

28 April 2023



Terragen

ASX Announcement

Quarterly Activities Report and Appendix 4C for the three months ended 31 March 2023

Terragen Holdings Limited (ASX:TGH) 28 April 2023 – Australian biological agriculture company Terragen Holdings Limited (“Terragen”) provides an activities update for the three month period ended 31 March 2023.

Highlights

- **Strategic review completed.** Cost reduction initiatives to extend cash runway.
- **Scientific studies prioritised,** with the objective of advancing Terragen’s studies into the methane reducing properties of Mylo®, and the development of a dry Mylo® formulation.
- **Operating expenses of \$1.26m,** a 31% reduction from \$1.84m in prior comparative period.
- **Receipt of R&D Tax Refund** of \$893K relating to the FY22 financial year.
- **Miles Brennan appointed Chief Executive Officer and Managing Director,** effective 28 March 2023.
- **Joss West named as Chief Operating Officer,** effective 28 March 2023.
- **Cash** reserve of \$4.4 million at 31 March 2023.

Outcomes of strategic review

As announced on 28 March 2023, the strategic review being undertaken with MA Moelis Australia has now concluded. From this, Terragen has established an updated business plan that allocates a greater proportion of resources towards completion of critical product studies that will enhance the market proposition of Terragen’s products.

Terragen is a scientific enterprise first and foremost, with great experience in agricultural biologicals. The company intends to create additional value by focussing on this core competence and increasing product knowledge through scientific studies and field trials.

The recently published study into MYLO’s impact on the mitigation of methane emissions from dairy cows¹ indicates that with additional targeted studies Terragen has the opportunity to further develop MYLO into a highly effective methane mitigant. This is in addition to MYLO’s well-established animal health and productivity benefits that generate positive returns on investment for the farmer.

Terragen is acutely aware of the need to ensure sufficient funds are available to allow these vital studies to be completed. To this end, Terragen’s plan to reduce cash burn comprises two key objectives: maintenance of revenues from the existing customer base and reducing costs. Achieving these objectives will drive improved return on investment and extend the company’s cash runway well into calendar year 2024.

¹ S. Richard O. Williams et al, (2023) “The Effect of Direct-Fed Lactobacillus Species on Milk Production and Methane Emissions of Dairy Cows”, *Animals*

At that point, management believes that the inherent value in Terragen's products will be a compelling commercialisation proposition for partners with established sales and marketing networks, both domestically and overseas.

Any further material developments will be reported to the market as required.

Research and development update

Terragen continues to undertake studies that will build value through existing and new IP.

Longitudinal study

Terragen's longitudinal study on an operational dairy farm in Harrisville, QLD has completed its data collection phase. The data generated (in 122 cows that completed the study) between October 2021 and January 2023 will further Terragen's knowledge of MYLO's benefit for dairy cows and calves and the potential of MYLO to reduce methane emissions. Multiple scientific abstracts and manuscripts are being drafted, with some abstracts already submitted for review.

Feedlot trials

Terragen has been undertaking its first commercial feedlot trial based in the NSW Riverina. This trial is now in its final stages. This study focuses on the effect of MYLO on live weight gain, average daily gain, and feed conversion efficiency of steers in the feedlot during transitional and finishing stages.

Dry MYLO® development

The first study using a dry format of the product commenced late April 2023.

Results arising from the above studies will be announced to the market when they have been fully analysed and interpreted.

Financial Highlights

Net sales of all products for the quarter were \$0.447 million, down 16% vs prior comparative period (PCP).

Q3 sales of MYLO® were \$0.388 million, up \$9k (+2.3%) vs the PCP.

MYLO® sales rate held steady in the quarter vs PCP, after strong growth figures in the previous two quarters. MYLO® has now registered five consecutive quarters of year-on-year growth, as the MAT sales of MYLO® continues to grow.

Sales of GREAT LAND PLUS® were \$0.060 million, reversing the gains vs PCP made in Q2.

Operating expenditure for the March 2023 quarter was \$1.28 million, representing savings of \$0.574 million (31%) vs Q3 in FY22, and \$0.519 million (29%) vs the December 2022 quarter. These savings, coupled with the receipt of the FY22 R&D Tax Refund, have resulted in positive net operational cash flows for the quarter.

Cash reserve total of \$4.4 million at 31 March 2023 comprises \$4.268 million cash on hand plus \$0.102 million in Term Deposits not readily available.

As detailed in item 6 of the Appendix 4C at attachment 2 of this announcement, the Company made payments totalling \$0.115 million to related parties during the quarter for Directors' remuneration.

Terragen Holdings Limited

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Organisational Update

As announced on 28 March 2023, Mr Jim Cooper stepped down from his role as Terragen's Managing Director and Chief Executive Officer.

The Board were pleased to announce the appointment of Mr Miles Brennan, previously the Chief Financial Officer of Terragen since 30 August 2021, as the new Managing Director and Chief Executive Officer.

As part of the shift in Terragen's strategy towards creating additional value through stronger scientific studies, Terragen has appointed Dr Joss West to the new role of Chief Operating Officer. In this role, Dr West will bridge the functional disciplines of science, production and sales, ensuring that Terragen's focus remains centred on research with strong commercial potential.

Dr West is a qualified vet, having worked in clinics with a focus on mixed and production animal practice, becoming clinic lead for National Vet Care in 2018. Dr West joined Terragen in 2022 as Head of Veterinary Science. Dr West holds an MBA from Griffith University.

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:

| Terragen Holdings Limited | Authorisation and Additional Information |
|--|---|
| Travis Dillon Chairman media@terrigen.com.au | This announcement was authorised by the Board of Directors of Terragen Holdings Limited |
| Miles Brennan Managing Director and CEO ceo@terrigen.com.au | |

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 March 2023

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|--|----------------------------|---------------------------------------|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 482 | 2,135 |
| 1.2 Payments for | | |
| (a) research and development (direct and indirect) | (38) | (288) |
| (b) product manufacturing and operating costs | (123) | (622) |
| (c) advertising and marketing | (34) | (201) |
| (d) leased assets | | |
| (e) staff costs | (779) | (2,873) |
| (f) administration and corporate costs | (347) | (1,030) |
| 1.3 Dividends received (see note 3) | | |
| 1.4 Interest received | 13 | 36 |
| 1.5 Interest and other costs of finance paid | (46) | (54) |
| 1.6 Income taxes paid | - | - |
| 1.7 Government grants and tax incentives (FY22 R&D tax benefits) | 893 | 893 |
| 1.8 Other (annual commissions paid to customers for FY22) | - | (73) |
| 1.9 Net cash from / (used in) operating activities | 21 | (2,077) |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|--------------------------------------|---|----------------------------|---------------------------------------|
| 2. | Cash flows from investing activities | | |
| 2.1 | Payments to acquire: | | |
| | (a) entities | - | - |
| | (b) businesses | - | - |
| | (c) property, plant and equipment | (25) | (36) |
| | (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) | - | - |
| 2.6 | Net cash from / (used in) investing activities | (25) | (36) |

| | | | |
|-------------|---|-------------|--------------|
| 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 | - | 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 | (94) | (337) |
| 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 | (94) | (307) |

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (9 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 | 4,366 | 6,688 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | 21 | (2,077) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (25) | (36) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | (94) | (307) |
| 4.5 | Effect of movement in exchange rates on cash held | - | - |
| 4.6 | Cash and cash equivalents at end of period | 4,268 | 4,268 |

| | | | |
|------------|---|------------------------------------|-------------------------------------|
| 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 | 4,250 | 4,348 |
| 5.2 | Call deposits | 18 | 18 |
| 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) | 4,268 | 4,366 |

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 |
|----------------------------|
| 115 |
| - |

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 |
|---|--|
| | |
| - | - |
| 175 | 175 |
| 175 | 175 |

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 \$0.180m as at 31 March 2023. During the quarter no new lease agreements were entered into.

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) | 21 |
| 8.2 Cash and cash equivalents at quarter end (Item 4.6) | 4,268 |
| 8.3 Unused finance facilities available at quarter end (Item 7.5) | - |
| 8.4 Total available funding (Item 8.2 + Item 8.3) | 4,268 |
| 8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1) | N/A |

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

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 April 2023**

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 – e.g. 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.