

27 October 2022

# Terragen

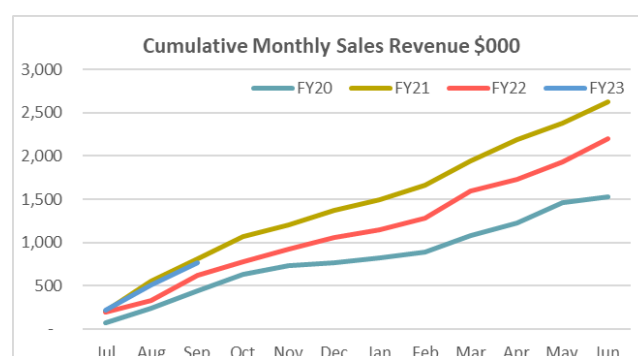
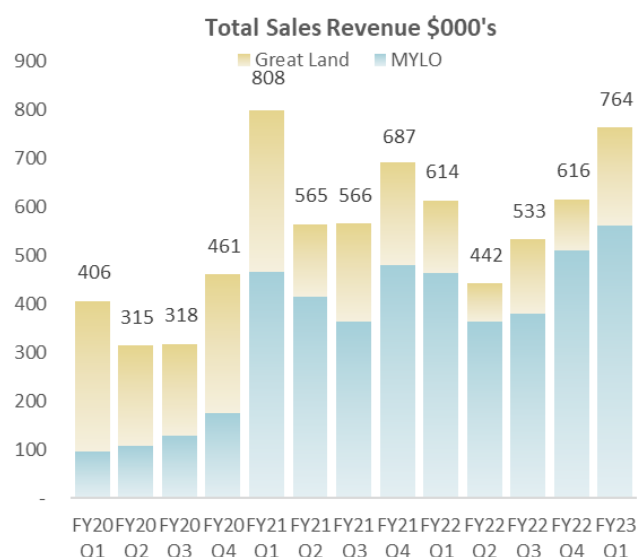
## ASX Announcement

### Quarterly Activities Report and Appendix 4C for the three months ended 30 September 2022

**Terragen Holdings Limited (ASX:TGH) 27 October 2022** – Australian biological agriculture company Terragen Holdings Limited (“Terragen”) provides an activities update for the three month period ended 30 September 2022.

#### Highlights

- **Total Annual Recurring Revenue (ARR)** of \$2.44m, +10.0% vs previous quarter ARR of \$2.22m.
- **Mature Cow ARR** of \$1.88m, representing net sales of MYLO® for mature cows.<sup>1</sup>
- **Calf ARR** of \$0.57m, representing net sales of MYLO® for calves.
- Total **mature dairy cows on MYLO®** at 30 September 2022 of 70,570, an 11.6% increase vs prior quarter.
- **Market penetration of 4.7%** of the Australian dairy cow market maintained (1 in 21 Australian dairy cows).
- **MYLO® sales** for mature dairy cows up +22% compared to the same quarter last year, reflecting the impact of new sales in New Zealand.
- **FY23 YTD churn rate** of 0.8% of the customers contributing to the ARR.
- **Cash** reserve of \$5.5 million as at 30 September 2022, with cash burn reduced further vs prior quarter.



#### Cumulative sales results

The graph opposite contains cumulative monthly net sales of all products in FY23 compared with prior financial years.

<sup>1</sup> Annual recurring revenue represents the net revenue of a mature cow taking MYLO® for 300 days per year.

## Market update on sustainable agriculture

Sustainability in agriculture in Australia and New Zealand continues to gain momentum for primary producers, food processors and farm input suppliers such as Terragen. The following are key developments:

- The Albanese Government has committed Australia to the Biden Government's US pledge to cut methane emissions by 30% by 2030.
- The Ardern Government in New Zealand has set a target of a 10% reduction in methane emissions by 2030 and will impose charges on farmers by 2025 for methane emissions.
- Urea pricing continues to remain high providing incentive for farmers to consider Terragen's GREAT LAND PLUS® as a biological soil conditioner, which reduces the need for chemical fertilisers.

## Financial Highlights

Net sales of all products for the quarter were \$0.764 million, up 24% vs Q4 FY22, and +24% vs prior comparative period (PCP).

Sales of MYLO® were \$0.562 million, a second consecutive quarter of record revenue for this product, +\$98k (+21%) vs the PCP and +10% vs the previous quarter (Q4 FY22).

MYLO® sales increased across the range. MYLO® for mature cows grew by 22% vs PCP, and MYLO® for calves grew by 18% vs PCP. The revenue is underpinned by a net gain in cows on MYLO® of 7.5k, forming the basis for consistent revenue streams beyond the end of the spring calving season.

GREAT LAND PLUS® sales improved by 34% vs the PCP, with 23% growth in the core Australian business driven by a successful spring spraying season, and the result is further boosted by incremental gains in New Zealand.

Regionally, sales progress continues in New Zealand with good revenues in this key market for Terragen, +204% vs PCP from a small prior year base.

Operating expenditure for the September 2022 quarter was \$1.94 million, in line with the June 2022 quarter. A reduction in the indirect cost base allowed Terragen to absorb an increase in variable costs arising from the additional sales demand.

As detailed in item 6 of the Appendix 4C at attachment 2 of this announcement, the Company made payments totalling \$0.111 million to related parties during the quarter for Directors' remuneration.

## Terragen Holdings Limited

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

## Operational Highlights

### Sales

In addition to increasing sales to dairy farms in Australia, Terragen has grown sales of MYLO® to beef feedlots in Victoria and New South Wales, where the managers are seeking feed conversion efficiency, weight gain and health outcomes. Terragen is measuring the data from these sales with a view to proving productivity outcomes for the feedlot customers and growing this segment of Terragen's business. In addition to productivity, the feedlot customers will be attracted to the methane reducing properties of MYLO® as they seek to meet consumer demand for sustainable beef.

### New Zealand update

Terragen's sales tripled in New Zealand vs PCP with most sales made via Fonterra's Farm Source stores. Further, Terragen is extending its reach through the appointment of additional agents in the dairying areas of the North and South Islands with expertise in selling nutritional biological products.

A tailored social media marketing program for Terragen New Zealand has underpinned sales there and has raised awareness of Terragen's biological products and the valuable role they play in New Zealand's march towards agricultural sustainability.

### Ongoing research and development projects

Terragen was pleased to receive a Federal Government grant under the Methane Emissions in Livestock (MERiL) program.

As noted in the Government's release dated 23 October 2022:

*The Albanese Government is pleased to announce \$5 million in successful grant applications to support R&D for low-emissions feed supplements for grazing animals.*

*The Victorian Department of Jobs, Precincts and Regions (\$615,000) in partnership with Terragen and Fonterra Co-operative Group, will evaluate automated feeding of a methane-mitigating probiotic to grazing lambs and dairy cows.*

This new study, expected to commence in February 2023, will build on the existing methane reducing results from Ellinbank SmartFarm's study on MYLO® last year, and will seek a higher methane reduction result from higher doses of MYLO®.

Terragen continues its major 18-month study on an operating dairy farm at Harrisville, Queensland. This study is generating data on the benefits of MYLO® for dairy cows, including the potential of MYLO® to reduce methane emissions, the benefits for fertility of dairy cows, the health of calves and the impact of MYLO® to improve productivity through different periods of lactation. Material findings from the study will be reported to the market when they become available.

### **Terragen Holdings Limited**

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### About Terragen Holdings Limited

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

Terragen has two products on the market in Australia and New Zealand – a direct fed microbial supplement for animals known as MYLO® and a soil conditioner known as GREAT LAND PLUS®.

**For further information, please contact:**

<b>Terragen Holdings Limited</b>	<b>Authorisation and Additional Information</b>
Travis Dillon Chairman <a href="mailto:media@terragen.com.au">media@terragen.com.au</a>	This announcement was authorised by the Board of Directors of Terragen Holdings Limited
Jim Cooper Managing Director and CEO + 61 417 321 145 <a href="mailto:jimc@terragen.com.au">jimc@terragen.com.au</a>	

## 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")

30 September 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	798	798
1.2 Payments for		
(a) research and development (direct and indirect)	(125)	(125)
(b) product manufacturing and operating costs	(320)	(320)
(c) advertising and marketing	(110)	(110)
(d) leased assets		
(e) staff costs	(1,016)	(1,016)
(f) administration and corporate costs	(286)	(286)
1.3 Dividends received (see note 3)		
1.4 Interest received	10	10
1.5 Interest and other costs of finance paid	(4)	(4)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives (FY21 and FY20 R&D tax benefits)	-	-
1.8 Other (annual commissions paid to customers for FY21)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,053)</b>	<b>(1,053)</b>

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

<b>3.</b>	<b>Cash flows from financing activities</b>		
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	30	30
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(122)	(122)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(92)</b>	<b>(92)</b>

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
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<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	6,688	6,688
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,053)	(1,053)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(92)	(92)
4.5	Effect of movement in exchange rates on cash held	(18)	(18)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>5,525</b>	<b>5,525</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	5,525	6,688
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>5,525</b>	<b>6,688</b>

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

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

Current quarter \$A'000
111
-

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).

**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
-	-
368	368
<b>368</b>	<b>368</b>

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.

\$0.286m of 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 \$0.288m as at 30 September 2022. During the quarter no new lease agreements were entered into.

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

Other financing facilities relates to a funding agreement for the payment of the annual insurance premiums over 10 months, concluding in March 2023. The written down book value of this facility was \$0.82m as at 30 September 2022.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,053)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	5,525
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	5,525
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	5

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

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

Answer:

**Not applicable**

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

Answer:

**Not applicable**

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

Answer:

**Not applicable**



## Compliance statement

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

Date: **27 October 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.