



Terragen



_ Quarterly Activities Report and Appendix 4C for the three months ended 31 December 2021

TERRAGEN HOLDINGS LIMITED (TGH:ASX)

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| Brand story

We are Terragen, an innovative agricultural biological company. We are changing the face of global agriculture by reducing the reliance on chemical-based agricultural products.

In a world where modern farming is under increasing pressure to meet regulations, operate profitably and protect the land for future generations, Terragen gives farmers an advantage with a natural, sustainable and chemical-free way to farm. A way that increases productivity, provides a return on investment and is environmentally sustainable.

Terragen does this by creating proprietary biological products that amplify nature to improve animal wellbeing, soil quality and crop growth.

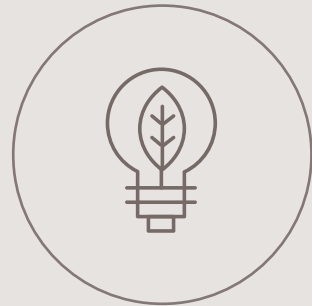
Terragen is passionate about becoming the world's leading agricultural biological company, developing new ways to approach the challenges of 21st century farming and contributing to healthier animals, healthier people and a healthier planet.

Our purpose



WHO WE ARE

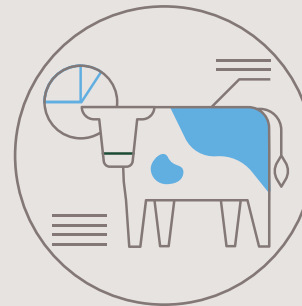
Terragen is an agricultural biological company changing the face of global agriculture.



WHAT WE DO

We harness the power of nature through world-class science creating biological products that improve animal wellbeing, soil quality and crop growth.

Ultimately, our products assist farmers to increase productivity, provide a return on investment and are environmentally sustainable.



PURPOSE

To be the world's leading agricultural biological company creating new ways to approach the challenges of 21st century farming, contributing to healthier animals, healthier people and a healthier planet.



WHY WE EXIST

Our calling is to propel agriculture into the future by developing proprietary biological products that amplify nature, giving the farmer an advantage in a natural, sustainable and chemical-free way.



OUR DNA

Led by nature
Proven by science
Driven by microbes
Centred on farmers
Obsessed with sustainability

| _ Results overview

December 2021 Quarter

Results overview

KEY INDICATORS

ANNUAL
RECURRING
REVENUE*

\$1.64m

(-5.4% VS Q1 FY22)

MATURE
DAIRY
COWS ON
MYLO®

**61,855
COWS**

(-5.4% VS Q1 FY22)

4.4% MARKET PENETRATION

NORMALISED
CASH BURN
IN Q2 FY22

\$1.6m

(-67% VS Q1 FY22)

CASH
RESERVES
AS AT 31
DECEMBER
2021

\$9.0m

GROSS
MARGIN
YTD

\$627k

59.4%

OF NET REVENUE

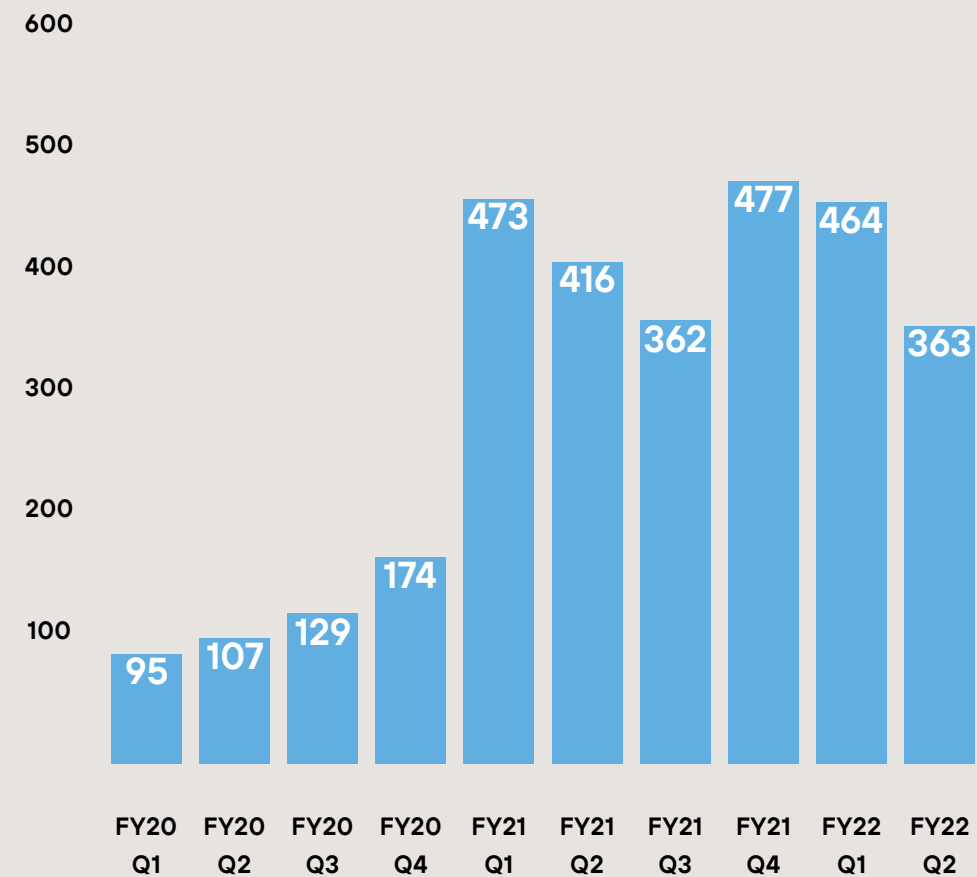
CHURN RATE

10.0%

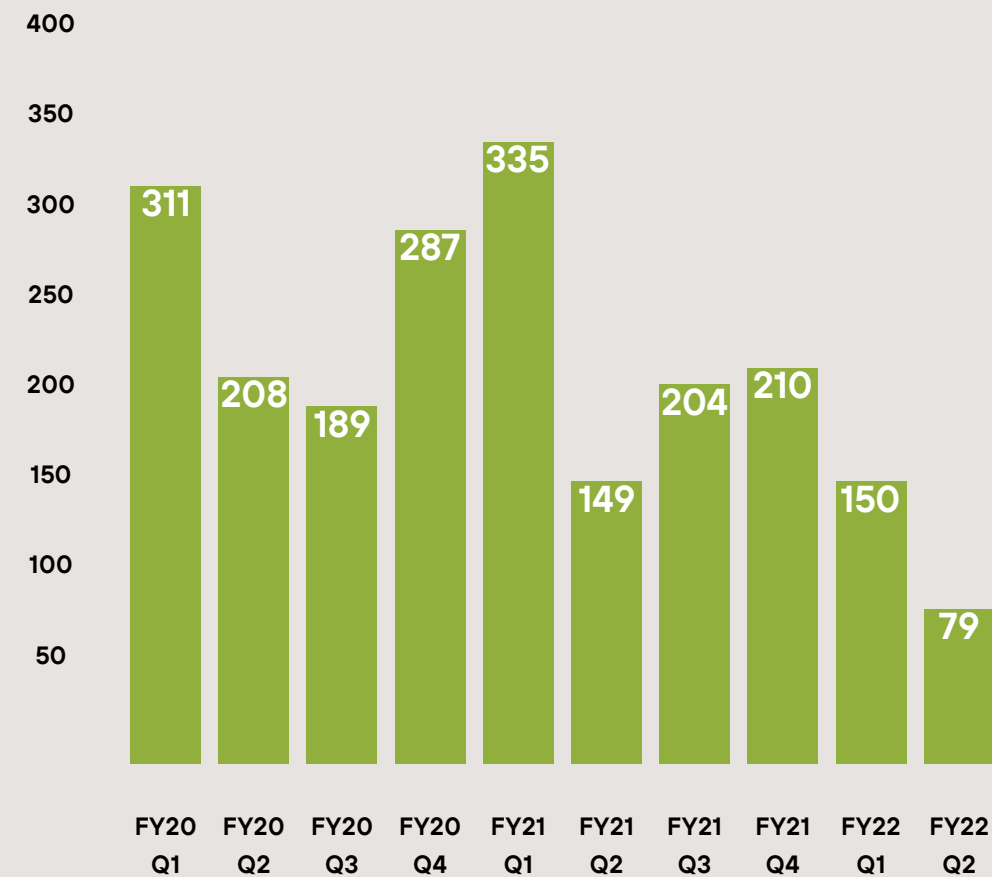
(-9.2 PERCENTAGE
POINTS VS Q1 FY22)

Results overview

Mylo[®] net sales revenue (\$'000s)



Great Land Plus[®] net sales revenue (\$'000s)

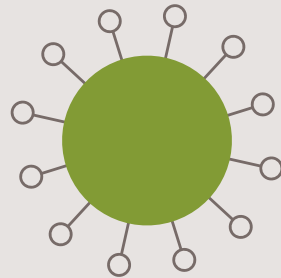


Results commentary

Key factors which reduced quarterly sales



→ **RESTRUCTURED SALES TEAM IN KEY DAIRY REGION OF VICTORIA WITH NEW SENIOR EXPERIENCED AGRICULTURAL SALES MANAGERS.**



→ **COVID 19 LOCKDOWN IN VICTORIA, TERRAGEN'S MAIN SALES MARKET, SIGNIFICANTLY LIMITED SALES ACTIVITY.**



→ **TASMANIA WAS CLOSED TO VISITORS FROM MID 2021 TO DECEMBER 2021, PREVENTING SALES ACTIVITY.**

How Terragen has addressed sales resourcing?



→ **NEW SALES TEAM MEMBERS FOR TASMANIA, NORTHERN VICTORIA (2), WESTERN VICTORIA AND WAIKATO, NEW ZEALAND.**



→ **NEW TEAM MEMBERS ARE EXPERIENCED, SENIOR AGRICULTURAL SALES MANAGERS, INCREASING TERRAGEN'S SALES CAPABILITY AND BUSINESS DEVELOPMENT SKILLS.**



— Strategy

PURPOSE (Winning aspiration)

- To be the world's leading agricultural biological company by creating new ways to approach the challenges of 21st century farming, contributing to healthier animals, healthier people and a healthier planet.
- Our calling is to propel agriculture into the future by developing proprietary biological products that amplify nature to give the farmer an advantage in a natural, sustainable and chemical-free way.

SUPPORTING PILLARS (OUR FUNDAMENTALS)

WHERE TO PLAY

DAIRY: LACTATING COWS

MYLO® Total Australian Market: 1.4m animals.*

DAIRY: CALVES

MYLO® Total Australian Market: 775k animals.

NEW ZEALAND

MYLO® AND GREAT LAND PLUS® world's largest dairy ingredients exporter, 4.9 million dairy cows with a mix of pasture and mixed ration fed herds.

BEEF FEEDLOTS

MYLO® Total Australian Market: 3m animals.

DAIRY PASTURE AND VITICULTURE

GREAT LAND PLUS®

DAIRY: HEIFERS

Key growth area to capture full lifecycle of the dairy cow.

SALES EXCELLENCE

SCIENTIFIC EXCELLENCE

PRODUCTION EXCELLENCE

CORPORATE ACTIVISM

COMMITMENT TO SAFETY

* SOURCE - DAIRY AUSTRALIA WEBSITE.

— Our products – Mylo[®] for calves

Mylo[®] for calves

— Amplify nature for better calf growth and business results



→ HEALTHY CALVES COST LESS TO RAISE AND GROW TO BE TOP PERFORMERS.

→ WEAN AT UP TO 6KG HEAVIER TO IMPROVE CALF HEALTH AND WELL-BEING.*

→ REACH TARGET WEIGHTS UP TO 10 DAYS EARLIER.

→ MYLO[®] IS PATENT PENDING.

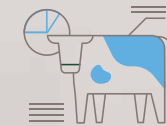
*UNIVERSITY OF QUEENSLAND SCHOOL OF VETERINARY SCIENCE 2019.

— Our products – Mylo[®] for cows

Mylo[®] for cows

— Amplify nature to improve health, milk production and business results

+\$92



- 3.3% INCREASE IN MILK PRODUCTION*.
- 38% REDUCTION IN SOMATIC CELL COUNT*.
- HEALTHY AND VITAL COWS.
- UP TO \$92 ANNUAL BENEFIT TO THE FARMER PER COW, NET OF THE COST OF USING MYLO[®] 200L SIZE PRODUCT[^].

* UNIVERSITY OF QUEENSLAND SCHOOL OF VETERINARY MEDICINE, 2019.

[^]Based on milk price of \$0.547 per litre, sourced from Dairy Australia In Focus Annual Report 2019/20.

— Our products – Great Land Plus®

— Great Land Plus® is a patented liquid biological soil conditioner containing live, naturally occurring bacterial species from the Lactobacillus and Acetobacter genera.



→ AMPLIFY NATURE TO IMPROVE SOIL HEALTH AND CREATE CROP GROWTH BENEFITS.

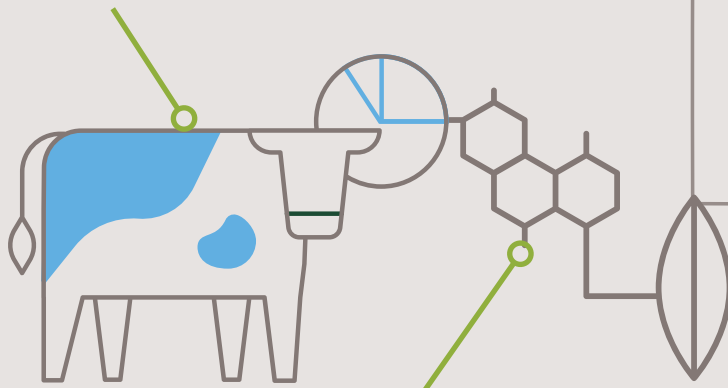
→ ENHANCED SOIL CHARACTERISTICS AND ROOT DEVELOPMENT.

→ REDUCE THE NEED FOR CHEMICALS AND FERTILISERS.

Scientific research

→ SINCE 2010 TERRAGEN HAS SPECIALISED IN RESEARCH INTO BIOLOGICAL PRODUCTS FOR AGRICULTURE, PARTICULARLY LACTOBACILLUS BACTERIA.

→ LABORATORY IN COOLUM BEACH, QUEENSLAND WITH A TEAM OF 15 TALENTED SCIENTISTS, FIVE WITH PhD'S.



5
PhD'S

→ TERRAGEN USES INDEPENDENT UNIVERSITIES AND SCIENTIFIC ORGANISATIONS TO TEST ITS PRODUCTS.

→ RESULTS FROM SEVERAL UNIVERSITY OF QUEENSLAND STUDIES ON TERRAGEN'S PRODUCTS HAVE BEEN PUBLISHED IN SEVEN INTERNATIONAL SCIENTIFIC JOURNALS.

→ TERRAGEN IS CURRENTLY RESEARCHING THE EFFECT OF MYLO® IN REDUCING METHANE EMISSIONS FROM CATTLE.

→ INDEPENDENT RESEARCH WITH ELLINBANK SMART FARM VICTORIA, AND AN 18-MONTH STUDY WITH 150 COWS IN HARRISVILLE, QUEENSLAND.

CH₄

Terragen's Science Strategy

– More Context

What Terragen is investigating?

- Methane emission reductions
- Productivity benefits
- Health benefits for cattle



Why is Terragen undertaking more scientific research on Mylo®?

Food companies and consumers are demanding sustainable agricultural production. Mylo® has an important part to play in this story.

Terragen's goal is to advance the science of Mylo®'s potential to reduce methane emissions from cattle – and add to its impressive list of existing benefits for farmers, food companies and consumers.

Early 2020 data generated by Terragen in-house indicated that Mylo® may reduce methane emissions from cattle.

This data is encouraging, but not statistically reliable yet. Hence the Ellinbank Smart Farm (Victorian Government) and Harrisville studies.

Existing benefits of Mylo®

Mylo® already ticks many boxes for cattle that alternatives do not:

- Proven productivity gains for dairy cows
- Proven animal welfare benefits
- Cost effective – 12.5 cents per day per animal
- Already commercialised – 4 years of sales – now taken by more than 1 in 25 Australian dairy cows daily
- Production is scalable
- Complies with Australian and New Zealand agriculture regulations
- Certified organic in Australia and New Zealand

What progress has been made?

Data has been generated from the Ellinbank Smart Farm and Harrisville studies late 2021.

Expert statistical scientists (biometricians) are now reviewing the data. This will take some time.

Progress results will be reported by Terragen when reliable results are received.

Will Terragen continue with its investigations?

Yes. Terragen will conduct more research to optimise the use of Mylo® to reduce methane emissions.

Terragen is progressing collaborations* with partners, including major food companies and government research bodies, on the benefits of Mylo® for cattle.

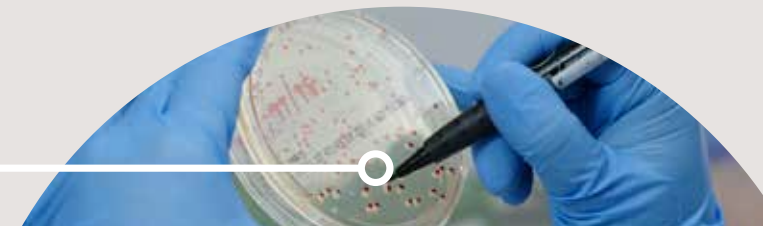
— Our production



→ PRODUCTION INVOLVES FERMENTING, BLENDING, PACKING AND QUALITY CONTROL.

→ HIGHLY CONTROLLED MANUFACTURING, "FOOD-QUALITY" USING GOOD MANUFACTURING PRACTICE PROCEDURES.

→ HIGHLY QUALIFIED PRODUCTION AND QUALITY CONTROL TEAM OF SEVEN STAFF.



→ THE GOOD MANUFACTURING PRACTICE PROCEDURES ARE DESIGNED TO ENSURE COMPLIANCE WITH GOVERNMENT REGULATIONS AND ORGANIC CERTIFICATIONS IN AUSTRALIA AND NEW ZEALAND.

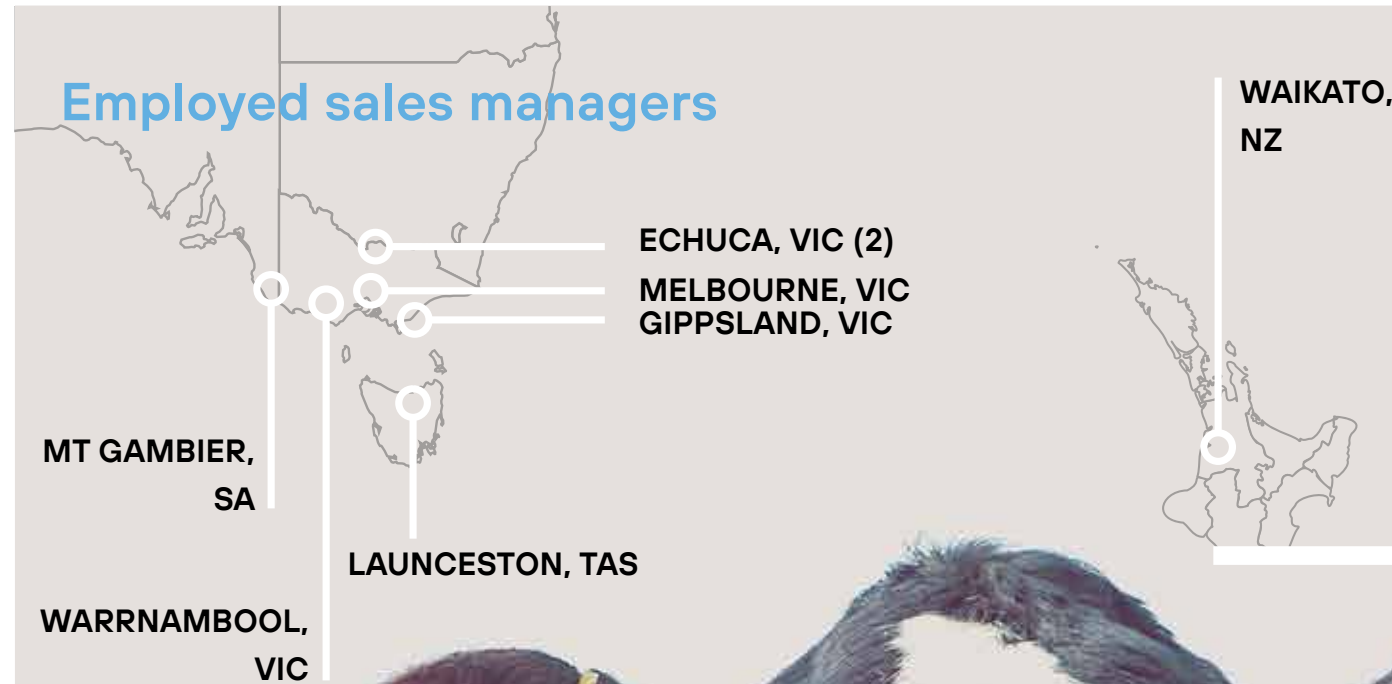
→ PRODUCTION IS SCALABLE TO FOLLOW FORECAST GROWTH IN SALES.

Our sales strategy

Centred on farmers

Terragen employs an internal sales team of eight managers throughout the dairy regions and they fulfil orders using an extensive network of sales agents.

Employed sales managers



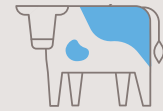
190+ agents

- OVER 190 AGENT STORES CONTRACTED TO STOCK AND SUPPLY TERRAGEN'S PRODUCTS.
- AGENTS INCLUDE: NUTRIEN, ELDERS, AG WAREHOUSE AND NUMEROUS SMALLER FIRMS.
- AGENTS ARE CONTRACTED UNDER AN AGREEMENT WITH TERRAGEN. ALL PAYMENTS ARE COLLECTED BY THE AGENTS, WHO CARRY CREDIT RISK.

— Strategy/New Zealand

May 2021 - Terragen appointed Paul Grave as General Manager New Zealand, tasked with growing sales of Mylo® and Great Land Plus® in New Zealand.

The highlights of the New Zealand strategy are:



MYLO® FOR CALVES

Immediate sales opportunity with autumn calving in the Waikato.

1.4M

MYLO® FOR DAIRY COWS

Concentrating on systems 4 and 5 dairy cows (Dairy NZ Classification) – a market of 1.4 Million cows.



CHANNEL STRATEGY

Negotiating with the major agent networks to stock and support sales of Mylo® and Great Land Plus®.



SALES MANAGERS

Appointment of a senior business development manager in the Waikato who will focus on driving sales in that region.

Search is on to appoint a new sales manager in the Canterbury region of the South Island.



GREAT LAND PLUS®

Planning with government agencies and agriculture companies to promote the use of Great Land Plus® as a strategy to reduce nitrogen use and run-off into waterways.

Future growth

Terragen has significant growth potential in its core market of selling Mylo® and Great Land Plus® to dairy farms in Australia and New Zealand.

In addition, Terragen has future growth potential from the following emerging opportunities:

BEEF FEEDLOT CATTLE

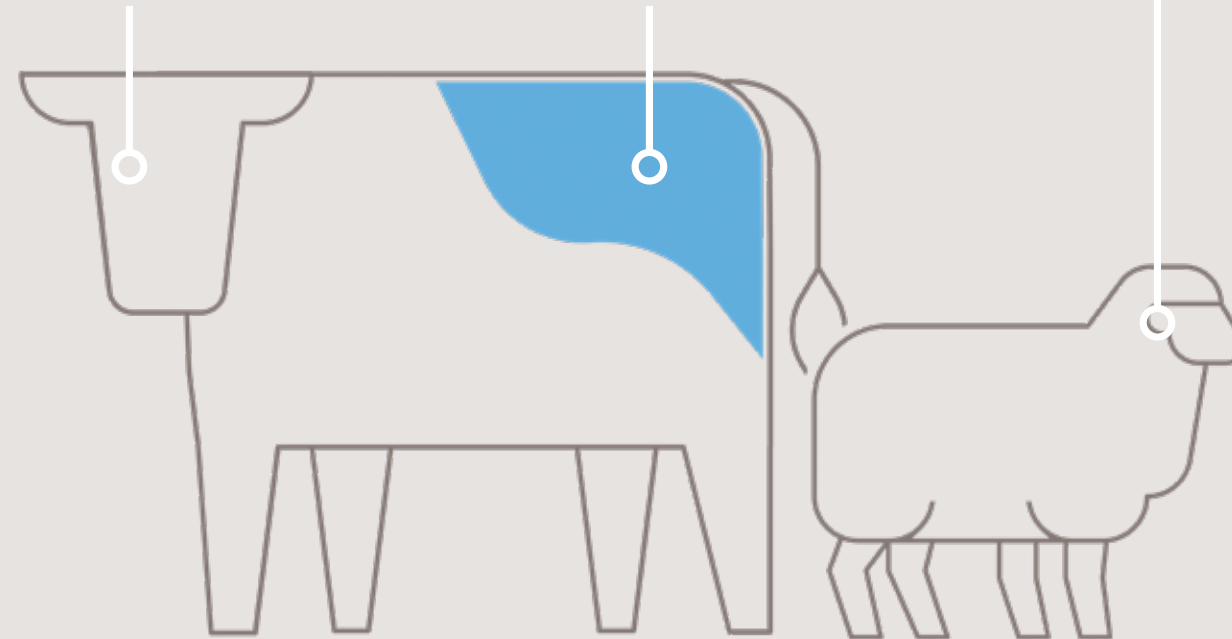
- CONTRACTED TO SUPPLY MYLO® TO TWO BEEF FEEDLOTS, ONE IN NEW SOUTH WALES AND THE OTHER IN VICTORIA – TOTALLING 2,500 CATTLE.
- FOCUS IN 2022 ON GROWING THIS MARKET.

HEIFERS AND TRANSITION COWS

- MARKET DEMAND EXISTS TO SUPPLY MYLO® FOR DAIRY HEIFERS AND TRANSITION COWS.
- FOCUS ON SUPPLYING PRODUCT TO THESE ANIMALS.

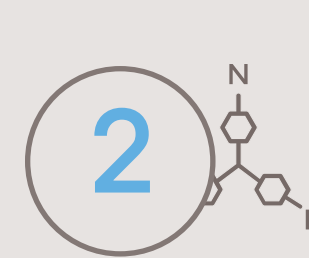
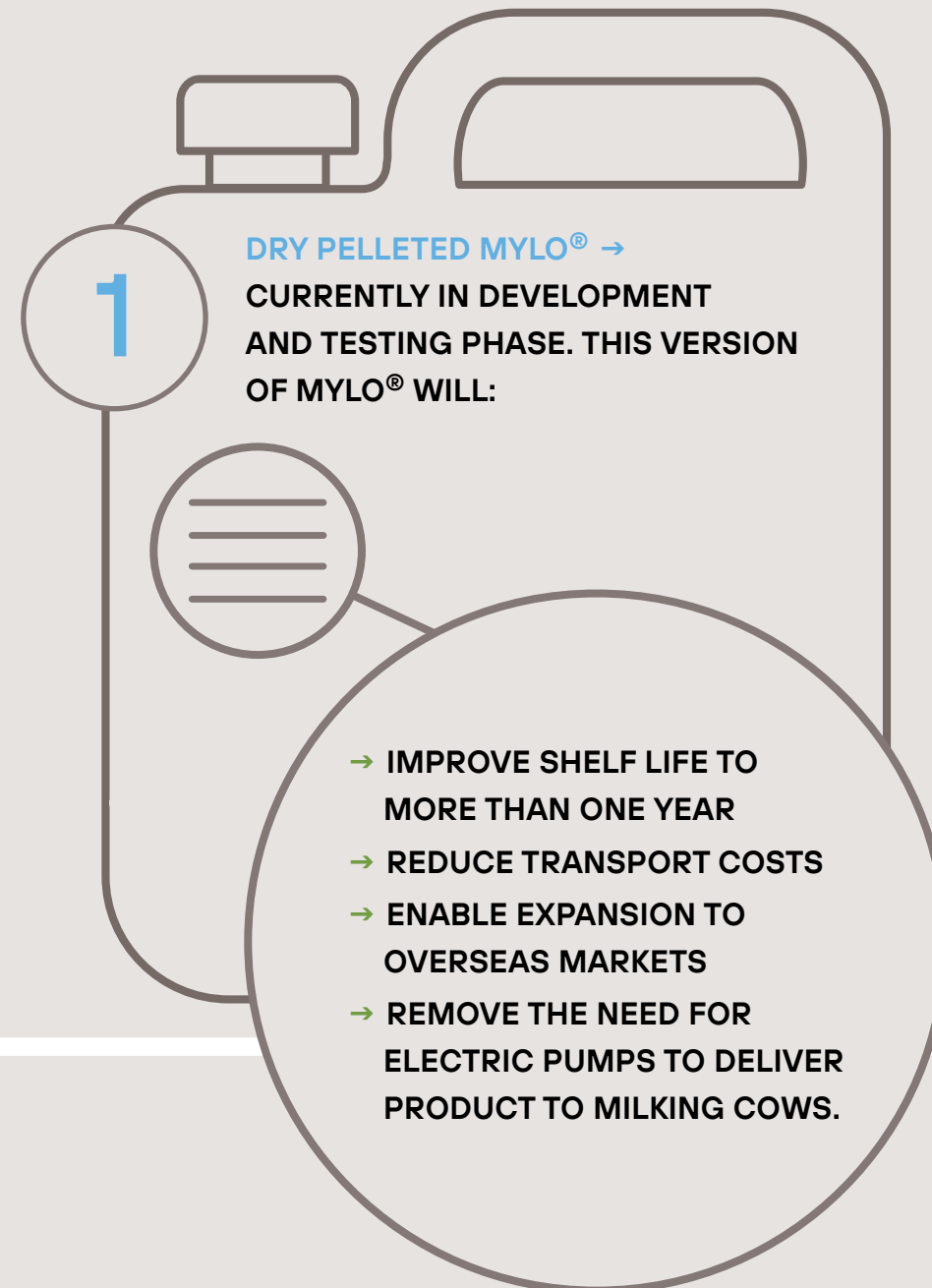
SHEEP FEEDLOTS

- TARGETING SUPPLY OF MYLO® TO SHEEP FEEDLOTS.

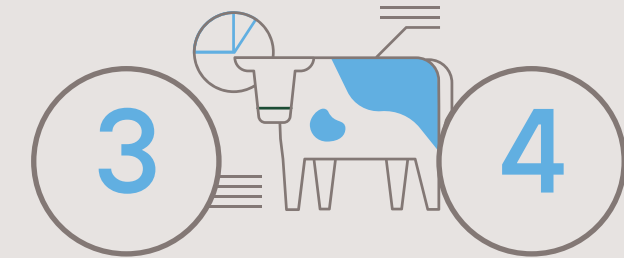


Product development

Terragen is continuing to use its considerable scientific expertise to improve and expand its product offering, with the following initiatives:



GREAT LAND PLUS® NITROGEN REDUCTION POTENTIAL → TRIALS OF GREAT LAND PLUS® SHOW POTENTIAL TO REDUCE APPLIED NITROGEN, CREATING MARKET INTEREST GIVEN THE RAPID INCREASE IN UREA (NITROGEN FERTILISER) PRICES AND RESTRICTIONS OF SUPPLY.



IMPROVED MYLO® FOR CALVES AND COWS → RESEARCHING ADDITIVES TO MYLO® FOR COWS AND CALVES TO ENHANCE IMPROVEMENTS TO HEALTH AND PRODUCTIVITY.

→ RESULTS OF LACTOLIN TEAT WASH → TERRAGEN IS REVIEWING ITS BUSINESS CASE TO BRING LACTOLIN TO MARKET AS A BIOLOGICAL TEAT WASH – AN ALTERNATIVE TO IODINE BASED WASHES USED IN THE DAIRY INDUSTRY.

— Our team

Travis was appointed to the Board in May 2020 and appointed as Chairman in July 2020.

Travis has had a distinguished career in Agriservices spanning nearly three decades, culminating in a successful period as CEO and Managing Director of Ruralco Holdings Limited. His experience brings enormous insights to the Terragen Board.

Travis is currently the Chair of Clean Seas Seafood Ltd (ASX:CSS), Deputy Chair of Lifeline Australia, and a Non-Executive Director of Select Harvests Limited (ASX:SHV).



TRAVIS DILLON
NON-EXECUTIVE
CHAIRMAN.

Jim was appointed to the Board and as CEO of the Company in June 2020.

Jim brings a wealth of supply chain and agriculture experience from his time as CEO at Port of Portland, and as an Executive at Port of Melbourne. He brings to Terragen a passion for driving sustainable sales growth through development of clear corporate strategy.

Jim holds a Bachelor of Economics and a Bachelor of Laws (with Honours) from Monash University, Melbourne.



JIM COOPER
MANAGING DIRECTOR
AND CEO.

Miles was appointed Chief Financial Officer in August 2021. Prior to joining Terragen, Miles enjoyed a long finance leadership career across a variety of highly commercial businesses in the FMCG industry, including Simplot Australia, Treasury Wine Estates and Red Bull UK.

Miles is a member of CIMA (Chartered Institute of Management Accountants) and CPA Australia.



MILES BRENNAN
CFO AND COMPANY
SECRETARY.



Terragen

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CFO and Company Secretary

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Attachment 1

Appendix 4C

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

Name of entity

TERRAGEN HOLDINGS LIMITED

ABN

36 073 892 636

Quarter ended ("current quarter")

31 December 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	630	1,214
1.2 Payments for		
(a) research and development (direct and indirect)	(390)	(416)
(b) product manufacturing and operating costs	(151)	(389)
(c) advertising and marketing	(144)	(265)
(d) leased assets		
(e) staff costs	(1,126)	(2,123)
(f) administration and corporate costs	(362)	(811)
1.3 Dividends received (see note 3)		
1.4 Interest received	7	20
1.5 Interest and other costs of finance paid	(1)	(2)
1.6 Income taxes paid		
1.7 Government grants and tax incentives (FY21 R&D tax benefit)	-	459
1.8 Other (annual commissions paid to customers for FY21)	-	(153)
1.9 Net cash from / (used in) operating activities	(1,537)	(2,466)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(62)	(161)
	(d) investments	-	-
	(e) intellectual property	(20)	(33)
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	18	18
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(64)	(176)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	6	114
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(42)	(83)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(36)	31

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
--------------------------------------	----------------------------	---------------------------------------

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	10,664	11,642
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,537)	(2,466)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(64)	(176)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(36)	31
4.5	Effect of movement in exchange rates on cash held	3	(1)
4.6	Cash and cash equivalents at end of period	9,030	9,030

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	9,030	10,664
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	9,030	10,664

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

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

Current quarter \$A'000
209
-

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

Represent payments made to Company Directors (executives and non-executives). Included in this quarter's payment was \$77k for non-executive director fees earned in previous quarters but not paid.

7. Financing facilities

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

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

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other – finance lease liabilities

7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
373	320
373	320

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

-

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Financing facilities represent liabilities under leasing arrangements determined in accordance with the requirements of AASB16. These leasing facilities are secured against assets with a written down book value of approximately \$0.353m as at 31 Dec 2021. During the quarter two new lease agreements were entered into for motor vehicles.

All leases have a maturity date of less than 5 years.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,537)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	9,030
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	9,030
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	6

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

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

Answer:

Not applicable

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

Answer:

Not applicable

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

Answer:

Not applicable

Compliance statement

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

Date: **28 January 2022**

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

Notes

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