
Payments for property, plant, and equipment		(385,539)	(376,581)
Payments for intangible assets		(22,479)	(64,868)
Net cash used in investing activities		(408,018)	(441,449)
Cash flow from financing activities			
Proceeds from share issue	20	415,833	20,050,000
Costs of issuing equity securities	20	-	(918,134)
Repayments of borrowings		(38,308)	(93,207)
Repayment of lease liabilities		(182,601)	(163,239)
Net cash provided by financing activities		194,924	18,875,420
Cash and cash equivalents at the beginning of the year		16,378,408	1,837,241
Net increase in cash and cash equivalents		(4,737,043)	14,541,085
Foreign exchange difference on cash and cash equivalents		316	82
Cash and cash equivalents at the end of the year	22(a)	11,641,681	16,378,408

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the financial statements

For the year ended 30 June 2021

Introduction

The financial report covers Terragen Holdings Limited (the "Company" or "Terragen") and the entity it controlled for the year ended 30 June 2021 (collectively "Group").

Terragen Holdings Limited is a listed public company limited by shares, incorporated, and domiciled in Australia. The presentation currency and functional currency of the Company is Australian dollars.

The principal activities of the Company during the financial year were research, development, and early market development of biological products in the agriculture sector.

The Registered office and principal place of business address of the Company is Unit 6, 39 Access Crescent, Coolum Beach, QLD, Australia, 4573.

The financial report was authorised for issue by the Board of Directors of Terragen on the date shown on the Declaration by Directors attached to the Financial Statements.

1. Statement of significant accounting policies

The principal accounting policies which have been adopted in the preparation of these financial statements are set out below.

a) Statement of compliance

The financial report is a general-purpose financial report which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards, and Interpretations, and complies with other requirements of the law.

These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

b) Basis of preparation

The financial report has been prepared on historical cost basis. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars unless otherwise noted. All values are rounded to the nearest dollar.

c) Going concern

The financial statements have been prepared in accordance with generally accepted accounting standards, which are based on the Company continuing as a going concern.

d) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders 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.

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 financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares

Notes to the financial statements

For the year ended 30 June 2021

1. Statement of significant accounting policies (continued)

e) New accounting standards and interpretations

The Group has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current year. None of the new and revised Standards and amendments thereof and Interpretations that became effective for the current year were applicable or material to the Group:

- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business
- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material
- AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework
- AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform
- AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia

New and revised IFRS Standards in issue but not yet effective

The Directors do not consider that the adoption of any new Standards and Interpretations in issue but not yet effective at the date of these financial statements will have a material impact on the financial statements of the Group.

f) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described below, Management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements and estimates in applying the Group's accounting policies

The directors have made the following critical judgements and estimations in the process of applying the Group's accounting policies.

Impact of COVID-19

The outbreak of COVID-19 and the subsequent quarantine measures imposed by the Australian and other governments as well as the travel and trade restrictions imposed by Australia and other countries have caused disruption to businesses and economic activity. The COVID-19 pandemic has had a negligible impact on the Group's operation and results. The Group achieved significant sales growth over the prior financial year with sales and production activity continuing throughout the COVID-19 pandemic.

In response to COVID-19, both the Federal Government and the State Governments implemented policies and measures with the aim of containing the virus. In an effort to contain the spread of the virus, various State Governments implemented numerous restrictions throughout the year which included quarantine restrictions, travel restrictions, closure of businesses and other restrictive movement measures. This most notably impacted the state of Victoria and in more recent times, the state of New South Wales. Given the principal operating location of Terragen is in Queensland, these measures have only had a negligible impact on the business.

In preparing the consolidated financial report, Management has considered the impact of COVID-19 on the various balances in the financial report, including the carrying values of trade receivables and finite life non-current assets. Management determined that there was no significant impact of COVID-19 on the abovementioned balances and accounting estimates.

Notes to the financial statements

For the year ended 30 June 2021

1. Statement of significant accounting policies (continued)

Judgements – Research & development

With regard to research and development costs incurred during the financial year it has been determined that the Group has not met the criteria as outlined in Note 1(u) as the ability to successfully commercialise Terragen's products is dependent on broadening the range of uses which is unlikely to occur until Terragen has data to validate the benefits of its products in those wider applications. The research and development expenditure incurred by the Group during the financial year was primarily designed to provide this additional evidence.

Key sources of estimation uncertainty

In the following notes are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income, and expenses is provided in the following notes:

i) Tax receivables

Management has estimated the amount receivable that can be claimed in respect of Research and Development tax offsets based on application of the rules and requirements of the relevant tax legislation. Refer also to Note 1(p).

ii) Recoverability of deferred tax asset

Deferred tax assets have not been recognised as Management and the Directors do not believe that the members of the Group satisfy the recognition criteria set out in paragraph 35 of AASB112 i.e., "that the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilised by the entity".

There have been no other significant estimates and judgements made in applying accounting policies that the Directors consider would have a significant effect on the amounts recognised in the financial statements. There have been no key assumptions made concerning the future, and there are no other key sources of estimation uncertainty at the reporting date, that the Directors consider would have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

g) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity where the group 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet, respectively.

Notes to the financial statements

For the year ended 30 June 2021

1. Statement of significant accounting policies (continued)

h) Principles of consolidation

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture, or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

i) Foreign currency translation

In preparing the financial statements of the Group, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other expenses.

j) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

k) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

l) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date. Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Notes to the financial statements

For the year ended 30 June 2021

1. Statement of significant accounting policies (continued)

m) Financial instruments

Recognition and Derecognition

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

All recognised financial assets are measured subsequently in their entirety at amortised cost.

Classification of Financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). In the preparation of these financial statements, all financial assets are measured at amortised cost.

Initial measurement of financial assets

Financial assets are classified according to their business model and the characteristics of their contractual cash flows.

Impairment of financial assets

The Group makes use of a simplified approach for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators, and forward-looking information to calculate the expected credit losses.

Notes to the financial statements

For the year ended 30 June 2021

1. Statement of significant accounting policies (continued)

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method.

Financial liabilities measured at amortised cost

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

n) Trade payables

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

o) Goods and Services Tax (GST)

Revenues, expenses, and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a net basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

p) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Notes to the financial statements

For the year ended 30 June 2021

1. Statement of significant accounting policies (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

q) Income tax

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Management estimates the Research and Development tax refund based on application of the rules and requirements of the legislation. The Group recognises the benefit in the determination of income tax expense/benefit.

Tax Consolidation

The company and its wholly-owned Australian resident entity are members of a tax-consolidated group under Australian tax law. Terragen Holdings Limited is the head entity within the tax-consolidated group. In addition to its own current and deferred tax amounts, the company also recognises the current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group.

Amounts payable or receivable under the tax-funding arrangement between the company and the entities in the tax consolidated group are determined using a 'separate taxpayer within group' approach to determine the tax contribution amounts payable or receivable by each member of the tax-consolidated group. This approach results in the tax effect of transactions being recognised in the legal entity where that transaction occurred, and does not tax effect transactions that have no tax consequences to the group. The same basis is used for tax allocation within the tax-consolidated group.

r) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each class of inventory, with the majority being valued on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Notes to the financial statements

For the year ended 30 June 2021

1. Statement of significant accounting policies (continued)

s) Leases

Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant, and equipment with the exception that they factor in lease renewals where relevant. In addition, the right-of-use assets are periodically reduced by impairment losses in accordance with AASB 136 *Impairment of Assets*, if any, and adjusted for certain remeasurements of the lease liability.

Lease liabilities

The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate as the discount rate. The discount rate is generally calculated using incremental borrowing rates for the specific lease terms and currencies. Lease liabilities are disclosed as borrowings in the Consolidated Statement of Financial Position.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in substance fixed payments less any lease incentives receivables;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement rate;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- payment of penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It will be remeasured when there is a change in index rate for future lease payments, a change in the Group's estimated amount payable under a residual value guarantee or changes in the Group's assessment of probabilities of exercising a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Group did not make any such adjustment during the period presented.

t) Property, plant, and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and any impairment in value.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss during the financial period in which they are incurred.

Notes to the financial statements

For the year ended 30 June 2021

1. Statement of significant accounting policies (continued)

t) Property, plant, and equipment (continued)

The depreciable amounts of all fixed assets including buildings, but excluding freehold land, are depreciated over their estimated useful lives to the Group commencing from the time the asset is held ready for use.

The following depreciation rates are used in the calculation of depreciation:

<i>Class of Fixed Assets</i>	<i>Depreciation Rate</i>	<i>Basis</i>
Plant and equipment	7 – 40%	Straight line
Furniture & fittings	10 – 50%	Straight line
Motor vehicles	25%	Straight line
Plant and Equipment R&D	10 – 33%	Straight line
Leasehold improvements	10 – 33%	Straight line

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

u) Provisions

Provisions are recognised when the Group has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, considering the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

v) Revenue recognition

Sale of goods and agent commission

Revenue is recognised at the time goods are delivered to the customer as this is the point in time that the Group satisfies its performance obligations.

Sales are generally made via Retail Agents who are engaged to sell Terragen product as agent for Terragen. Retail Agents are eligible for sales commissions which are recognised at the point of sale, as an expense. Where sales are made via a Retail Agent, the sales consideration from the customer is paid to the Retail Agent and then paid to Terragen, net of a Base Sales Commission. Performance-based Sales Commissions are paid by Terragen to the Retail Agent subsequent to year end, subject to the Retail Agent meeting certain criteria. Accordingly, included in the Consolidated Statement of Cash Flows, Base Commissions are deducted in determining the net cash included within *Receipts from Customers* and Bonus Sales Commissions are included in *Payment to Suppliers*. Included in the Consolidated Statement of Financial Position, the Base Sales Commission is offset against their respective *Trade Receivables* and Performance-based Sales Commissions are included in *Trade & Other Payables*.

Grant revenue

Grant revenue is recognised at fair value when there is reasonable assurance that the grants will be received.

Grant revenue is recognised in profit or loss in the same period as the relevant expenses.

Notes to the financial statements

For the year ended 30 June 2021

1. Statement of significant accounting policies (continued)

v) Revenue recognition (continued)

Interest revenue

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

w) Intangible assets

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

x) Comparative figures

Where necessary, the comparative figures have been adjusted to conform to changes in presentation in the current financial year. The comparative figures have been adjusted to reflect sales commissions as expenses where previously they were recognised net of revenue. This has had the impact on the 30 June 2020 comparatives of:

- increasing revenues and other cost of sales by \$432,750 in the consolidated statement of profit or loss and other comprehensive income
- increasing trade and other receivables and increasing accounts payable for outstanding commissions payable of \$156,088 in the consolidated statement of financial position

This reclassification had no impact on the comparative period reported loss, net assets, total equity or net cash flows.

Notes to the financial statements**For the year ended 30 June 2021**

	2021	2020
	\$	\$
2. Remuneration of auditors		
During the year, the following fees were paid or payable for services provided by the auditor of the parent entity and its related practices:		
<u>Deloitte Touche Tohmatsu</u>		
(i) <i>Audit and assurance services</i>		
Audit and review of financial reports	142,088	97,325
Investigating accountants report for the IPO Prospectus	-	84,735
Total remuneration for audit and assurance services	142,088	182,060
(ii) <i>Other services</i>		
Tax compliance services	120,138	67,510
Total remuneration for audit and assurance services	120,138	67,510
Total Remuneration	262,226	249,570
3. Revenue and other income		
Sale of goods	3,652,301	1,963,603
Other income		
Grant income	203,153	315,655
Interest received	123,137	98,455
COVID-19 grant received	50,000	50,000
Other income	17,273	30,940
Total Other Income	393,563	495,050
Total revenue and other income	4,045,864	2,458,653

The COVID-19 grant received is the ATO cash flow boost of \$50,000. The Group did not receive any other COVID-19 related grants.

Notes to the financial statements**For the year ended 30 June 2021**

	2021	2020
	\$	\$
4. Depreciation and amortisation expense		
Amortisation of Right-of-use assets (refer to note 14)	145,816	156,622
Amortisation of property, plant, and equipment (refer to note 15)	373,302	281,542
Amortisation of intangible assets (refer to note 16)	5,192	5,263
Total depreciation and amortisation expense	524,310	443,427

5. Employee benefit expense

Salaries and wages	3,313,825	2,647,098
Post-employment benefits	266,121	191,595
Termination benefits	96,571	206,000
Employee on-costs	95,170	143,548
Total employee benefit expense	3,771,687	3,188,241

Other employee benefit expenses incurred during the year related to share based payment expenditure of \$1,664,734 which has been disclosed separately on the consolidated statement of profit or loss and other comprehensive income. Refer to 21(a).

6. Research and development expense

Direct research and development expenses	871,232	584,309
Employee benefits expense	1,079,400	536,369
Depreciation and amortisation expense	186,772	36,437
Other expenses	182,109	104,103
Total research and development expense	2,319,513	1,261,218

The above note shows total expenditure for the research and development by function contrasting with the Consolidated Statement of Profit or Loss and Other Comprehensive Income which details expenses by nature.

7. Finance Costs

Interest on lease liabilities	13,462	19,286
Other finance costs	9,004	10,538
	22,466	29,824

Notes to the financial statements

For the year ended 30 June 2021

8. Operating segments

The Group has identified its operating segments based on the internal reports that were reviewed and used by the Group's Chief Executive (the Chief Operating Decision Maker (CODM)) in assessing performance and determining the allocation of resources during the year.

The Group is managed primarily on a geographic basis, that is, the countries in which products are sold. Operating segments are therefore determined on the same basis. The CODM assesses the performance of the operating segments based on revenue and expenditure that is recognised in the statement of profit or loss in these financial statements. The measurement of gross expenditure does not include non-cash items such as depreciation expense and share based payments expense.

Geographic locations from which reportable segments derive their revenues:

- Australia
- New Zealand

Both operating segments generated revenue during the year. Revenue is recognized at the point in time that the Group satisfies its performance obligations by transferring the promised goods to its customers. Commissions are granted to agents who are members of the Retail Agency Partner Network (having signed Retail Agency Partner Agreements).

Assets, liabilities, and cash flows are not allocated to segments in the internal reports that are prepared for the CODM.

The following tables present revenue and loss information for the Group's operating segments for year ended 30 June 2021 and 30 June 2020, respectively.

i. Segment performance

	Australia	New Zealand	TOTAL
30 June 2021	\$	\$	\$
Total segment revenue	3,369,203	283,098	3,652,301
Segment other income	123,137	-	123,137
Segment expenditure	(8,269,257)	(325,400)	(8,594,657)
Segment result	(4,776,917)	(42,302)	(4,819,219)

Reconciliation of segment result to Group loss before tax:

Depreciation expense	(524,310)
Provision for expected credit losses	56,995
Share based payment expenditure	(1,664,734)
Other income	270,425
Net loss before tax	(6,680,843)

Notes to the financial statements**For the year ended 30 June 2021****8. Operating segments (continued)**Major customers

Included in revenues arising from the Australian segment, is the following customer where greater than 10% of revenues are generated.

- Customer A - \$415,361

No other single customers contributed 10 per cent or more to the Group's revenue.

	Australia	New Zealand	TOTAL
30 June 2020	\$	\$	\$
Total segment revenue	1,727,899	235,704	1,963,603
Segment other income	98,455	-	98,455
Segment expenditure	(7,048,169)	(330,440)	(7,378,609)
Segment result	(5,221,815)	(94,736)	(5,316,551)

Reconciliation of segment result to Group loss before tax:

Depreciation expense	(443,427)
Provision for expected credit losses	(80,171)
Other income	396,596
Net loss before tax	(5,443,553)

ii. Segment assets

The following tables present assets and liabilities information for the Group's operating segments as at 30 June 2021 and 30 June 2020, respectively.

	Australia	New Zealand	Total
30 June 2021	\$	\$	\$
Segment assets	14,258,438	465,950	14,724,388
30 June 2020			
Segment assets	18,869,584	253,497	19,123,081

Notes to the financial statements**For the year ended 30 June 2021**

	2021	2020
	\$	\$

9. Income tax expense

The income tax expense/benefit can be reconciled to the accounting profit/loss as follows:

(a) Components of tax benefit

Current tax	2,018,846	1,458,174
Deferred tax	(1,438,154)	(940,236)
	580,692	517,938

(b) Prima facie tax benefit

Loss from continuing operations	(6,680,843)	(5,443,553)
Non-deductible expenditure	1,536,852	1,566,994
	(5,143,991)	(3,876,559)

Income tax benefit calculated at 26% (2020: 27.5%)	(1,337,438)	1,066,054
Non-recognition of current year taxable loss	1,337,438	(1,066,054)
Research and Development tax offset	580,692	517,938
	580,692	517,938

(c) Current tax asset**Current tax assets**

Opening balance	517,938	645,321
R&D Tax concession received	-	(645,321)
Over accrual of prior year R&D benefit	(59,308)	-
Research and Development tax offset accrual	640,000	517,938
Closing balance	1,098,630	517,938

Deferred tax assets associated with income tax losses have not been recognised due to uncertainty as to the timing of their recoupment from sufficient future taxable income. Deferred tax assets relating to unused tax losses that may potentially be available to the Group, subject to meeting the requirements under tax legislation, at 26% (2020: 27.5%) tax rate is \$4,039,883 as at 30 June 2021 (2020: \$3,353,232).

Notes to the financial statements**For the year ended 30 June 2021****10. Loss per share**

Both the basic and diluted loss per share have been calculated using the loss for the year. The reconciliation of the weighted average number of shares for the purpose of diluted loss per share to the weighted average number of ordinary shares used in the calculation of basic loss per share is as follows:

	2021 \$	2020 \$
Loss attributable to the owners of the Group	(6,100,151)	(4,925,615)
	2021 No.	2020 No.
Weighted average number of shares used in basic loss per share	188,713,251	150,749,667
Weighted average number of shares used in diluted loss per share (i)	188,713,251	150,749,667

- (i) There were no potential ordinary shares that are considered dilutive as they did not meet the requirements for inclusion as per AASB 133 Earnings per share since the Group generated losses for the year ended 30 June 2021 and the prior year.

11. Trade and other receivables

Trade receivables	332,043	566,673
Loss allowance	(36,436)	(147,118)
	295,607	419,555
Other receivables	26,471	128,415
	322,078	547,970

The average credit period on sales of goods is 40 days (2020: 47 days). No interest is charged on outstanding trade receivables. The Group has applied 100% expected credit loss rate for trade receivables overdue by more than 3 months at year-end.

12. Other current assets

Deposits and guarantees	110,598	109,398
Prepayments	132,560	76,050
	243,158	185,448

Prepayments relate principally to prepaid insurance premiums. Security deposits relate to leased properties as disclosed in Note 14 and deposits held as security against a corporate credit card facility.

Notes to the financial statements**For the year ended 30 June 2021**

	2021 \$	2020 \$
13. Current tax assets		
Tax benefit on research and development	1,098,630	517,938

Movements in the tax benefit due during the year are set out below:

Opening balance at 1 July	517,938	645,321
Tax benefit on research and development received	-	(645,321)
Over accrual of prior year research and development offset	(59,308)	-
Accrual of tax benefit for the year	640,000	517,938
Closing balance at 30 June	1,098,630	517,938

14. Right-of-use assets

	Buildings \$	Motor vehicles \$	Research equipment \$	Total \$
Cost				
At 1 July 2019	-	-	-	-
Initial application of AASB 16	278,171	217,543	109,289	605,003
Additions	133,073	-	-	133,073
Balance at 30 June 2020	411,244	217,543	109,289	738,076
Additions	-	102,560	-	102,560
At 30 June 2021	411,244	320,103	109,289	840,636
Accumulated amortisation				
At 1 July 2019	-	-	-	-
Initial application of AASB 16	-	109,467	74,150	183,617
Amortisation for the year	85,272	39,990	31,360	156,622
Balance at 30 June 2020	85,272	149,457	105,510	340,239
Amortisation for the year	99,428	42,609	3,779	145,816
At 30 June 2021	184,700	192,066	109,289	486,055
Carrying amount at 30 June 2021	226,544	128,037	-	354,581

Notes to the financial statements**For the year ended 30 June 2021**

14. Right-of-use assets (continued)

The consolidated entity leases several assets including buildings, motor vehicles and plant and equipment used in manufacturing and research and development activities. Refer note 1 for further information on the consolidated entity's accounting policy for leases as a lessee.

During the year, two new lease contracts were entered into for motor vehicles for members of the sales team. This resulted in additions to right-of-use assets of \$102,560.

The maturity analysis of lease liabilities is presented in note 23.

The following amounts were recognised in the loss for the year in relation to right-of-use assets:

	2021	2020
	\$	\$
Amortisation expense on right of use assets	145,816	156,622
Interest expense on lease liabilities	13,462	19,286

The Group does not sub-lease any right-of-use assets.

15. Property, plant, and equipment

2021	2020
\$	\$

Carrying amounts of:

Plant and equipment	228,632	59,654
Office equipment	16,746	3,044
Motor Vehicles	58,864	78,987
Research equipment	256,165	288,371
Leasehold improvements	301,496	346,723
Capital works in progress	46,810	-
Written down value	908,713	776,779

No impairment losses were recognised during the year in respect of property, plant and equipment.

Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

Notes to the financial statements**For the year ended 30 June 2021****15. Property, plant, and equipment (continued)**

2021	Plant & equipment	Office equipment	Motor vehicles	Research equipment	Leasehold improvements	Capital WIP	Total
	\$	\$	\$	\$	\$		\$
Cost							
Balance 1 July 2020	242,450	66,937	88,471	590,975	446,298	-	1,435,131
Additions	205,191	22,139	2,468	154,566	74,062	46,810	505,236
Balance 30 June 2021	447,641	89,076	90,939	745,541	520,360	46,810	1,940,367
Accumulated depreciation							
Balance 1 July 2020	(182,796)	(63,893)	(9,484)	(302,604)	(99,575)	-	(658,352)
Depreciation	(36,213)	(8,437)	(22,591)	(186,772)	(119,289)	-	(373,302)
Balance 30 June 2021	(219,009)	(72,330)	(32,075)	(489,376)	(218,864)	-	(1,031,654)
Written down value	228,632	16,746	58,864	256,165	301,496	46,810	908,713

2020	Plant & equipment	Office equipment	Motor vehicles	Research equipment	Leasehold improvements	Total
	\$	\$	\$	\$	\$	\$
Cost						
Balance 1 July 2019	186,200	66,146	217,543	669,445	246,048	1,385,382
Transfer to right of use assets on initial adoption of AASB 16	-	-	(217,543)	(109,289)	-	(326,832)
Additions	56,250	791	88,471	30,819	200,250	376,581
Balance 30 June 2020	242,450	66,937	88,471	590,975	446,298	1,435,131
Accumulated depreciation						
Balance 1 July 2019	(160,285)	(59,936)	(109,467)	(215,357)	(15,382)	(560,427)
Transfer to right of use assets on initial adoption of AASB 16	-	-	109,467	74,150	-	183,617
Depreciation	(22,511)	(3,957)	(9,484)	(161,397)	(84,193)	(281,542)
Balance 30 June 2020	(182,796)	(63,893)	(9,484)	(302,604)	(99,575)	(658,352)
Written down value	59,654	3,044	78,987	288,371	346,723	776,779

Notes to the financial statements**For the year ended 30 June 2021**

	2021	2020
	\$	\$
16. Intangible assets		
Patents & trademarks	191,184	168,704
Accumulated amortisation	(41,606)	(36,414)
Total intangible assets	149,578	132,290
Balance at the beginning of the year	132,290	72,685
Additions from separate acquisitions	22,480	64,868
Amortisation charge for the year	(5,192)	(5,263)
Balance at the end of the year	149,578	132,290

Patents and trademarks are amortised over their estimated useful lives, which is on average 20 years.

17. Trade and other payables

Trade payables	147,784	289,461
Accrued expenses	776,487	930,821
Other payables	131,559	109,570
	1,055,830	1,329,852

Trade payables have an average credit period of 16 days (2020: 37 days) from invoice date. The carrying values of the trade and other payables are considered to be a reasonable approximation of fair value.

18. Borrowings**Current – at amortised cost**

Insurance premium funding	-	38,021
Lease liabilities	144,444	183,300
	144,444	221,321

Non-current – at amortised cost

Lease liabilities	213,513	254,985
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Notes to the financial statements**For the year ended 30 June 2021**

	2021	2020
	\$	\$
18. Borrowings (continued)		
<u>Movements in lease liabilities</u>		
Movement in the lease liabilities between the beginning and the end of the current financial year:		
Balance at the beginning of the year	438,285	190,280
Lease liabilities recognised on initial adoption of AASB 16	-	278,171
New leases entered into during the period	102,560	133,073
Lease payments made	(196,350)	(182,525)
Portion of lease payments recognised as finance cost	13,462	19,286
Balance at the end of the year	357,957	438,285
Recognised as:		
Current	144,444	183,300
Non-current	213,513	254,985
	357,957	438,285

19. Provisions**Current**

Employee benefits	219,413	219,825
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Non-current

Employee benefits	67,900	54,543
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The provision for employee benefits relates to the Group's liability for accumulated long service and annual leave entitlements.

Notes to the financial statements**For the year ended 30 June 2021**

	2021	2020
20. Issued capital	\$	\$
Ordinary shares - issued and fully paid	42,438,295	41,560,581

At shareholder meetings, each ordinary share has the right to attend and vote, one vote for every share held. Each ordinary share has the right to participate in the dividends (if any) declared on that class of share.

	2021	2020	2021	2020
	shares	shares	\$	\$
Beginning of the year	186,820,902	104,508,902	41,560,581	22,200,119
Issue of shares	-	80,200,000	-	20,050,000
Shares issued on the exercise of options (refer note 21(a) and (b))	3,993,333	1,112,000	877,714	206,096
Shares issued on conversion of "B" Class shares	-	1,000,000	-	22,500
Capital raising costs	-	-	-	(918,134)
Balance at 30 June	190,814,235	186,820,902	42,438,295	41,560,581

At shareholder meetings, each ordinary share is entitled to attend and vote, one vote for every share held. Shares issued as remuneration are issued at the market value of the shares with reference to recent capital raisings.

Shares issued on the exercise of options consisted of:

- 2,925,000 employee options which had a fair value of \$461,811 and exercise price proceeds of \$148,820; and
- 1,068,333 investor which had a nil fair value as they were issued as bonus options to pre-existing options. The \$267,083 reflects the exercise price proceeds.

	2021	2020
21. Reserves	\$	\$
Share based payments reserve (a)	2,287,119	1,123,062
Equity options reserve (b)	513,792	513,792
Foreign currency translation reserve	357	40
Total reserves	2,801,268	1,636,894

Notes to the financial statements**For the year ended 30 June 2021****21. Reserves (continued)****a) Share based payment reserve**

	2021 Options	2020 Options	2021 \$	2020 \$
Options issued:				
Outstanding at the beginning of the year	6,895,000	8,195,000	1,123,062	1,364,001
Issued during the year (i)	8,000,000	-	1,664,734	-
Exercised during the year (ii)	(2,925,000)	(1,112,000)	(461,881)	(206,096)
Lapsed during the year	(255,000)	(188,000)	(38,796)	(34,843)
Outstanding at the end of the year	11,715,000	6,895,000	2,287,119	1,123,062

Details of the Employee Incentive Plan (EIP) of the Group

The Group has an EIP for directors, executives, employees, contractors and consultants of the Group and its subsidiaries (Eligible Participants). As approved by the Board, and in accordance with the terms of the EIP, Eligible Participants may be granted options or performance rights to purchase ordinary shares (Awards). Each Award converts into one ordinary share of the Group on exercise. No amounts are paid or payable by the recipient on receipt of the Award. The Awards carry neither rights to dividends nor voting rights. Awards may be exercised at any time from the date of vesting to the date of their expiry.

The number of Awards granted is calculated in accordance with service and performance-based criteria approved by the Group and is subject to approval by the Board.

(i) In December 2020, the Group issued 8,000,000 options over ordinary shares across three tranches as follows:

- Tranche 1 - 1,000,000 options exercisable at \$0.25 with an expiry date of 4 December 2025. The options have a fair value of \$277,125.
- Tranche 2 - 2,000,000 options exercisable at \$0.50 with an expiry date of 4 December 2025. The options have a fair value of \$466,493.
- Tranche 3 - 5,000,000 options exercisable at \$1.00 with an expiry date of 4 December 2025. The options have a fair value of \$921,116.

No consideration was received by the Group in relation to those options. The above options vested immediately at grant date.

(ii) During the year the following options were exercised which had previously had a cumulative fair value within the reserve of \$461,811:

- 250,000 Tranche 2 options. The remainder 150,000 Tranche 2 options lapsed reducing the Tranche to nil.
- 245,000 Tranche 3 options. The remainder 105,000 Tranche 3 options lapsed reducing the Tranche to nil.
- 75,000 Tranche 4 options, reducing Tranche 4 options to nil.
- 130,000 Tranche 5 options
- 1,990,000 Tranche 8 options, reducing Tranche 8 options to nil.
- 235,000 Tranche 9 options

Notes to the financial statements

For the year ended 30 June 2021

21. Reserves (continued)

Employee shares options on issue

The following share-based payment arrangements were in existence as at 30 June 2021:

<u>Option series</u>	<u>Number</u>	<u>Grant date</u>	<u>Vesting date</u>	<u>Expiry date</u>	<u>Exercise price</u>	<u>Fair Value at grant date</u>
Tranche 5	320,000	01/02/2017	01/02/2017	30/09/2021	\$0.05	\$0.1559
Tranche 6	600,000	16/08/2017	16/08/2017	16/08/2021	\$0.05	\$0.1563
Tranche 7	2,000,000	01/09/2017	01/09/2017	17/01/2022	\$0.05	\$0.1581
Tranche 9	795,000	01/07/2018	01/07/2018	30/06/2022	\$0.075	\$0.1854
Tranche 13	1,000,000	04/12/2020	04/12/2020	04/12/2025	\$0.25	\$0.2771
Tranche 14	2,000,000	04/12/2020	04/12/2020	04/12/2025	\$0.50	\$0.2332
Tranche 15	5,000,000	04/12/2020	04/12/2020	04/12/2025	\$1.00	\$0.1842

b) Equity options reserve

	2021 Options	2020 Options	2021 \$	2020 \$
Options issued:				
Outstanding at the beginning of the year	12,314,043	8,100,000	513,792	513,792
Exercised during the year (i)	(1,068,333)	-	-	-
Fair value of equity options issued during the year	-	4,214,043	-	-
Outstanding at the end of the year	11,245,710	12,314,043	513,792	513,792

(i) During the year the following options were exercised:

- 1,000,000 Tranche 11 options with a nil fair value at grant date.
- 68,333 Tranche 12 options with a nil fair value at grant date.

The following equity options were in existence as at 30 June 2021:

<u>Option series</u>	<u>Number</u>	<u>Grant date</u>	<u>Vesting date</u>	<u>Expiry date</u>	<u>Exercise price</u>	<u>Fair Value at grant date</u>
Tranche 10	8,100,000	13/06/2019	13/06/2019	11/12/2022	\$0.25	\$0.0634
Tranche 11	2,000,000	10/07/2019	10/07/2019	11/12/2022	\$0.25	\$-
Tranche 12	1,145,710	17/07/2019	17/07/2019	11/12/2022	\$0.25	\$-

Notes to the financial statements**For the year ended 30 June 2021**

	2021 \$	2020 \$
22. Cash and cash equivalents		
(a) Reconciliation of cash and cash equivalents		
For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:		
Cash on hand	53	98
Cash at bank	11,641,628	16,378,310
Cash and bank balances	<u>11,641,681</u>	<u>16,378,408</u>
(b) Reconciliation of profit for the year to net cash flows from operating activities:		
Loss for the year	(6,100,151)	(4,925,615)
Adjustment for non-cash items		
Depreciation and amortisation	524,310	443,427
Movement in loss allowance	(56,996)	80,171
Share based payment expenditure	<u>1,664,734</u>	<u>-</u>
	(3,968,103)	(4,402,017)
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Trade and other receivables	282,888	(61,738)
Inventories	60,747	(28,321)
Other assets	(57,711)	(91,716)
Current tax assets	(580,692)	127,384
Increase/(decrease) in liabilities:		
Trade and other payables	(274,023)	519,823
Provisions	<u>12,945</u>	<u>43,699</u>
Net cash used in operating activities	<u>(4,523,949)</u>	<u>(3,892,886)</u>

Notes to the financial statements

For the year ended 30 June 2021

23. Financial Instruments

a) Financial assets and liabilities by categories

The following table combines information about:

- classes of financial instruments based on their nature and characteristics;
- the carrying amounts of financial instruments (except where carrying amount approximates their fair value);
- fair values of financial instruments (where applicable); and
- fair value hierarchy levels of financial assets and financial liabilities for which fair value was disclosed.

All of the Group's financial assets and financial liabilities are measured at amortised cost at 30 June 2021.

b) Financial risk management

The Group manages its capital to ensure that the entity will be able to continue as a going concern whilst maximising the return to shareholders through the optimisation of the debt and equity balances.

The Group's capital includes issued capital less any accumulated losses. The Group policy is to maintain a capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group is not subject to any externally imposed capital requirements.

c) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to financial statements.

The Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Group.

The Group minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers.

(i) Cash deposits

Credit risk for cash deposits is managed by holding all cash deposits with major Australian banks.

(ii) Trade receivables

Credit risk for trade receivables is managed by setting credit limits and completing credit checks for new customers. Outstanding receivables are regularly monitored for payment in accordance with credit terms.

As the Group undertakes transactions with a range of customers and regularly monitors payment in accordance with credit terms, the financial assets that are neither past due nor impaired, are expected to be received in accordance with the credit risk.

At 30 June 2021, we had 27 customers with outstanding invoices, of which 4 customers account for approximately 65% of total trade receivables. (2020: 46 customers with outstanding invoices, of which 5 customers accounted for approximately 71% of all trade receivables).

Notes to the financial statements

For the year ended 30 June 2021

23. Financial Instruments (continued)

d) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is managed by forecasting and monitoring cash inflows and outflows on a continuing basis.

Maturity analysis

The table below represents the undiscounted contractual settlement terms for financial instruments and Management's expectation for settlement of undiscounted maturities.

	< 6 months	6-12 months	1-5 years	Total contractual cash flows	Carrying amount
Year ended 30 June 2021	\$	\$	\$	\$	\$
Payables	1,055,830	-	-	-	1,055,830
Borrowings	74,790	69,653	213,513	357,957	357,957
Net maturities	1,136,991	74,042	219,233	374,436	1,413,787

	< 6 months	6-12 months	1-5 years	Total contractual cash flows	Carrying amount
Year ended 30 June 2020	\$	\$	\$	\$	\$
Payables	1,173,764	-	-	1,173,764	1,173,764
Borrowings	148,292	88,823	266,622	503,737	476,306
Net maturities	1,322,056	88,823	266,622	1,677,501	1,650,070

e) Foreign exchange risk

The Group operates a branch in New Zealand and is exposed to foreign exchange risk arising from currency exposure. The Group's policy is to convert its local currency to the foreign currency at the time of the transaction. Foreign exchange risk arises from future commercial transactions and recognised financial liabilities denominated in a currency that is not the Group's functional currency (which is the Australian dollar).

The Group manages foreign exchange risk on an as-needs basis. The risk is measured using sensitivity analysis and cash-flow forecasting. The Group's exposure to foreign currency risk, expressed in Australian dollars at the reporting date, was as follows:

Notes to the financial statements**For the year ended 30 June 2021****23. Financial Instruments (continued)**

	AUD Denominated Balances in \$AUD	NZ Denominated Balances converted to \$AUD	TOTAL \$AUD
At 30 June 2021			
Cash and cash equivalents	11,167,388	474,293	11,641,681
Trade and other receivables	311,278	10,800	322,078
Total other financial assets	245,718	-	245,718
<i>Total assets</i>	11,724,384	485,093	12,209,477
Trade and other payables	1,030,398	25,432	1,055,830
Total borrowings	357,957	-	357,957
<i>Net exposure</i>	10,336,029	459,661	10,795,690

	AUD Denominated Balances in \$AUD	NZ Denominated Balances converted to \$AUD	TOTAL \$AUD
At 30 June 2020			
Cash and cash equivalents	16,226,781	151,627	16,378,408
Trade and other receivables	319,833	72,049	391,882
Total other financial assets	304,901	2,803	307,704
<i>Total assets</i>	16,851,515	226,479	17,077,994
Trade and other payables	1,171,905	1,859	1,173,764
Total borrowings	476,305	-	476,305
<i>Net exposure</i>	15,203,304	224,620	15,427,924

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents an assessment of the reasonably possible change in foreign exchange rates. A negative number in the table represents a decrease in the operating profit before tax and reduction in equity where the Australian dollar strengthens against the relevant currency. For a 10% strengthening of the Australian dollar against the relevant currency, there would be a comparable impact on the loss or equity, and the balances below would be positive.

	2021 \$	2020 \$
Profit / (loss) before tax and equity – 10% increase	45,966	22,462
Profit / (loss) before tax and equity – 10% decrease	(45,966)	(22,462)

Notes to the financial statements

For the year ended 30 June 2021

23. Financial Instruments (continued)

f) Interest rate risk

The Group's exposure to interest rate risk arises predominantly from cash and cash equivalents bearing variable interest rates, as the Group intends to hold any fixed rate financial assets to maturity. At the end of the reporting period the Group maintained the following variable rate accounts:

	30 June 2021		30 June 2020	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
	%	\$	%	\$
Cash and cash equivalents	0.5%	11,641,681	0.5%	16,378,408

At the end of the reporting period, if the interest rates had changed, as illustrated in the table below, with all other variables remaining constant, after-tax profit and equity would have been affected as follows:

	After-tax loss higher / (lower)		Equity higher / (lower)	
	2021	2020	2021	2020
	\$	\$	\$	\$
+0.5% (50bp)	58,208	81,892	58,208	81,892
-0.5% (50bp)	(58,208)	(81,892)	(58,208)	(81,892)

24. Related party transactions

2021	2020
\$	\$

The Group's related parties include key management, post-employment benefit plans for the Group's employees and others as described below. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

The aggregate compensation made to key management personnel of the Group is set out below:

Salary	491,699	404,251
Superannuation	34,919	21,349
Director fees – cash	194,000	193,832
Director fees – share based payment expenditure	1,664,734	-
Termination benefits	-	140,000
Other	115,206	6,984
Total	2,500,558	766,416

Notes to the financial statements

For the year ended 30 June 2021

24. Related party transactions (continued)

Director fees for Sam Brougham are invoiced via Crofton Park Developments Pty Ltd atf Sam Brougham Family Trust. Sam Brougham is a director of the trustee and beneficiary of the trust. Fees in 2021 were \$44,000 (2020: \$45,833).

Director fees for Travis Dillon are invoiced via Dillon Consulting Company Pty Ltd. Fees in 2021 were \$62,000 comprising \$54,000 in Chairman fees and \$8,000 in Committee fees (2020: \$6,666).

Other transactions with key management personnel

- \$64,000 (2020: \$12,333) was paid to Travis Dillon in relation to consulting services provided to the Sales and Marketing Team.

	2021 \$	2020 \$
25. Commitments		
Significant expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:		
<u>Research and development projects</u>		
Within one year	-	115,894
Later than one year but not later than five years	-	19,962
	-	135,856

Committed expenditure in the prior year was for contracted research projects with The University of Queensland.

There were no capital expenditure commitments at 30 June 2021 (2020: \$nil).

26. Contingent liabilities

There are no contingent liabilities as at 30 June 2021 (2020: nil).

27. Subsequent events

The outbreak of COVID-19 and the subsequent quarantine measures imposed by the Australian and other governments as well as the travel and trade restrictions imposed by Australia and other countries continues as at the date of this Report. As outlined in the "Impact of COVID-19 pandemic on operations" paragraph above the impact of COVID-19 has been negligible.

There has been no other matter or circumstance which has arisen since the end of the year that has significantly affected, or may significantly affect the Group's operations, the result of those operations or the Group's state of affairs.

Notes to the financial statements**For the year ended 30 June 2021****28. Interests in Subsidiaries**

The consolidated financial statements incorporate the assets, liabilities, and results of the following subsidiaries in accordance with the accounting policy described in note 1(g).

Name of Subsidiary	Country of incorporation	Principal activity	Equity holding	
			2021	2020
			%	%
Terragen Biotech Pty Limited (i)	Australia	Agricultural biotech	100	100

(i) Terragen Biotech Pty Ltd operates in Australia however also operates through a branch in New Zealand.

29. Parent entity

2021
\$

2020
\$

Information relating to Terragen Holdings Limited ('the Parent Entity'):

Statement of financial position

Current assets	11,027,552	15,693,959
Total assets	11,177,230	17,507,693
Current liabilities	292,507	465,098
Total liabilities	292,507	465,098
Net assets	10,884,722	17,042,595
Issued capital	42,438,295	41,560,581
Reserves	2,801,268	1,636,894
Accumulated losses	(34,354,841)	(26,154,880)
Total equity	10,884,722	17,042,595

Statement of profit or loss and other comprehensive income

Loss for the year	(8,238,440)	(4,515,675)
Other comprehensive income	-	-
Total comprehensive income	(8,238,440)	(4,515,675)

The Parent Entity has no capital commitments at 30 June 2021 (2020: \$Nil).

The Parent Entity had no contingent liabilities at 30 June 2021 (2020: \$Nil).

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the attached financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (i) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (ii) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date.
- (b) the financial report also complies with International Reporting Standards as disclosed in note 1 (a); 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.
- (d) The Directors' have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of directors.



Jim Cooper
Managing Director
Melbourne, 27 August 2021