

28 July 2023



Terragen

ASX Announcement

Quarterly Activities Report and Appendix 4C for the three months ended 30 June 2023

Terragen Holdings Limited (ASX:TGH) 28 July 2023 – Australian biological agriculture company Terragen Holdings Limited (“Terragen”) provides an activities update for the three month period ended 30 June 2023.

Highlights

- **Capital raise process ongoing.** Tranche 1 Placement and Share Purchase Plan completed, Tranche 2 Placement pending shareholder approval.
- **Scientific programme continues**, with focus on the development of a dry form feed supplement, and studies further investigating the potential methane reducing properties of MYLO®.
- **FY23 net revenue of \$2.47 million, up 12.1% vs prior year.**
- **Operating expenses of \$1.18m**, a 39% reduction from \$1.94m in prior comparative period.
- **Cash** reserve of \$4.3 million at 30 June 2023, with a further \$0.5 million of SPP proceeds settled in July 2023. \$3.0 million from Tranche 2 Placement proceeds is expected to settle in September (subject to shareholder approval).

Terragen Capital Raise Process

As announced on 8 June 2023, Terragen received firm commitments of A\$3.7m for a two-tranche placement (**Placement**) to sophisticated and professional investors, strongly supported by Mr Scobie Ward, an existing substantial shareholder and proposed director.

Tranche 1 of the Placement raised approximately \$0.7 million. Tranche 2 of the Placement will raise approximately \$3.0 million and is expected to settle in September (subject to shareholder approval).

Retail investors were also provided the opportunity to invest in Terragen by means of a Share Purchase Plan (**SPP**). The SPP closed on 30 June 2023, and successfully raised a further \$0.47 million.

Research and development update

Terragen continues to prioritise various studies and trials to further scientific knowledge and expand the product offering, as it works to present a compelling proposition for commercial partners seeking sustainable options.

Longitudinal study in Harrisville, QLD

As announced to the market on 24 May 2023, initial findings from Terragen’s longitudinal study on an operational dairy farm in Harrisville, QLD show that, after calving, treatment cows had 10.1% higher average milk yield. It was also found that the average number of days to first insemination was 9.6 days shorter in the group receiving MYLO®.

These findings reinforced the on-farm business case for use of MYLO® as a feed supplement, and enhanced and expanded Terragen’s knowledge of the productivity benefits of MYLO® for dairy cows and calves.

As also announced on 24 May 2023, multiple scientific abstracts relating to this study have been prepared and submitted for presentation at conferences. Two such abstracts have been accepted for presentation to the 2023 Joint International Congress of Animal Science in Lyon, France in August 2023. Additionally, several manuscripts are being prepared with a view to publishing in scientific journals. These are important steps in communicating Terragen's research and product development efforts to a global audience, which includes potential partner organisations. The results also help to strengthen the scientific support for direct fed microbials in agriculture.

Dry MYLO® development

Terragen's first study using a dry form feed supplement commenced in April 2023. The animal observation period has now concluded, and analysis of the data gathered is underway. A full report of the findings will be prepared.

The dry format is anticipated to have an extended shelf life, and greater production and transport efficiencies. A dry product presents opportunities for international dairy markets, and also enables penetration of new segments such as beef feedlots, where the rations are more suited to dry supplementation.

Terragen continues to explore options for scaling production with a view to bringing a dry supplement to the market in the second half of calendar year 2024.

Feedlot trials

Terragen has completed its first commercial feedlot trial, which was undertaken in the Riverina region of NSW. The study focused on the effect of MYLO® on liveweight gain, average daily weight gain, and feed conversion ratio of steers over 92 days (Control = 141 animals; MYLO® = 138 animals). The results showed an overall improvement of 4.8% ($p < 0.05$) in average daily weight gain in the steers that received MYLO® in their diet (with a similar size of effect on liveweight gain across 92 days). There was no difference in feed conversion ratio between the groups.

These findings reaffirm the positive impacts that MYLO® has in cattle, supporting the productivity benefits previously seen in dairy herds. They extend the business case for MYLO® usage into the feedlot sector, indicating significant potential to improve farm-level return on investment.

Methane studies

As previously announced, a methane emissions reduction study in ruminant animals is to be conducted by the Victorian Government's Hamilton research farm and Ellinbank Smart Farm. This study, largely funded by a \$615,000 MERiL grant from the Australian Government, will be investigating the extent to which higher doses of MYLO® can lead to a greater reduction in enteric methane emissions compared to the standard dose. The study is due to commence in August 2023, with results expected to be available in Q2 of calendar 2024.

This study has the potential to validate MYLO's methane reducing properties, and further enhance the value proposition of the product, in conjunction with the other productivity and reproductive health benefits that have been identified.

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

Financial Highlights

Q4 FY23 net sales of all products for the quarter were \$0.62 million, up 1% vs prior comparative period (PCP) (Q4 FY22: \$0.62 million). For the full year FY23, net sales of all products were up 12.1% vs FY22, from \$2.20 million to \$2.47 million.

MYLO® sales in Q4 were \$0.48 million, down \$35k (-6.9%) vs the PCP (Q4 FY22: \$0.51 million). Total MYLO® sales for the full year FY23 were \$1.89 million, up 10% vs the PCP (FY22: \$1.72 million).

GREAT LAND PLUS® sales in Q4 were \$0.15 million, up \$42k (+40%) vs the PCP (Q4 FY22: \$0.10 million). Total GREAT LAND PLUS® sales for the full year FY23 were \$0.58 million, up 19% vs the PCP (FY22: \$0.49 million).

Operating expenditure in Q4 was \$1.18 million, representing savings of \$0.77 million (39%) vs Q4 FY22, and \$0.13 million (10%) vs Q3 FY23.

Cash reserve total of \$4.3 million at 30 June 2023 comprises \$4.17 million cash on hand plus \$0.12 million in Term Deposits not readily available.

Net proceeds of \$0.66 million were received in June 2023 after the completion of the Tranche 1 placement and payment of related transaction costs. The SPP successfully raised a further \$466,000 from existing shareholders, with funds received in July 2023. A further \$3.0 million from Tranche 2 Placement gross proceeds are expected to settle in August, subject to shareholder approval.

As detailed in item 6 of the Appendix 4C at attachment 1 of this announcement, the Company made payments totalling \$0.193 million to related parties during the quarter for Directors' remuneration.

Changes to the Terragen Board

As outlined in the announcement on 8 June 2023, Terragen's Chair, Mr Travis Dillon had indicated that he would resign from the Board of Terragen, pending the recruitment of a suitable replacement.

On 30 June 2023, Terragen announced the appointment of Mr Mike Barry as Chair of the Board. Mr Dillon stood down from the Board with immediate effect.

It is anticipated that Mr Scobie Ward will join the board on completion of tranche 2 of the Placement.

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
Mike Barry 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	

Terragen Holdings Limited

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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")

30 June 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	670	2,805
1.2 Payments for		
(a) research and development (direct and indirect)	(31)	(319)
(b) product manufacturing and operating costs	(186)	(808)
(c) advertising and marketing	(6)	(207)
(d) leased assets	-	-
(e) staff costs	(812)	(3,685)
(f) administration and corporate costs	(232)	(1,262)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	15	51
1.5 Interest and other costs of finance paid	(4)	(58)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives (FY22 R&D tax benefits)	-	893
1.8 Other (annual commissions paid to customers for FY22)	-	(73)
1.9 Net cash from / (used in) operating activities	(586)	(2,663)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	(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	72	72
	(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	72	36

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	657	657
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	(57)	(57)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(159)	(496)
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	441	134

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
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4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,371	6,791
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(586)	(2,663)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	72	36
4.4	Net cash from / (used in) financing activities (item 3.10 above)	441	134
4.5	Effect of movement in exchange rates on cash held	(2)	(2)
4.6	Cash and cash equivalents at end of period	4,296	4,296

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	4,174	4,250
5.2	Call deposits	122	121
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)	4,296	4,371

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
193
-

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). Payments in Q4 include the final pay and accrued annual leave to the outgoing CEO.

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
-	-
240	240
240	240

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.

\$0.108m 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 \$0.106m as at 30 June 2023. 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 December 2023. The written down book value of this facility was \$0.132m as at 30 June 2023.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(586)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	4,296
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	4,296
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	7

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 July 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.