



Terragen Holdings Limited
Unit 6
39 – 41 Access Crescent
Coolumb Beach QLD 4573
Australia

e info@terrigen.com.au
t 1300 837 724 (Terragen)
t +61 (0)7 5446 1615

Dear Shareholder,

2023 GENERAL MEETING

Terragen Holdings Limited (**Company**) advises that the 2023 General Meeting of the shareholders of the Company is scheduled to be held by virtual technology on 4 September 2023 at 10:00am (Melbourne time).

In accordance with Part 1.2AA of the *Corporations Act 2001* (Cth), the Company will only be dispatching physical copies of the Notice of General Meeting (**Notice of General Meeting**) and the accompanying Independent Expert's Report to Shareholders who have elected to receive the Notice of General Meeting in physical form.

The Notice of General Meeting and the accompanying Independent Expert's Report can be viewed and downloaded at <https://investors.terrigen.com.au/investor-centre/?page=shareholder-meetings> and through the Company's announcement page on ASX by searching the code "TGH".

The Company intends to conduct the meeting virtually on an online platform provided by the Company's share registry.

More information regarding virtual attendance at the General Meeting (including how to vote and ask questions virtually during the meeting) is set out in the Virtual Meeting Guide at <https://investors.terrigen.com.au/investor-centre/?page=shareholder-meetings>.

Shareholders are strongly encouraged to vote. Guidance on how to vote is included in the Notice of General Meeting. If you choose to vote by lodging a directed proxy appointing the Chairman as your proxy, this must be done before 10:00am (Melbourne time) on 2 September 2023.

Your personalised Proxy Form is enclosed for your convenience. Please complete and return the attached Proxy Form to the Company's share registry in accordance with the instructions set out in the Proxy Form.

The Notice of General Meeting and the accompanying Independent Expert's Report are important and should be read in their entirety. If you are in doubt as to the course of action you should follow, you should consult your financial adviser, lawyer, accountant, or other professional advisor. If you have any difficulties obtaining a copy of the Notice of General Meeting, please contact the Company's share registry Link Market Services Limited on 1300 554 474 (from within Australia) and +61 1300 554 474 (from outside Australia), or email registrars@linkmarketservices.com.au.

Authorised by the Board of Terragen Holdings Limited.

For further information please contact:

Miles Brennan
Managing Director and CEO
+61 413 115 224
Milesb@terrigen.com.au



Notice of General Meeting & Explanatory Statement

Terragen Holdings Limited ACN 073 892 636

To be held at: Convening as a virtual meeting at <https://meetings.linkgroup.com/TGHGM23>

To be held on: 4 September 2023 at 10:00am (Melbourne time)

Important Information

This Notice of General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

An Independent Expert's Report in respect of Resolution 3 is included in this Notice of General Meeting. The Independent Expert's Report has been prepared by BDO Corporate Finance Ltd (**Independent Expert**). The Independent Expert has determined that the proposal outlined in Resolution 3 is **not fair but reasonable** to the non-associated Shareholders.

A copy of the Independent Expert's Report is contained in **Annexure A** of this Notice of General Meeting. It is recommended that all Shareholders read the Independent Expert's Report in full.

Important dates

Issue date of Tranche 1 Placement Shares	15 June 2023
Issue date of Share Purchase Plan Shares	6 July 2023
Deadline for lodgement of Proxy Forms for the General Meeting	10:00am (Melbourne time) 2 September 2023
General Meeting	10:00am (Melbourne time) 4 September 2023
Anticipated issue date of the Tranche 2 Placement Shares	7 September 2023

*Dates are indicative only and are subject to change. The occurrence of milestones after the General Meeting are conditional on the passing of the Resolutions at the General Meeting.

Letter from the Managing Director

Dear Shareholders,

General Meeting

We are pleased to invite you to the General Meeting of Terragen Holdings Limited ACN 073 892 636 (**Company**) to be held at 10:00am (Melbourne time) on 4 September 2023 as a virtual meeting (**General Meeting**).

In accordance with Part 1.2AA of the *Corporations Act 2001 (Cth)*, the Company will only be dispatching physical copies of the Notice of General Meeting (**Notice of General Meeting**) to Shareholders who have elected to receive the Notice of General Meeting in physical form. The Notice of General Meeting is being made available to Shareholders electronically and can be viewed and downloaded online on the Company's ASX market announcements page (ASX:TGH).

By the time this letter is received by Shareholders, circumstances may have changed but the Notice of General Meeting is given based on circumstances as at the date of this letter. Accordingly, should circumstances change, the Company will make an announcement on the ASX market announcements platform and on the Company's website at www.terragen.com.au. Shareholders are urged to monitor the ASX market announcements platform and the Company's website.

Background to the Resolutions

On 8 June 2023, the Company announced that:

- (a) It had received firm commitments for a placement of new fully-paid ordinary shares in the Company, to sophisticated and institutional investors, at a price of A\$0.024 per share (**Placement**) to raise approximately A\$3.7 million (before costs).
- (b) Additionally, the Company will offer a non-underwritten share purchase plan (**SPP**) to existing eligible shareholders at a price of A\$0.024 per share to raise up to a further A\$1 million (before costs) on the same terms as the Placement.

The issue price of A\$0.024 per share under the Placement and SPP represented a 14.3% discount to the last close of A\$0.028 and an 8.2% discount to the 15-day Volume Weighted Average Price (**VWAP**) to Monday, 5 June 2023, being the trading day prior to the announcement, of A\$0.0261.

The Shares issued under the Placement (**Placement Shares**) are to be issued in two tranches:

- (a) 29,102,880 Placement Shares were issued on 15 June 2023 (**Tranche 1 Placement Shares**); and
- (b) 126,542,360 Placement Shares are proposed to be issued on or around 7 September 2023, subject to receiving Shareholder approval at the General Meeting (**Tranche 2 Placement Shares**).

The Shares issued under the SPP (**SPP Shares**) were issued on 6 July 2023.

All Tranche 2 Placement Shares proposed to be issued to a related party of the Company (not including Mr Scobie Ward as a Proposed Director), are subject to Shareholder approval.

All Tranche 2 Placement Shares proposed to be issued to Mr Scobie Ward, a Proposed Director, are subject to Shareholder approval.

Upon issue of the Tranche 2 Placement Shares to Mr Scobie Ward, he will be appointed as a Director of the Company.

The Resolutions to be put to Shareholders at the General Meeting are detailed below.

Purpose of General Meeting

This General Meeting seeks the approval of Shareholders for:

The Placement:

- (a) Resolution 1 seeks Shareholder approval for the ratification of the issue of the Tranche 1 Placement Shares under ASX Listing Rule 7.4;
- (b) Resolution 2 seeks Shareholder approval for the issue of 34,042,340 Tranche 2 Placement Shares under ASX Listing Rule 7.1 to non-related parties;
- (c) Resolution 3 seeks Shareholder approval for the issue of 83,333,340 Tranche 2 Placement Shares to Mr Scobie Ward, a Proposed Director, under item 7 of section 611 of the Corporations Act;
- (d) Resolution 4 seeks Shareholder approval for the issue of 8,333,340 Tranche 2 Placement Shares to Mr Sam Brougham, a Director, under ASX Listing Rule 10.11; and
- (e) Resolution 5 seeks Shareholder approval for the issue of 833,340 Tranche 2 Placement Shares to Mr Travis Dillon, a former Director, under ASX Listing Rule 10.11,

(together, the **Resolutions**).

Proceeds

Funds from the Placement and the SPP will be used to fund:

- (a) new product research and development;
- (b) working capital to support business operations; and
- (c) transaction costs associated with the equity raising.

Capital structure

The following table details the projected capital structure of the Company after completion of the issue of the Placement Shares and the SPP Shares.

Current capital structure	
Issued capital of the Company prior to Placement and SPP	194,019,235 Shares
	8,000,000 Options
Placement Offer	
Issue of Tranche 1 Placement Shares	29,102,880 Shares
Issue of Tranche 2 Placement Shares (following Shareholder approval)	126,542,360 Shares
SPP Offer	
Issue of SPP Shares (to all Eligible Shareholders)	19,416,651 Shares
Projected issued Share capital after completion of the Placement and SPP	369,081,126 Shares 8,000,000 Options

Voting

Virtual General Meeting

The Company is pleased to provide Shareholders with the opportunity to attend and participate in the General Meeting virtually through an online meeting platform powered by Link Market Services.

Shareholders participating virtually will be able to watch, listen, ask questions and vote online.

Your vote is important

The business of the General Meeting affects your shareholding and your vote is important.

All resolutions will be decided on a poll. The poll will be conducted based on votes submitted by proxy and at the General Meeting.

Further instructions on how to vote virtually are provided for in the Notice of General Meeting.

Alternatively, Shareholders are strongly encouraged to complete and submit their vote by proxy by using one of the following methods:

Online	Lodge the Proxy Form online at www.linkmarketservices.com.au by following the instructions: Login to the Link Market Services website using the holding details as shown on the Proxy Form and click on 'Voting'. To use the online lodgement facility, Shareholders will need their holder number (Securityholder Reference Number (SRN) or Holder Identification Number (HIN)) as shown on the front of the Proxy Form.
By post	Completing the enclosed Proxy Form and posting it to: Link Market Services, Locked Bag A14, Sydney South NSW 1235
By hand	Completing the enclosed Proxy Form and delivering it by hand to: Link Market Services, Parramatta Square, Level 22, Tower 6, 10 Darcy Street, Parramatta NSW 2150

Your Proxy instruction must be received no later than 48 hours before the commencement of the General Meeting. Proxy Forms received later than this time will be invalid.

If you are unsure as to how to vote, we recommend that you speak with your professional adviser.

The Chair intends to vote all open proxies in favour of all resolutions, where permitted.

Booklet & Questions

With respect to the General Meeting, this booklet contains the following:

- the Notice of General Meeting for the General Meeting which contains information about the business to be conducted at the General Meeting, including the Resolutions to be put to the General Meeting (see Section B);
- information explaining the business to be conducted at the General Meeting (see the Explanatory Statement at Section D);
- information on how to vote, how to attend the General Meeting and how to appoint a proxy to vote on the Resolutions to be passed at the General Meeting (see Section C); and
- a copy of the Independent Expert's Report at **Annexure A** of this Notice of General Meeting. **It is recommended that all Shareholders read the Independent Expert's Report in full.**

Should you wish to discuss the matters in this Notice of General Meeting please do not hesitate to contact the Managing Director, Miles Brennan, by email at milesb@terrigen.com.au. Alternatively, you should consult your licensed financial adviser, stockbroker or other professional adviser.

If you have any questions in regards to your holding in Shares or other Share registry matters, please consult Link Market Services on 1300 554 474 (from within Australia) and +61 1300 554 474 (from outside Australia). We look forward to the participation of all Shareholders at the General Meeting at 10:00am (Melbourne time) on 4 September 2023.

Yours faithfully



Miles Brennan – Managing Director
Terragen Holdings Limited
28 July 2023

Section A – Glossary

\$	Australian dollars.
ASIC	The Australian Securities & Investments Commission.
ASX	The Australian Securities Exchange operated by ASX Limited.
ASX Listing Rules	The listing rules of ASX, as amended from time to time.
Board	The board of directors of the Company.
Business Day	Monday to Friday inclusive, except any day that the ASX declares is not a business day.
Chair or Chairman	The chair of the General Meeting.
Company or Terragen	Terragen Holdings Limited ACN 073 892 636.
Corporations Act	The <i>Corporations Act 2001</i> (Cth) for the time being in force together with the <i>Corporations Regulations 2001</i> (Cth).
Directors	The directors of the Company and Director means any one of them.
Equity Securities	Any type of security in the Company, including a Share, option, unit, convertible security, and as otherwise defined in the ASX Listing Rules.
Explanatory Statement	The information set out in Section D of this Notice of General Meeting.
General Meeting	The meeting of Shareholders convened by the Notice of General Meeting.
Glossary	The glossary contained in this Section A of this Notice of General Meeting.
Non-Associated Shareholders	The Shareholders of the Company that are not Mr Scobie Dickinson Ward.
Notice of General Meeting	This Notice of General Meeting, Explanatory Statement and the Schedules, the Appendices and the Proxy Form.
Placement	Has the meaning given to that term in the Letter from the Managing Director.
Placement Shares	Means the Tranche 1 Placement Shares and the Tranche 2 Placement Shares.
Proposed Director	Means a proposed director of the Company.
Proxy Form	The proxy form accompanying the Notice of General Meeting.
Related Party or Parties	Has the meaning given to that term in the Listing Rules.
Resolutions	The resolutions set out in the Notice of General Meeting and Resolution means any of them.
Section	A section of this Notice of General Meeting.
Shares	All of the shares on issue in the share capital of the Company and Share means any one of them.
Shareholder	A holder of one or more Shares.
SPP or SPP Offer	For the offer to each eligible Shareholder to subscribe for up to \$30,000 of SPP Shares at an issue price of \$0.024 each (SPP Offer). The SPP Offer was not underwritten.
SPP Shares	A Share offered under the SPP Offer at an issue price of \$0.024 each.
Tranche 1 Placement	Means the placement of the Tranche 1 Placement Shares.
Tranche 1 Placement Shares	Means the Shares issued under the Tranche 1 Placement, being a total of 29,102,880 Shares.
Tranche 2 Placement	Means the placement of the Tranche 2 Placement Shares.
Tranche 2 Placement Shares	Means the Shares proposed to be issued under the Tranche 2 Placement, being a total of 126,542,360 Shares.

Section B – Notice of General Meeting

Time and place

Notice is hereby given that the General Meeting will be held as follows:

Held: Convening as a virtual meeting at <https://meetings.linkgroup.com/TGHGM23>

Commencing at: 10:00am (Melbourne time) on 4 September 2023

Voting

Refer to **Section C** for details on how to vote.

Explanatory Statement

The Explanatory Statement which accompanies and forms part of this Notice of General Meeting describes the matters to be considered at the General Meeting.

Defined terms

Terms used in this Notice of General Meeting have the meaning given to them in the Glossary in **Section A** of this Notice of General Meeting in which this Notice of General Meeting is contained.

SPECIAL BUSINESS

1. Resolution 1: Ratification of prior issue of Tranche 1 Placement Shares under ASX Listing Rule 7.4

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the prior issue by the Company of 29,102,880 Tranche 1 Placement Shares issued under ASX Listing Rule 7.1 at an issue price of \$0.024 per Tranche 1 Placement Share on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of General Meeting."

Short explanation

On 15 June 2023, the Company issued 29,102,880 Tranche 1 Placement Shares to sophisticated and professional investors at an issue price of \$0.024 per Tranche 1 Placement Share.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities (which includes shares) during any 12-month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12-month period (**15% Placement Capacity**).

The 29,102,880 Tranche 1 Placement Shares were issued within the 15% Placement Capacity. Approval under ASX Listing Rule 7.4 is being sought to ratify the issue of the Tranche 1 Placement and re-set the 15% Placement Capacity.

Voting Exclusion Statement

The Company will disregard any votes cast in favour of this Resolution by or on behalf of:

- any person who participated in the issue of these Tranche 1 Placement Shares; or
- an associate of that person or persons.

However, this does not apply to a vote cast in favour of a resolution by:

- a person or proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the Chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chair to vote on the resolution as the Chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

2. Resolution 2: Approval to issue Tranche 2 Placement Shares under ASX Listing Rule 7.1 to non-related parties

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

"That, for the purpose of ASX Listing Rule 7.1 and for all other purposes, Shareholders approve and authorise the Company to issue 34,042,340 Tranche 2 Placement Shares to non-related parties at \$0.024 per Tranche 2 Placement Share on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of General Meeting."

Short explanation

The Company will (subject to Shareholder approval) issue 34,042,340 Tranche 2 Placement Shares to non-related parties that are sophisticated and professional investors at a price of \$0.024 per Tranche 2 Placement Share.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities (which includes shares) during any 12-month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12-month period (**15% Placement Capacity**).

Approval under ASX Listing Rule 7.1 is being sought as the number of Tranche 2 Placement Shares being issued to non-related parties exceeds the 15% Placement Capacity (which was taken up by the Tranche 2 Placement Shares).

Voting Exclusion Statement

The Company will disregard any votes cast in favour of this Resolution by or on behalf of:

- a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the entity); or
- an associate of that person or persons.

However, this does not apply to a vote cast in favour of a resolution by:

- a person or proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the Chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chair to vote on the resolution as the Chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

3. **Resolution 3: Approval to issue Tranche 2 Placement Shares to Mr Scobie Ward, a Proposed Director of the Company, under item 7 of section 611 of the Corporations Act**

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

That, for the purposes of item 7 of section 611 of the Corporations Act and for all other purposes, the Shareholders of the Company approve:

- *the issue and allotment of 83,333,340 Tranche 2 Placement Shares to Mr Scobie Dickinson Ward, a Proposed Director of the Company;*
- *and in doing so, the acquisition of a relevant interest in the issued voting Shares of the Company in excess of the threshold prescribed by section 606(1) of the Corporations Act by Mr Scobie Ward,*

and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of General Meeting.”

Short explanation

Section 606(1) of the Corporations Act states that a person must not acquire a relevant interest in the issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by, or on behalf of, the person and because of the transaction, that person's or someone else's voting power in the Company increases from 20% or below to more than 20%, or from a starting point that is above 20% and below 90%.

Item 7 of section 611 of the Corporations Act provides an exception to the prohibition, whereby a person may make an otherwise prohibited acquisition of a relevant interest in a company's voting shares with Shareholder approval.

Approval for the issue of 83,333,340 Tranche 2 Placement Shares to Mr Scobie Ward is being sought under item 7 of section 611 of the Corporations Act.

Independent Expert's Report (IER): When considering this Resolution, Shareholders are recommended to read the IER prepared by BDO Corporate Finance Ltd (**Independent Expert**) which is included in this Notice of General Meeting at **Annexure A**. The Independent Expert has determined that the proposed acquisition of the voting power and interest by Mr Scobie Ward is **not fair but reasonable** to the Non-Associated Shareholders.

Voting Exclusion Statement

The Company will disregard any votes cast in favour of Resolution 3 by or on behalf of Mr Scobie Ward, or any of his associates.

4. **Resolution 4: Approval to issue Tranche 2 Placement Shares to a Related Party – Mr Sam Brougham**

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, the Directors be authorised to grant up to 8,333,340 Tranche 2 Placement Shares to Mr Sam Brougham (or his nominee), on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of General Meeting.”

Short explanation

This Resolution is required under ASX Listing Rule 10.11 to allow the issue of securities, being the 8,333,340 Tranche 2 Placement Shares, to Mr Sam Brougham (or his nominee), a Director of the Company.

Voting Exclusion Statement

The Company will disregard any votes cast in favour of this Resolution by or on behalf of:

- Mr Sam Brougham (and his nominee) and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the entity); or
- an associate of that person or persons.

However, this does not apply to a vote cast in favour of a resolution by:

- a person or proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the Chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chair to vote on the resolution as the Chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

5. Resolution 5: Approval to issue Tranche 2 Placement Shares to a Related Party – Mr Travis Dillon

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, the Directors be authorised to grant up to 833,340 Tranche 2 Placement Shares to Mr Travis Dillon (or his nominee), on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of General Meeting.”

Short explanation

This Resolution is required under ASX Listing Rule 10.11 to allow the issue of securities, being the 833,340 Tranche 2 Placement Shares, to Mr Travis Dillon (or his nominee), a former Director of the Company.

Voting Exclusion Statement

The Company will disregard any votes cast in favour of this Resolution by or on behalf of:

- Mr Travis Dillon (and his nominee) and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the entity); or
- an associate of that person or persons.

However, this does not apply to a vote cast in favour of a resolution by:

- a person or proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or

- the Chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chair to vote on the resolution as the Chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

OTHER BUSINESS

To transact any other business which may be brought forward in accordance with the Company's constitution.

Section C – How to vote

If you are entitled to vote at the General Meeting, you may vote by attending the General Meeting virtually or by attending the meeting by proxy.

Please note that if you intend to attend the meeting, you will need your shareholder number (which can be found on your Proxy Form) for verification purposes.

1. Your vote is important

The business of the General Meeting affects your shareholding and your vote is important.

2. Venue and Voting Information

The General Meeting of the Shareholders to which this Notice of General Meeting relates will be held at 10:00am (Melbourne time) on 4 September 2023 as a virtual meeting at <https://meetings.linkgroup.com/TGHGM23>.

The company is pleased to provide Shareholders with the opportunity to attend and participate in the General Meeting virtually through an online meeting platform powered by Link Market Services.

Shareholders participating virtually will be able to watch, listen, ask questions and vote online.

To access the virtual meeting on the day:

- (a) Open your internet browser and go to <https://meetings.linkgroup.com/TGHGM23>.
- (b) **Shareholders:** When you log onto the online platform, you will need to provide your details (including SRN/HIN and postcode) to verified as a Shareholder. Shareholders with a registered address outside of Australia should click “Outside Australia” and select the country of their registered address.
- (c) **Proxyholders:** When you log onto the online platform, you will need your “Proxy Number” which will be provided to you by Link Market Services by email before the General Meeting.

For further instructions on how to participate online (including how to vote and ask questions virtually during the General Meeting), please refer to the Virtual Meeting Online Guide which can be found at the end of this document or Terragen’s website at www.terragen.com.au.

Shareholders are also encouraged to submit questions in advance of the General Meeting to the Company.

Questions must be submitted in writing to the Company Secretary by email at robysn@terragen.com.au at least 48 hours before the General Meeting.

The Company will also provide Shareholders with the opportunity to ask questions during the General Meeting in respect to the formal items of business as well as general questions in respect to the Company and its business.

3. Voting virtually at the Meeting

Shareholders who wish to vote virtually on the day of the General Meeting can do so through the online meeting platform powered by Link Market Services.

Once you are on the meeting platform, you will be able to obtain the voting card by clicking on 'Get a Voting Card' button. If you wish to ask a question, click on the 'Ask a Question' button.

For further information on the voting process, please refer to the Virtual Meeting Online Guide.

4. Voting by proxy

To vote by proxy, please use one of the following methods:

- | | |
|----------------|--|
| Online | Lodge the Proxy Form online at https://investorcentre.linkgroup.com by following the instructions: Login to the Link Market Services website using the holding details as shown on the Proxy Form and click on 'Voting'. To use the online lodgement facility, Shareholders will need their holder number (Securityholder Reference Number (SRN) or Holder Identification Number (HIN)) as shown on the front of the Proxy Form. For further information on the online proxy lodgement process please see the reverse of the Proxy Form |
| By post | Completing the enclosed Proxy Form and posting it to:
Link Market Services, Locked Bag A14, Sydney South NSW 1235 |
| By hand | Completing the enclosed Proxy Form and delivering it by hand to:
Link Market Services, Parramatta Square, Level 22, Tower 6, 10 Darcy Street, Parramatta NSW 2150 |

5. Eligibility to vote

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the General Meeting are those that are registered Shareholders at 7:00pm (Sydney time) on 2 September 2023. If you are not the registered holder of a relevant Share at that time you will not be entitled to vote in respect of that Share.

6. Voting procedure – on a poll

Every resolution at this General Meeting will be decided on a poll. Upon a poll, every person entitled to vote who is present at the virtual meeting or by proxy will have one vote for each voting share held by that person.

7. Enquiries

For all enquiries, please contact the Company Secretary by email at robyns@terragen.com.au.

Section D – Explanatory Statement

This Explanatory Statement forms part of the Notice of General Meeting convening the General Meeting of Shareholders of the Company to be held at 10:00am (Melbourne time) on 4 September 2023 as a virtual meeting at <https://meetings.linkgroup.com/TGHGM23>.

Refer to Section C for details on how to attend and vote at the General Meeting.

This Explanatory Statement is to be read in conjunction with the Notice of General Meeting.

Purpose

The purpose of this Explanatory Statement is to provide information which the Directors believe is material to Shareholders in deciding whether or not to pass the Resolutions to be put forward in the General Meeting.

The Directors recommend that Shareholders read the Notice of General Meeting and this Explanatory Statement in full before making any decisions relating to the Resolutions contained in the Notice of General Meeting.

Defined terms

Terms used in this Explanatory Statement have the meaning given to them in the Glossary in Section A of this Notice of General Meeting in which this Explanatory Statement is contained.

GENERAL INFORMATION

1. Resolution 1: Ratification of prior issue of Tranche 1 Placement Shares under ASX Listing Rule 7.4

1.1 General

On 8 June 2023, the Company announced a capital raising to raise approximately \$3.7 million through the issue of Shares to sophisticated and professional investors (as described in section 708 of the Corporations Act) at an offer price of \$0.024 per Share (**Placement**), with Bell Potter Securities Limited ACN 006 390 772 acting as the Lead Manager.

The Placement is to occur in two tranches:

- (a) Tranche 1 of the Placement (**Tranche 1 Placement**) involved the issue of 29,102,880 Shares (**Tranche 1 Placement Shares**) on 15 June 2023 to raise \$698,469.12 of which all Shares were issued under ASX Listing Rule 7.1 without the need for Shareholder approval as it was within the Company's 15% annual limit.
- (b) Tranche 2 of the Placement (**Tranche 2 Placement**) involves the proposed issue of up to 126,542,360 Shares (**Tranche 2 Placement Shares**) to raise a further \$3,037,016.64.

The Tranche 2 Placement is the subject of Resolutions 2, 3, 4 and 5.

The funds raised from the issue of the Tranche 1 Placement Shares will be used for the purposes set out below.

Resolution 1 seeks Shareholder approval and ratification pursuant to ASX Listing Rule 7.4 for the issue of 29,102,880 Tranche 1 Placement Shares issued under ASX Listing Rule 7.1.

Resolution 1 is an ordinary resolution.

1.2 ASX Listing Rule 7.1

Broadly speaking, and subject to a number of exceptions, ASX Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12-month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

The issue of the 29,102,880 Tranche 1 Placement Shares does not fit within any of the exceptions and, as it has not yet been approved by the Company's shareholders, it effectively uses up part of the 15% limit in ASX Listing Rule 7.1, thereby reducing the Company's capacity to issue further Equity Securities without shareholder approval under ASX Listing Rule 7.1 for the 12-month period following the date of issue (**Issue Date**).

ASX Listing Rule 7.4 allows the Shareholders of a listed company to ratify an issue of equity securities, that were issued without approval under ASX Listing Rule 7.1, after it has been made or agreed to be made. If they do, the issue is taken to have been approved under ASX Listing Rule 7.1 and, as such, it does not reduce the Company's capacity to issue further Equity Securities without Shareholder approval under that rule.

The Company wishes to retain as much flexibility as possible to issue additional Equity Securities in the future without having to obtain Shareholder approval for such issue under ASX Listing Rule 7.1.

To that end, Resolution 1 seeks Shareholder approval for the ratification of the 29,102,880 Tranche 1 Placement Shares issued under ASX Listing Rule 7.1 and for the purposes of ASX Listing Rule 7.4.

If Resolution 1 is passed, the issue of the 29,102,880 Tranche 1 Placement Shares will be excluded in calculating the Company's 15% limit under ASX Listing Rule 7.1, effectively increasing the number of Equity Securities it can issue without Shareholder approval over the 12-month period following the Issue Date.

If Resolution 1 is not passed, the issue of the 29,102,880 Tranche 1 Placement Shares will be included in calculating the Company's 15% limit in ASX Listing Rule 7.1, effectively decreasing the number of Equity Securities it can issue without Shareholder approval over the 12-month period following the Issue Date.

The Company notes that 5,001,870 Tranche 1 Placement Shares were issued to Mr Scobie Ward. Mr Ward is a Proposed Director, and consequently a related party of the Company, and has a voting power of 16.33%.

Pursuant to ASX Listing Rule 10.12, Exception 12, ASX Listing Rule 10.11 does not apply to an issue of equity securities under an agreement or transaction between the entity and a person who would not otherwise be a related party but for the fact they believe, or have reasonable grounds to believe, that they are likely to become a related party in the future because of the agreement or transaction. As such, these 5,001,870 Tranche 1 Placement Shares were issued to Mr Scobie Ward without the need for approval under ASX Listing Rule 10.11.

1.3 Technical information required by ASX Listing Rule 7.5

For the purposes of ASX Listing Rule 7.5, information regarding the issue of the Tranche 1 Placement Shares is provided as follows:

The names of the persons to whom the Company will issue the securities:

The 29,102,880 Tranche 1 Placement Shares were issued to sophisticated investors, who are exempt from the disclosure requirements under Chapter 6D of the Corporations Act, that were identified and introduced by Bell Potter Securities ACN 006 390 772, and none of whom are a Related Party of the Company or are a party to whom ASX Listing Rule 10.11 would apply. For the avoidance of

	<p>doubt, none of the recipients were issued more than 1% of the Company's current issued capital who were:</p> <ul style="list-style-type: none"> • a member of the key management personnel; • a substantial holder of the entity; • an adviser of the entity; or • an associate of any of the above, <p>other than Mr Scobie Ward.</p>
The number of securities issued:	29,102,880 Tranche 1 Placement Shares were issued by the Company pursuant to ASX Listing Rule 7.1.
The date on which the securities were issued:	The 29,102,880 Tranche 1 Placement Shares were issued by the Company on 15 June 2023.
The issue price:	The issue price was \$0.024 per Tranche 1 Placement Share, being \$698,469.12 in total before costs.
The terms of the securities:	The 29,102,880 Tranche 1 Placement Shares comprise of fully paid ordinary shares of the Company ranking equally with all other fully paid ordinary shares of the Company.
The intended use of the funds raised:	<p>Funds from the Tranche 1 Placement will be directed towards:</p> <ul style="list-style-type: none"> • new product research and development; • working capital to support business operations; and • transaction costs associated with the Placement and SPP. <p>A management fee of 4% and a selling fee of 2% was payable to the Lead Managers on the proceeds from the Tranche 1 Placement. A selling fee of 0% was applied to funds raised through the participation of Terragen management and Mr Scobie Ward.</p>
If the securities were issued under an agreement, a summary of the material terms of the agreement:	<p>The Tranche 1 Placement Shares were issued under a term sheet that detailed:</p> <ul style="list-style-type: none"> • the price of each Tranche 1 Placement Share; and • the proposed issue date of each Tranche 1 Placement Share.
Voting exclusion statement:	A voting exclusion statement is contained in Resolution 1.

1.4 Recommendation and voting requirements

The Directors recommend that Shareholders approve Resolution 1.

Resolution 1 of the General Meeting is an ordinary resolution and so it requires the approval of more than 50% of the votes cast by Shareholders.

A voting exclusion statement is contained in Resolution 1. Votes cast by Shareholders contrary to the voting exclusion statement will be disregarded.

The Chairman of the General Meeting intends to vote all available undirected proxies in favour of Resolution 1.

2. Resolution 2: Approval to issue Tranche 2 Placement Shares under ASX Listing Rule 7.1 to non-related parties

2.1 General

On 8 June 2023, the Company announced a capital raising to raise approximately \$3.7 million through the issue of Shares to sophisticated and professional investors (as described in

section 708 of the Corporations Act) at an offer price of \$0.024 per Share (**Placement**), with Bell Potter Securities Limited ACN 006 390 772 acting as the Lead Manager.

The Placement is to occur in two tranches.

- (a) Tranche 1 of the Placement (**Tranche 1 Placement**) involved the issue of 29,102,880 Shares (**Tranche 1 Placement Shares**) on 15 June 2023 to raise \$698,469.12 of which all Shares were issued under ASX Listing Rule 7.1 without the need for Shareholder approval as it was within the Company's 15% annual limit.
- (b) Tranche 2 of the Placement (**Tranche 2 Placement**) involves the proposed issue of up to 126,542,360 Shares (**Tranche 2 Placement Shares**) to raise a further \$3,037,016.64.

The funds raised from the issue of the Tranche 2 Placement Shares will be used for the purposes set out below.

Resolution 2 seeks Shareholder approval pursuant to ASX Listing Rule 7.1 for the issue of 34,042,340 Tranche 2 Placement Shares to non-related parties.

The Tranche 2 Placement Shares, the subject of this Resolution, does not include those Tranche 2 Placement Shares proposed to be subscribed for by related parties (including the Proposed Director) of the Company. The approval for the issue of those Tranche 2 Placement Shares is the subject of Resolutions 3, 4 and 5 which are for the purposes of ASX Listing Rule 10.11 or section 611 item 7 of the Corporations Act.

Resolution 2 is an ordinary resolution.

2.2 **ASX Listing Rule 7.1**

Broadly speaking, and subject to a number of exceptions, ASX Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without approval of its shareholders over any 12-month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

The proposed issue of the Tranche 2 Placement Shares does not fall within any of the exceptions under ASX Listing Rule 7.2 and exceeds the 15% limit in ASX Listing Rule 7.1. It therefore requires the approval of the Company's Shareholders under ASX Listing Rule 7.1.

Resolution 2 seeks the required Shareholder approval for the issue of the Tranche 2 Placement Shares under and for the purposes of ASX Listing Rule 7.1.

If Resolution 2 is passed, the Company will be able to proceed with the issue of the 34,042,340 Tranche 2 Placement Shares to non-related parties. In addition, the issue of the 34,042,340 Tranche 2 Placement Shares to non-related parties will be excluded from the calculation of the number of Equity Securities that the Company can issue without Shareholder approval under ASX Listing Rule 7.1.

If Resolution 2 is not passed and Resolution 1 is also not passed, the Company will not be able to proceed with the issue of the 34,042,340 Tranche 2 Placement Shares to non-related parties.

If Resolution 2 is not passed and Resolution 1 is passed, the Company may proceed with the issue of the 34,042,340 Tranche 2 Placement Shares to non-related parties up to the available placement capacity of the Company.

2.3 **Technical information required by ASX Listing Rule 7.3**

For the purposes of ASX Listing Rule 7.3, information regarding the issue of the Tranche 2 Placement Shares is provided as follows:

The names of the persons to whom the Company will issue the securities:	<p>The 34,042,340 Tranche 2 Placement Shares will be issued to sophisticated and professional investors that are non-related parties.</p> <p>Those 9,166,680 Tranche 2 Placement Shares proposed to be issued to related parties or associates of related parties of the Company, are subject to approval under ASX Listing Rule 10.11 in Resolution 4 and Resolution 5.</p> <p>Those 83,333,340 Tranche 2 Placement Shares proposed to be issued to Mr Scobie Ward, are subject to approval under item 7 of section 611 of the Corporations Act in Resolution 3.</p>
Maximum number of securities:	The maximum number of Tranche 2 Placement Shares that the Company may issue under the Placement to non-related parties is 34,042,340 Tranche 2 Placement Shares.
The date on which the securities are proposed to be issued:	<p>The Tranche 2 Placement Shares will be issued no later than three months after the date of the General Meeting (or such later date to the extent permitted by an ASX waiver or modification of the ASX Listing Rules).</p> <p>It is intended that the Tranche 2 Placement Shares will be issued on or around 7 September 2023.</p>
The issue price:	The 34,042,340 Tranche 2 Placement Shares will be issued at \$0.024 per Tranche 2 Placement Share, being \$817,016.16 in total before costs.
The terms of the securities:	The 34,042,340 Tranche 2 Placement Shares are to be issued on the same terms as all other quoted Shares on issue in the Company.
The intended use of the funds raised:	<p>Funds from the Tranche 2 Placement will be directed towards:</p> <ul style="list-style-type: none"> • new product research and development; • working capital to support business operations; and • transaction costs associated with the Placement and SPP. <p>A management fee of 4% and a selling fee of 2% was payable to the Lead Managers on the proceeds from the Tranche 1 Placement. A selling fee of 0% was applied to funds raised through the participation of Terragen directors, management and Mr Scobie Ward.</p>
If the securities are being issued under an agreement, a summary of the material terms of the agreement:	<p>The 34,042,340 Tranche 2 Placement Shares were issued under a term sheet that detailed:</p> <ul style="list-style-type: none"> • the price of each Tranche 2 Placement Share; and • the proposed issue date of each Tranche 2 Placement Share. <p>The 92,500,020 Tranche 2 Placement Shares proposed to be issued to related parties (or their nominee) and to Mr Scobie Ward are subject to Shareholder approval at the General Meeting under Resolutions 3, 4 and 5.</p>
Voting exclusion statement:	A voting exclusion statement is contained in Resolution 2.

2.4 Recommendation and voting requirements

The Directors recommend that Shareholders approve Resolution 2.

Resolution 2 of the General Meeting is an ordinary resolution and so it requires the approval of more than 50% of the votes cast by Shareholders.

A voting exclusion statement is contained in Resolution 2. Votes cast by Shareholders contrary to the voting exclusion statement will be disregarded.

The Chair of the General Meeting intends to vote all available undirected proxies in favour of Resolution 2.

3. Resolution 3: Approval to issue Tranche 2 Placement Shares to Mr Scobie Ward, a Proposed Director of the Company, under item 7 of section 611 of the Corporations Act

3.1 General

The Company is seeking Shareholder approval to issue and allot 83,333,340 Tranche 2 Placement Shares to Mr Scobie Dickinson Ward (**Mr Ward**), being a Proposed Director of the Company, to raise \$2,000,000.16 (**Tranche 2 Ward Placement Shares**).

Upon issue of the Tranche 2 Placement Shares to Mr Ward, he will be appointed as a Director of the Company.

The participation of Mr Ward in the Tranche 2 Placement is conditional upon the Non-Associated Shareholders approving the issue of the Tranche 2 Ward Placement Shares and upon completion of the Placement (other than the issue of the Tranche 2 Ward Placement Shares) or such a date as agreed between the Company and Mr Ward.

Approval for the issue of the Tranche 2 Ward Placement Shares is being sought under item 7 of section 611 of the Corporations Act. An Independent Expert's Report (**IER**) has been prepared by BDO Corporate Finance Ltd (**Independent Expert**) to assess the fairness and reasonableness of the proposed acquisition of the voting power and interest by Mr Ward.

The Independent Expert has determined that the proposed acquisition of the voting power and interest by Mr Ward is **not fair but reasonable** to the Non-Associated Shareholders. The IER can be found in **Annexure A** of this Notice of General Meeting and Shareholders are advised to carefully read the IER before deciding on how to vote on this Resolution.

3.2 Strategic rationale for the issue of the Tranche 2 Ward Placement Shares

Terragen has for some time been conducting a strategic review of its business, as research and development and product development costs continue to outstrip revenues. This review included cost rationalisation, business development opportunities, and searches for sources of additional finance.

While the Company has had success in reducing the velocity of its cash burn, it has been unable to identify an appropriate strategic partnership and/or additional financial investment. This has also coincided with a period of prolonged downturn in financial markets with regards to investment by institutional investors in small cap businesses.

The proposed investment by Mr Ward, a long-term investor in Terragen, provides the business with the capital necessary to further invest in research and product development, and grow its body of scientific findings into a compelling commercialisation proposition for commercial partners seeking a path to sustainability.

3.3 Regulatory requirements

ASX Listing Rule 10.11

ASX Listing Rule 10.11 provides that unless one of the exceptions in Listing Rule 10.12 applies, the Company, as a listed company, must not issue Equity Securities to persons in a position of influence without Shareholder approval.

A person in a position of influence for the purposes of Listing Rule 10.11 includes:

- (a) a related party;
- (b) a person who is, or was at any time in the 6 months before the issue of agreement, a substantial (30%+) holder in the Company;

- (c) a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the Company and who has nominated a director to the board of the Company pursuant to a relevant agreement which gives them a right or expectation to do so;
- (d) an Associate of a person referred to in (a) to (c) above; and
- (e) a person whose relationship with the Company or a person referred to in (a) to (d) above is such that, in the ASX's opinion, the issue or agreement should be approved by Shareholders.

Mr Ward is a Proposed Director, and consequently a related party of the Company, and has a voting power of 16.33%.

Pursuant to Exception 12 in ASX Listing Rule 10.12, ASX Listing Rule 10.11 does not apply to an issue of equity securities under an agreement or transaction between the entity and a person who would not otherwise be a related party but for the fact they believe, or have reasonable grounds to believe, that they are likely to become a related party in the future because of the agreement or transaction.

Further, pursuant to Exception 6 in ASX Listing Rule 10.12, ASX Listing Rule 10.11 does not apply to an issue of equity securities approved for the purposes of item 7 of section 611 of the Corporations Act.

As such, the Company is not required to seek Shareholder approval under ASX Listing Rule 10.11 for the issue of the Tranche 2 Ward Placement Shares to Mr Ward, being a Proposed Director of the Company.

Additionally, if approval is obtained under item 7 of section 611 of the Corporations Act, in accordance with Exception 8 in ASX Listing Rule 7.2 separate approval is not required under ASX Listing Rule 7.1.

If Resolution 3 is not passed, the Company will not be able to proceed with the proposed issue of Tranche 2 Ward Placement Shares to Mr Ward and will not receive the Placement proceeds of \$2,000,000.16. As detailed in the Investor Presentation of 8 June 2023, this may result in delay or elimination of any or all of the Terragen's activities with regards to research and development, commercialisation, manufacturing activities, or other aspects of its business.

If Resolution 3 is passed, the Company will be able to proceed with the proposed issue of Tranche 2 Ward Placement Shares to Mr Ward, being a Proposed Director of the Company, upon receipt of the Placement proceeds of \$2,000,000.16.

Item 7 of Section 611 of the Corporations Act

Section 606(1) of the Corporations Act states that a person must not acquire a relevant interest in the issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by, or on behalf of, the person and because of the transaction, that person's or someone else's voting power in the Company increases:

- (a) from 20% or below to more than 20%; or
- (b) from a starting point that is above 20% and below 90%.

The voting power of a person in a body corporate is determined in accordance with section 610 of the Corporations Act. The calculation of a person's voting power in a Company involves determining the voting shares in the Company in which the person and the person's associates have a "relevant interest".

According to section 12 of the Corporations Act, a person (**Second Person**) will be an 'associate' of the other person (**Primary Person**) if one or more of the following paragraphs applies:

- (a) the Primary Person is a body corporate and the Second Person is:
 - (i) a body corporate the Primary Person controls;
 - (ii) a body corporate that controls the Primary Person; or
 - (iii) a body corporate that is controlled by an entity that controls the Primary Person;
- (b) the Second Person has entered or proposes to enter into a relevant agreement with the Primary Person for the purpose of controlling or influencing the composition of the Company's board or the conduct of the Company's affairs; or
- (c) the Second Person is a person with whom the Primary Person is acting or proposed to act, in concert in relation to the Company's affairs.

A person has a "relevant interest" in securities if they:

- (a) are the holder of the securities;
- (b) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
- (c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

In the event the Tranche 2 Ward Placement Shares are issued, Mr Ward will hold all Shares in Terragen personally and not through any associated entities.

Item 7 of section 611 of the Corporations Act provides an exception to the prohibition, whereby a person may make an otherwise prohibited acquisition of a relevant interest in a company's voting shares if Shareholder approval is obtained.

3.4 Information requirements for the Item 7 of section 611 of the Corporations Act approval

The following information is required to be provided to the Shareholders pursuant to the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining Shareholder approval under the exception for the passing of this Resolution 3. Shareholders are also referred to the Independent Expert's Report (**IER**) contained in **Annexure A** of this Notice of General Meeting.

Material terms of the proposed acquisition of Tranche 2 Ward Placement Shares:

The allottee is Mr Scobie Ward, a Proposed Director of the Company.

The maximum number of Tranche 2 Ward Placement Shares to be issued is 83,333,340 Shares.

The Tranche 2 Ward Placement Shares will be fully paid on issue and will rank equally in all aspects with all existing fully paid ordinary shares previously issued by the Company.

The Tranche 2 Ward Placement Shares will be offered at an issue price of \$0.024 per Tranche 2 Related Placement Share, being the same price paid by investors for Tranche 1 Placement Shares and Tranche 2 Placement Shares and the SPP Shares.

The Tranche 2 Ward Placement Shares are intended to be issued on or around 7 September 2023 but in any event, no later than 1 month after the date of the General Meeting.

The subscription price payable by Mr Ward for the Tranche 2 Ward Placement Shares of \$2,000,000.16 will be used by the Company for:

- (a) new product research and development;
- (b) working capital to support business operations; and
- (c) transaction costs associated with the Placement and SPP.

Why is approval under the exception in item 7 of section 611 of the Corporations Act needed?

As detailed in the background to Resolution 3 section, Shareholder approval is being sought to issue 83,333,340 Tranche 2 Ward Placement Shares to Mr Ward, being a Proposed Director of the Company.

Mr Ward, as listed in Table 1, has a relevant interest in securities of the Company by virtue of being a registered holder of securities in the Company.

Mr Ward is an existing substantial holder of the Company which has been disclosed per the requirements of section 671B of the Corporations Act.

Shareholder approval under item 7 of section 611 of the Corporations Act is required because if this Resolution 3 is approved and the Tranche 2 Ward Placement Shares are issued, Mr Ward's relevant interest in the issued voting shares will increase from 20% or below to more than 20%. The potential change in voting power of Mr Ward is outlined in Table 1 below.

Mr Ward has no associates that hold any shares in the Company.

Table 1

	Post Tranche 1 Placement and SPP (undiluted) ¹		Post issue of Tranche 2 Ward Placement Shares (undiluted) ²		Post issue of Tranche 2 Placement Shares under Resolution 2, Resolution 3 and Resolution 4 and 5 (undiluted) ³		Post issue of Tranche 2 Placement Shares under Resolution 2, Resolution 3, Resolution 4 and 5 (fully diluted) ⁴	
Mr Ward	39,597,631	16.33%	122,930,971	37.72 %	122,930,971	33.31%	122,930,971	32.60%

Notes:

1. Based on 242,538,766 fully paid ordinary shares being the total number of fully paid ordinary shares on issue as at 7 July 2023.
2. Assuming that none of resolutions 2, 4 or 5 are passed. Based on 325,872,106 fully paid ordinary shares being: 242,538,766 ((the number of Shares on issue as at 7 July 2023) + 83,333,340 (Tranche 2 Placement Shares issued to Mr Ward)).
3. Based on 369,081,126 fully paid ordinary shares being: 242,538,766 ((the number of Shares on issue as at 7 July 2023) + 126,542,360 (Tranche 2 Placement Shares)).
4. Following completion of Tranche 2 of the Placement, assuming that all Options are exercised. These percentages are based on a total sum of 377,081,126 Shares, which has been calculated as follows: 242,538,766 ((the number of Shares on issue as at 7 July 2023) + 126,542,360 (Tranche 2 Placement Shares) + 8,000,000 (Options on issue as at 7 July 2023 with an exercise price in the range of \$0.25 to \$1.00)).

Mr Ward was an early investor in Terragen, holding 4,000,000 shares in the Company prior to its IPO in 2019. Since the Company has listed, Mr Ward has increased his interest and is now the largest shareholder of Terragen with an interest of approximately 16.33% as at the date of this Notice of General Meeting¹.

Mr Ward has a strong academic background, graduating cum laude with a BA from Harvard University in 1989 and holding a CFA charter. Mr Ward brings a wealth of experience, having over 30 years of investment management experience focusing on smaller listed companies.

¹ Based on the total number of fully paid ordinary shares on issue as at the date of this Notice of General Meeting.

Mr Ward was also the co-founder and executive chairman of the investment firm Ward Ferry Management.

The potential increase in relevant interest and voting power of Mr Scobie Ward to approximately 37.72% does therefore represent a significant change to Mr Ward's relevant interest and voting power in the Company.

In terms of the intention of Mr Scobie Ward, Mr Scobie Ward has confirmed that he has no present intention to:

- (a) change the business of the Company;
- (b) inject further capital into the Company;
- (c) make changes regarding the future employment of the present employees of the Company;
- (d) transfer any assets between the Company and himself;
- (e) redeploy any fixed assets of the Company; or
- (f) significantly change the financial or dividend distribution policies of the Company.

These intentions are based on information concerning the Company, its business and the business environment which is known to Mr Ward as at the date of this Notice of General Meeting.

These present intentions may change as new information becomes available, as circumstances change or in the light of all material information, facts and circumstances necessary to assess the operational, commercial, taxation and financial implications of those decisions at the relevant time. Accordingly, the statements set out above are statements of current intentions only.

Details of Mr Ward

Qualifications and experience:	Mr Ward has over 30 years of investment management experience focusing on smaller listed companies, and was the co-founder and executive chairman of Ward Ferry Management. Mr Ward graduated cum laude with a BA from Harvard University in 1989 and is a CFA (Chartered Financial Analyst).
Any other associations Mr Ward has with Terragen:	Nil
Any other relevant agreement between Mr Ward and Terragen that is conditional on (or directly or indirectly depends on) members' approval of the proposed acquisition:	Nil

Advantages, disadvantages and risks

The Company considers that the issue of the Tranche 2 Ward Placement Shares to Mr Ward has the following advantages and disadvantages:

- (a) Advantages:
 - (i) **Provides cash required to fund working capital, business operations, new product research and development:** The Company is not currently a

profitable business and in FY22 recorded a net profit after tax loss of \$5.4 million. As a result, the Company is required to utilise their cash reserves to fund operations and the development of their products. An additional \$2,000,000.16 in Placement proceeds will provide the Company with total Placement proceeds of \$3,735,485.76 (before costs) which will assist with funding new product research and development and working capital to support business operations.

- (ii) **May increase time available to become profitable:** It is not uncommon for companies similar to Terragen to operate at a loss and to rely on external investors before becoming self-sustaining and profitable as they mature. Completion of the Tranche 2 Ward Placement Shares will provide the Company with a potential pathway and more time in operation to attempt to reach profitability.
- (iii) **Capital raising price in a similar range to recent share prices:** The average daily VWAP of the Company from 8 June 2023 to 30 June 2023 has been \$0.0223 with a high of \$0.0260 on 14 June 2023 and a low of \$0.0220 on 22 June 2023. The \$0.0240 capital raising price under the Tranche 2 Ward Placement Shares is in line with the average daily VWAP over the period from 8 June 2023 to 30 June 2023.
- (iv) **No superior proposal:** Over the last 18 months, the Directors of the Company have exhausted a number of alternative options. This was conducted with the view of seeking a solution that provides the capital required to continue the Company's research and development efforts and fund working capital deficiencies, allowing the Company to continue working towards a sustainably profitable business model. As at the date of this Notice of General Meeting, a superior proposal to the Tranche 2 Ward Placement Shares has not been received by the Company.
- (v) **Non-Associated Shareholders have the opportunity to purchase shares at the same price:** The Non-Associated Shareholders have been provided with the opportunity to purchase shares in the Company at the same price as Mr Ward, being \$0.024 per share.
- (vi) **Results in further alignment between the Company and Mr Ward:** Mr Ward was an early stage investor and has increased his shareholding over the years. He is now the Company's largest shareholder. Mr Ward could be considered a supportive cornerstone investor as he is providing funds to the Company to ensure the Company continues operating. If the issue of the Tranche 2 Ward Placement Shares is approved, Mr Ward's interest in the Company will increase and, as such, the interests of the Company and Mr Ward will be further aligned.
- (vii) **Board and senior management:** Following completion of the Tranche 2 Ward Placement Shares, it is expected that Mr Ward will join the Board. Mr Ward has extensive investment experience, having spent over 30 years working in investment management with a focus on smaller listed companies.
- (viii) **Non-Associated Shareholders collectively retain control:** If the issue of the Tranche 2 Ward Placement Shares is approved, the Non-Associated Shareholders will collectively hold no less than a 62.7% interest in the Company. The Non-Associated Shareholders will continue to collectively hold a controlling interest in the Company if the issue of the Tranche 2 Ward Placement Shares is approved.
- (ix) **Long-term benefits:** The Company's balance sheet will be further strengthened, allowing a longer-term view to be taken with respect to

investment decisions in research and commercial conversations with strategic partners.

(b) Disadvantages:

- (i) **The proposed transaction is not fair:** As detailed in the IER at Section 2.2, the proposed issue of the Tranche 2 Ward Placement Shares is not fair to the Non-Associated Shareholders.
- (ii) **Dilution of Non-Associated Shareholders interest in the Company:** Existing Shareholdings in the Company will be diluted. The dilution effect of the issue of the Tranche 2 Ward Placement Shares is set out in Table 2 below.
- (iii) **Mr Ward will have significant influence and can block special resolutions:** Given Mr Ward will have a relevant interest of more than 25% following the issue of the Tranche 2 Ward Placement Shares, Mr Ward will have a sufficient voting interest to block any special resolution on which he is entitled to vote on at a general meeting of the Company, whether under its constitution, the Corporations Act or otherwise (including, for example, the implementation of a takeover of the Company by way of a scheme of arrangement). Mr Ward's relevant interest will also provide him with significant influence over ordinary resolutions.
- (iv) **Potentially reduce the chance of receiving takeover offers in the future without Mr Ward's support:** If the issue of the Tranche 2 Ward Placement Shares is approved, it may reduce the Company's Shareholders receiving a takeover offer for their shares without the support of Mr Ward. For any future takeover to progress Mr Ward may be required to vote in favour, and for any scheme of arrangement to succeed Mr Ward will be required to vote in favour.
- (v) **Potential for additional shares to be sold on the open market:** If the issue of the Tranche 2 Ward Placement Shares is approved, Mr Ward may elect to sell some of his new shares on the open market. This may place downward pressure on the share price of the Company if the increased supply of the Company shares sufficiently outweighs the demand.

Table 2

	Post Tranche 1 Placement and SPP (undiluted) ¹		Post issue of Tranche 2 Ward Placement Shares (undiluted) ²		Post issue of Tranche 2 Placement Shares under Resolution 2, Resolution 3, Resolution 4 and 5 (undiluted) ³		Post issue of Tranche 2 Placement Shares under Resolution 2, Resolution 3, Resolution 4 and 5 (fully diluted) ⁴	
Mr Ward⁶	39,597,631	16.33%	122,930,971	37.72 %	122,930,971	33.31%	122,930,971	32.60%
Other Shareholders⁵	202,941,135	83.67%	202,941,135	62.28%	246,150,155	66.69%	254,150,155	67.40%
Total	242,538,766	100%	325,872,106	100%	369,081,126	100%	377,081,126	100%

Notes:

- 1 Based on 242,538,766 fully paid ordinary shares being the total number of fully paid ordinary shares on issue as at 7 July 2023.
2. Assuming that none of resolutions 2, 4 or 5 are passed. Based on 325,872,106 fully paid ordinary shares being: 242,538,766 ((the number of Shares on issue as at 7 July 2023) + 83,333,340 (Tranche 2 Placement Shares issued to Mr Ward)).
3. Based on 369,081,126 fully paid ordinary shares being: 242,538,766 ((the number of Shares on issue as at 7 July 2023) + 126,542,360 (Tranche 2 Placement Shares)).
4. Following completion of Tranche 2 of the Placement, assuming that all Options are exercised. These percentages are based on a total sum of 377,081,126 Shares, which has been calculated as follows: 242,538,766 ((the number of Shares on issue as at 7 July 2023) + 126,542,360 (Tranche 2 Placement Shares) + 8,000,000 (Options on issue as at 7 July 2023 with an exercise price in the range of \$0.25 to \$1.00)).

5. Where relevant, other shareholders include non-related parties that acquire 34,042,340 shares under Resolution 2 and Mr Brougham and Mr Dillon who together acquire a total of 9,166,680 shares under Resolution 4 and 5.
6. Mr Ward has no associates that hold any shares in the Company.

Independent Expert's Report

ASIC Regulatory Guide 74 provides that, to satisfy the obligation to disclose all material information on how to vote on a section 611 (item 7) resolution, the directors should provide members with an independent expert report (**IER**) or a detailed directors' report on the proposed transaction.

Accordingly, the Company has appointed BDO Corporate Finance Ltd (**Independent Expert**), as an independent expert to produce the IER. The IER is contained in **Annexure A** of this Notice of General Meeting.

The Independent Expert has concluded that the acquisition of the voting power and interest by Mr Ward is not fair but reasonable to the Non-Associated Shareholders of the Company, as at the date of the IER.

The advantages and disadvantages of the acquisition of the voting power and interest by the Mr Ward are outlined in the IER and are provided to enable Non-Associated Shareholders of the Company to determine whether they are better off if the acquisition of the voting power and interest proceeds as opposed to if it did not proceed.

Shareholders are advised to carefully read the IER before deciding on how to vote on this Resolution 3.

3.5 Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

- (a) the giving of the financial benefit falls within one of the exceptions to the provisions; or
- (b) Shareholder approval is obtained prior to the giving of the financial benefit and the benefit is provided within 15 months after such approval.

The proposed issue of Tranche 2 Ward Placement Shares (which is a type of equity security, for the purposes of the Chapter 2E of the Corporations Act) constitutes the giving of a financial benefit.

A "related party" for the purposes of the Corporations Act and the ASX Listing Rules is widely defined and includes a director of a public company, a spouse of a director of a public company or an entity controlled by a director of a public company. The definition of "related party" also includes a person whom there is reasonable grounds to believe will become a "related party" of a public company, such as Mr Ward as a Proposed Director.

The non-conflicted Directors of the Company (being Ms Ingrid Van Dijken, Mr Miles Brennan and Mr Mike Barry) have carefully considered the issue of these Tranche 2 Ward Placement Shares to Mr Ward and formed the view that the giving of this financial benefit is on arm's length terms, as the Tranche 2 Ward Placement Shares are proposed to be issued on the same terms as offered to non-related parties of the Company.

Accordingly, the non-conflicted Directors of the Company believe that the issue of these Tranche 2 Ward Placement Shares to Mr Ward fall within the "arm's length terms" exception as set out in section 210 of the Corporations Act, and relies on this exception for the purposes of this Resolution 3. Therefore, the proposed issue of Tranche 2 Ward Placement Shares to Mr Ward requires Shareholder approval under and for the purposes of item 7 of section 611 of the Corporations Act only.

3.6 Recommendation and voting requirements

The Directors that are not participating in the Tranche 2 Placement (being Ms Ingrid Van Dijken, Mr Miles Brennan and Mr Mike Barry) recommend that Shareholders approve Resolution 3 for the following reasons:

- (a) the capital that Mr Ward is proposing to invest is required for the ongoing development of the Company's research program and product development;
- (b) Terragen management has been unable to identify alternate sources of investment capital prepared to support the efforts of the Company; and
- (c) without this injection of funds, at this time, the Company runs a going concern risk.

Resolution 3 of the General Meeting is an ordinary resolution and so it requires the approval of more than 50% of the votes cast by Shareholders.

A voting exclusion statement is contained in Resolution 3. Votes cast by Shareholders contrary to the voting exclusion statement will be disregarded.

The Chairman of the General Meeting intends to vote all available undirected proxies in favour of Resolution 3.

4. Resolutions 4 and 5 (inclusive): Approval to issue Tranche 2 Placement Shares to a current Director and a former Director – Mr Sam Brougham and Mr Travis Dillon

4.1 General

On 8 June 2023, the Company announced a capital raising to raise approximately \$3.7 million through the issue of Shares to sophisticated and professional investors (as described in section 708 of the Corporations Act) at an offer price of \$0.024 per Share (**Placement**), with Bell Potter Securities Limited ACN 006 390 772 acting as the Lead Manager.

The Placement is to occur in two tranches.

- (a) Tranche 1 of the Placement (**Tranche 1 Placement**) involved the issue of 29,102,880 Shares (**Tranche 1 Placement Shares**) on 15 June 2023 to raise \$698,469.12 of which all Shares were issued under ASX Listing Rule 7.1 without the need for Shareholder approval as it was within the Company's 15% annual limit.
- (b) Tranche 2 of the Placement (**Tranche 2 Placement**) involves the proposed issue of up to 126,542,360 Shares (**Tranche 2 Placement Shares**) to raise a further \$3,037,016.64.

The Tranche 2 Placement is also subject to Resolutions 2 and 3.

A current Director, Mr Sam Brougham and a former Director, Mr Travis Dillon (or their respective nominees) wish to participate in the Placement by subscribing for an aggregate 9,166,680 Tranche 2 Placement Shares.

Resolutions 4 and 5 seek Shareholder approval for the issue of 9,166,680 Tranche 2 Placement Shares under the Placement to Mr Sam Brougham and Mr Travis Dillon (or their nominees) (**Placement Participation**).

4.2 Regulatory requirements

Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a Related Party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months of such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The issue of the Tranche 2 Placement Shares involves giving a financial benefit to Mr Sam Brougham and Mr Travis Dillon who are both Related Parties of the Company by virtue of Mr Brougham being a Director and Mr Dillon being a former Director.

The non-conflicted directors of the Company (being Ms Ingrid Van Dijken, Mr Miles Brennan and Mr Mike Barry) consider that shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of Resolution 4 because the Tranche 2 Placement Shares will be issued to Mr Sam Brougham on the same terms as the Tranche 2 Placement Shares which are to be issued to non-Related Party participants in the Placement and, as such, the giving of the financial benefit is on arm's length terms which is an exception set out in section 210 of the Corporations Act.

The non-conflicted directors of the Company (being Ms Ingrid Van Dijken, Mr Miles Brennan and Mr Mike Barry) consider that shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of Resolution 5 because the Tranche 2 Placement Shares will be issued to Mr Travis Dillon on the same terms as the Tranche 2 Placement Shares which are to be issued to non-Related Party participants in the Placement and, as such, the giving of the financial benefit is on arm's length terms which is an exception set out in section 210 of the Corporations Act.

ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires shareholder approval to be obtained where a related party and where an entity issues, or agrees to issue, securities to a person whose relationship with the entity is, in ASX's opinion, such that approval should be obtained, unless an exception in ASX Listing Rule 10.12 applies.

Mr Sam Brougham and Mr Travis Dillon are Related Parties of the Company by virtue of Mr Brougham being a Director and Mr Dillon being a former Director. In addition, the relationship that these individuals have with the Company is a relationship that, in ASX's opinion, requires approval for the issuing of the shares. As such, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that none of the exceptions set out in ASX Listing Rule 10.12 apply to the current circumstances.

If Resolutions 4 and 5 are passed, the Company will be able to proceed with the issue of the Tranche 2 Placement Shares to Mr Sam Brougham and Mr Travis Dillon. In addition, the issue of those Tranche 2 Placement Shares will be excluded from the calculation of the number of Equity Securities that the Company can issue without Shareholder approval under ASX Listing Rule 7.1.

If any of Resolutions 4 or 5 are not passed, the Company will not be able to proceed with the issue of those Tranche 2 Placement Shares to those Related Parties.

4.3 Information required pursuant to ASX Listing Rule 10.13

For the purposes of ASX Listing Rule 10.13 (being the information required to be disclosed for the purposes of ASX Listing Rule 10.11), information regarding the issue of the Tranche 2 Placement Shares to Mr Sam Brougham and Mr Travis Dillon is provided as follows:

The names of the persons to whom the Company will issue the securities:	The Tranche 2 Placement Shares are proposed to be issued to each of Mr Sam Brougham and Mr Travis Dillon.
Category of Placement Participants:	Mr Sam Brougham is a Director of the Company and Mr Travis Dillon is a former Director of the Company. Consequently, they are Related Parties of the Company. The issue is not intended to remunerate or incentivise Mr Brougham or Mr Dillon.
Number of securities to be issued:	A maximum of 9,166,680 of the Tranche 2 Placement Shares will be issued comprising of: <ul style="list-style-type: none"> • 8,333,340 Tranche 2 Placement Shares to Mr Sam Brougham (or his nominee) which is the subject of Resolution 4; and • 833,340 Tranche 2 Placement Shares to Mr Travis Dillon (or his nominee) which is the subject of Resolution 5.
The terms and price of the securities:	The Tranche 2 Placement Shares will be issued for \$0.024 per Tranche 2 Placement Share. The Tranche 2 Placement Shares comprise fully paid ordinary shares of the Company ranking equally with all other fully paid ordinary shares of the Company.
Date by which the securities will be issued:	The Tranche 2 Placement Shares are intended to be issued on or around 7 September 2023 but in any event, no later than 1 month after the date of the General Meeting.
The intended use of the funds raised:	Funds from the Tranche 2 Placement will be directed towards: <ul style="list-style-type: none"> • new product research and development; • working capital to support business operations; and • transaction costs associated with the Placement and SPP.
If the securities were issued under an agreement, a summary of the material terms of the agreement:	The Tranche 2 Placement Shares are to be issued under a term sheet that detailed: <ul style="list-style-type: none"> • the price of each Tranche 2 Placement Share; and • the proposed issue date of each Tranche 2 Placement Share.
Voting exclusion statement:	A voting exclusion statement is contained in Resolution 4 and Resolution 5.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Tranche 2 Placement Shares to Mr Sam Brougham and Mr Travis Dillon as approval is being obtained under ASX Listing Rule 10.11. Accordingly, under Exception 14 of ASX Listing Rule 7.2, the issue of Tranche 2 Placement Shares to Mr Sam Brougham and Mr Travis Dillon (or their nominees) will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

4.4 Recommendation and voting requirements

The Directors (with the exception of Mr Sam Brougham) recommend that Shareholders approve Resolution 4 and Resolution 5.

Resolution 4 and Resolution 5 of the General Meeting are ordinary resolutions and so they require the approval of more than 50% of the votes cast by Shareholders.

A voting exclusion statement is contained in each of the Resolutions. Votes cast by Shareholders contrary to the relevant voting exclusion statement will be disregarded.

The Chairman of the General Meeting intends to vote all available undirected proxies in favour of Resolution 4 and Resolution 5.

Annexure A – Independent Expert's Report



Terragen Holdings Limited

Independent Expert's Report and Financial Services Guide
Opinion: The Proposed Transaction is Not Fair but Reasonable

26 JULY 2023

FINANCIAL SERVICES GUIDE

Dated: 26 July 2023

The Financial Services Guide ('FSG') is provided to comply with the legal requirements imposed by the Corporations Act 2001 and includes important information regarding the general financial product advice contained in this report ('this Report'). The FSG also includes general information about BDO Corporate Finance Ltd ABN 54 010 185 725, Australian Financial Services Licence No. 245513 ('BDOCF' or 'we', 'us' or 'our'), including the financial services we are authorised to provide, our remuneration and our dispute resolution.

BDOCF holds an Australian Financial Services Licence to provide the following services:

- a) Financial product advice in relation to deposit and payment products (limited to basic deposit products and deposit products other than basic deposit products), securities, and interests in managed investment schemes excluding investor directed portfolio services;
- b) Arranging to deal in financial products in relation to securities; and
- c) Applying for, acquiring, varying or disposing of a financial product in relation to interests in managed investment schemes excluding investor directed portfolio services, and securities.

General Financial Product Advice

This Report sets out what is described as general financial product advice. This Report does not consider personal objectives, individual financial position or needs and therefore does not represent personal financial product advice. Consequently, any person using this Report must consider their own objectives, financial situation and needs. They may wish to obtain professional advice to assist in this assessment.

The Assignment

On 8 June 2023, Terragen Holdings Limited ('Terragen' or 'the Company') announced that they will be conducting a two-tranche institutional placement ('the Placement') and a share purchase plan ('the SPP') (together 'the Transactions') to raise up to a total amount of \$4.7 million as follows:

- ▶ The Placement will raise up to approximately \$3.7 million via the issue of approximately 155.6 million new fully paid ordinary shares in the Company to professional and sophisticated investors. The two tranches will comprise the following:
 - Tranche 1: approximately \$0.7 million via the issue of approximately 29.1 million new shares at an offer price of \$0.024 per share within the Company's existing placement capacity under Listing Rule 7.1 ('Tranche 1'). We note that Terragen announced the completion of Tranche 1 on 15 June 2023; and
 - Tranche 2: approximately \$3.0 million via the issue of approximately 126.5 million new shares at an offer price of \$0.024 per share, subject to shareholder approval ('Tranche 2').
- ▶ Terragen also intended to raise an additional \$1.0 million via the SPP with eligible shareholders, offering them the opportunity to apply for up to \$30,000 in new shares at an offer price of \$0.024 per share. We note that as at the closure of the subscription period on 30 June 2023, Terragen had raised \$466k. Terragen issued the 19,416,651 shares purchased under the SPP to shareholders on 6 July 2023.

Completion of Tranche 2 is subject to the Company obtaining the necessary shareholder approval required under item 7 of section 611 of the Corporations Act 2001 (Cth) ('the Act'), ASX Listing Rule 7.1 and ASX Listing Rule 10.11. In the Notice of Meeting and Explanatory Statement prepared by Terragen and dated on or about 28 July 2023 ('the Notice of Meeting'), Tranche 2 is subject to 4 separate resolutions (resolutions 2-5). We note the following about these resolutions:

- ▶ Resolution 2: this resolution is seeking shareholder approval under ASX Listing Rule 7.1 to issue 34,042,340 shares from Tranche 2 to non-related parties ('Resolution 2');
- ▶ Resolution 3: this resolution is seeking shareholder approval under item 7 of section 611 of the Act to issue shares from Tranche 2 to Mr Scobie Dickinson Ward ('Mr Ward'). Shareholder approval is required for this resolution, as participation in Tranche 2 by Mr Ward will result in him acquiring an additional 83,333,340 Terragen shares. This acquisition will increase Mr Ward's relevant interest in the Company above 20.0%. For completeness, we note that following Tranche 1 and the issue of shares from the SPP on 6 July 2023, Mr Ward will hold a relevant interest in the Company of 16.3%. Mr Ward's interest in Terragen will increase from 16.3% up to a maximum of 37.7% on an undiluted basis (in the event the other Tranche 2 resolutions are rejected) and 33.3% on an undiluted basis (in the event all Tranche 2 resolutions are approved) ('Resolution 3'). We refer to Resolution 3 as 'the Proposed Transaction' which is the subject of this Report; and
- ▶ Resolution 4 and 5: these resolutions are seeking shareholder approval under ASX Listing Rule 10.11 to issue shares from Tranche 2 to Mr Sam Brougham ('Mr Brougham'), a director of the Company, and Mr Travis Dillon ('Mr Dillon'), a former director of the Company ('Resolution 4 and 5'). Under Tranche 2, Mr Brougham and Mr Dillon will be purchasing a total of 9,166,680 shares between them.

BDOCF has been engaged to provide general financial product advice in the form of a report in relation to a financial product. Specifically, BDOCF has been engaged to provide an independent expert's report to all shareholders of Terragen that are not Mr Ward ('the Non-Associated Shareholders') in relation to the Proposed Transaction.

Further details of the Proposed Transaction are set out in Section 4. The scope of this Report is set out in detail in Section 3.3. This Report provides an opinion on whether or not the Proposed Transaction is 'fair and reasonable' to the Non-Associated Shareholders and has been prepared to provide information to the Non-Associated Shareholders to assist them to make an informed decision on whether to vote in favour of or against the Proposed Transaction. Other important information relating to this Report is set out in more detail in Section 3.

This Report cannot be relied upon for any purpose other than the purpose mentioned above and cannot be relied upon by any person or entity other than those mentioned above, unless we have provided our express consent in writing to do so. A shareholder's decision to vote in favour of or against the Proposed Transaction is likely to be influenced by their particular circumstances, for example, their taxation considerations and risk profile. Each shareholder should obtain their own professional advice in relation to their own circumstances.

Fees, Commissions and Other Benefits we may Receive

We charge a fee for providing reports. The fees are negotiated with the party who engages us to provide a report. We estimate the fee for the preparation of this Report will be approximately \$70,000 plus GST. Fees are usually charged as a fixed amount or on an hourly basis depending on the terms of the agreement with the engaging party. Our fees for this Report are not contingent on the outcome of the Proposed Transaction.

Except for the fees referred to above, neither BDOCF, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of this Report.

Directors of BDOCF may receive a share in the profits of BDO Group Holdings Limited, a parent entity of BDOCF. All directors and employees of BDO Group Holdings Limited and its subsidiaries (including BDOCF) are entitled to receive a salary. Where a director of BDOCF is a shareholder of BDO Group Holdings Limited, the person is entitled to share in the profits of BDO Group Holdings Limited.

Associations and relationships

From time to time BDOCF or its related entities may provide professional services to issuers of financial products in the ordinary course of its business. These services may include audit, tax and business advisory services. BDOCF and its related entities have not provided any professional services to Terragen or Mr Ward.

The signatories to this Report do not hold any shares in Terragen and no such shares have ever been held by the signatories.

To prepare our reports, including this Report, we may use researched information provided by research facilities to which we subscribe or which are publicly available. Reference has been made to the sources of information in this Report, where applicable. Research fees are not included in the fee details provided in this Report.

Complaints Resolution

Internal Complaints Resolution Process

We are committed to meeting your needs and maintaining a high level of client satisfaction. If you are unsatisfied with a service we have provided you, we have avenues available to you for the investigation and resolution of any complaint you may have.

To make a formal complaint, please use the Complaints Form. For more on this, including the Complaints Form and contact details, see the [BDO Complaints Policy](#) available on our website.

Referral to External Dispute Resolution Scheme

BDO Corporate Finance is a member of AFCA (Member Number 10236).

Where you are unsatisfied with the resolution reached through our Internal Dispute Resolution process, you may escalate this complaint to the Australian Financial Complaints Authority (AFCA) using the contact details set out below.

Australian Financial Complaints Authority Limited
Mail: GPO Box 3, Melbourne VIC 3001
Online Address: <http://www.afca.org.au>
Email: info@afca.org
Phone: 1800 931 678
Fax: (03) 9613 6399
Interpreter Service: 131 450

Compensation Arrangements

BDOCF and its related entities hold Professional Indemnity insurance for the purpose of compensating retail clients for loss or damage suffered because of breaches of relevant obligations by BDOCF or its representatives under Chapter 7 of the Corporations Act 2001. These arrangements and the level of cover held by BDOCF satisfy the requirements of section 912B of the Corporations Act 2001.

Contact Details

BDO Corporate Finance Ltd

Location Address:	Postal Address:
Level 10 12 Creek Street BRISBANE QLD 4000	GPO Box 457 BRISBANE QLD 4001
Phone: (07) 3237 5999	Email: cf.brisbane@bdo.com.au
Fax: (07) 3221 9227	

CONTENTS

Financial Services Guide	i
Glossary	vi
PART I: ASSESSMENT OF THE PROPOSED TRANSACTION	1
1.0 Introduction	1
2.0 Assessment of the Proposed Transaction	3
2.1 Basis of Evaluation	3
2.2 Assessment of Fairness	3
2.3 Assessment of Reasonableness	5
2.4 Opinion	8
3.0 Important Information	9
3.1 Read this Report, and Other Documentation, in Full	9
3.2 Shareholders' Individual Circumstances	9
3.3 Scope	9
3.4 Purpose of this Report	10
3.5 Current Market Conditions	10
3.6 Reliance on Information	11
3.7 Glossary	11
3.8 Sources of Information	11
3.9 APES 225 Valuation Services	12
3.10 Forecast Information	12
3.11 Qualifications	12
PART II: INFORMATION SUPPORTING OUR OPINION ON THE PROPOSED TRANSACTION	13
4.0 Overview of the Proposed Transaction	13
4.1 Summary of the Proposed Transaction	13
4.2 Description of the key party involved in the Proposed Transaction	15
4.3 Strategic Rationale for the Proposed Transaction	15
5.0 Background of Terragen	16
5.1 Background	16
5.2 Key Products	17
5.3 Production Facility and Process	18
5.4 Equity Structure of Terragen	18
5.5 Share Trading Data of Terragen	19
5.6 Historical Financial Information of Terragen	21
6.0 Industry Overview	26
6.1 Overview of the Agricultural Biologicals Industry	26
6.2 Key Demand Drivers	28
6.3 Australian Industry Outlook	28
7.0 Common Valuation Methodologies	29
7.1 Discounted Cash Flows ('DCF')	29
7.2 Capitalisation of Maintainable Earnings ('CME')	29
7.3 Asset Based Valuation ('ABV')	29
7.4 Market Based Valuation ('MBV')	30
7.5 Industry Based Metrics (Comparable Analysis)	30
8.0 Valuation of Terragen Prior to the Proposed Transaction	31
8.1 Our Valuation Approach for Terragen Prior to the Proposed Transaction	31
8.2 ABV of Terragen	31
8.3 Market Based Valuation of Terragen	34
8.4 Conclusion on the Value of Terragen Shares	35

9.0	Valuation of Terragen Post the Proposed Transaction	36
9.1	Our Valuation Approach of Terragen Post the Proposed Transaction	36
9.2	Valuation of Terragen Post the Proposed Transaction on a Minority Interest Basis - ABV	36
Appendix A:	Control Premium Analysis	37

GLOSSARY

Reference	Definition
A\$ or \$	Australian dollars
ABV	Asset-based valuation
Act, the	The Corporations Act 2001
AGM	Annual general meeting
APES 225	Accounting Professional and Ethical Standards Board professional standard APES 225 <i>Valuation Services</i>
ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
BDO Persons	The partners, directors, agents or associates of BDO
BDOCF	BDO Corporate Finance Ltd
Board, the	The board of directors of the Company
CAPM	Capital asset pricing model
CME	Capitalisation of Maintainable Earnings
Company, the	Terragen Holdings Limited
Corporations Act, the	The Corporations Act 2001
DCF	Discounted cash flow
Directors, the	The Directors of the Company
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EV	Enterprise value
FSG	Financial Services Guide
FY	The financial year or 12-month period ended on 30 June
Great Land Plus	Great Land Plus ®
MBV	Market-based valuation
Meeting, the	The extraordinary general meeting to be held on or around 4 September 2023
Model, the	The financial model provided by Terragen which sets out forecast financial information and the expected annual performance of Terragen from FY23 to FY32
Mr Brougham	Mr Sam Brougham
Mr Dillon	Mr Travis Dillon
Mr Ward	Mr Scobie Dickinson Ward
Mylo	Mylo ®
Non-Conflicted Directors	The directors of Terragen that are not Mr Sam Brougham
Non-Associated Shareholders	The shareholders of Terragen that are not Mr Scobie Dickinson Ward
Notice of Meeting, the	The Notice of Meeting and Explanatory Statement dated 28 July 2023 prepared by Terragen
NPAT	Net profit after tax
NPV	Net present value

Reference	Definition
Placement, the	A two-tranche institutional placement to raise up to approximately \$3.7 million via the issue of approximately 155.6 million new fully paid ordinary shares in Terragen to professional and sophisticated investors
Proposed Transaction, the	Resolution 3 in the Notice of Meeting involving the issue of 83,333,340 shares to Mr Ward under Tranche 2
Prospectus, the	Terragen's prospectus dated 18 October 2019
Regulations, the	The Corporation Regulations 2001
Report, this	This independent expert's report prepared by BDOCF and dated 26 July 2023
Resolution 2	Resolution 2 in the Notice of Meeting where Terragen are seeking shareholder approval under ASX Listing Rule 7.1 to issue 34,042,340 shares under Tranche 2 to non-related parties
Resolution 3	Resolution 3 in the Notice of Meeting involving the issue of 83,333,340 shares to Mr Ward under Tranche 2 (the Proposed Transaction)
Resolution 4 and 5	Resolutions 4 and 5 in the Notice of Meeting where Terragen are seeking shareholder approval under ASX Listing Rule 10.11 to issue shares under Tranche 2 to Mr Brougham and Mr Travis Dillon
RG 111	Regulatory Guide 111: <i>Content of Expert Report</i> , issued by ASIC
RGs	Regulatory guides published by ASIC
Shareholders, the	The holders of fully paid ordinary shares in the Company
SPP, the	Share purchase plan with eligible shareholders, offering the opportunity to apply for up to \$30,000 in new shares at an offer price of \$0.024 to raise an additional \$1.0 million. As at the closure of the SPP subscription period on 30 June 2023, Terragen had raised \$466k. Terragen issued the 19,416,651 shares purchased under the SPP to shareholders on 6 July 2023.
Terragen	Terragen Holdings Limited
Tranche 1	The first tranche of the two-tranche institutional placement completed on 15 June 2023 where Terragen raised approximately \$0.7 million via the issue of approximately 29.1 million new shares at an offer price of \$0.024 per share
Tranche 2	The second tranche of the two-tranche institutional placement where Terragen will raise up to approximately \$3.0 million via the issue of approximately 126.5 million new shares at an offer price of \$0.024 per share (subject to shareholder approval)
Transactions, the	The two-tranche institutional placement (Tranche 1 and Tranche 2) and the SPP
Valuation Date, the	7 September 2023
VWAP	Volume weighted average price
WACC	Weighted average cost of capital
We, us, our	BDO Corporate Finance Ltd

PART I: ASSESSMENT OF THE PROPOSED TRANSACTION

The Non-Associated Shareholders
C/- The Non-Conflicted Directors
Terragen Holdings Limited
39 Access Crescent Unit 6
Coolum Beach QLD 4573

26 July 2023

Dear Non-Associated Shareholders,

1.0 Introduction

BDO Corporate Finance Ltd ('BDOCF', 'we', 'us' or 'our') has been engaged to provide an independent expert's report ('this Report') to the shareholders of Terragen Holdings Limited ('Terragen', or 'the Company') that are not Mr Scobie Dickinson Ward ('Mr Ward') ('the Non-Associated Shareholders').

On 8 June 2023, Terragen announced that they will be conducting a two-tranche institutional placement ('the Placement') and a share purchase plan ('the SPP') (together 'the Transactions') to raise up to a total amount of \$4.7 million as follows:

- ▶ The Placement will raise up to approximately \$3.7 million via the issue of approximately 155.6 million new fully paid ordinary shares in the Company to professional and sophisticated investors. The two tranches will comprise the following:
 - Tranche 1: approximately \$0.7 million via the issue of approximately 29.1 million new shares at an offer price of \$0.024 per share within the Company's existing placement capacity under Listing Rule 7.1 ('Tranche 1'). We note that Terragen announced the completion of Tranche 1 on 15 June 2023; and
 - Tranche 2: approximately \$3.0 million via the issue of approximately 126.5 million new shares at an offer price of \$0.024 per share, subject to shareholder approval ('Tranche 2').
- ▶ Terragen also intended to raise an additional \$1.0 million via the SPP with eligible shareholders, offering them the opportunity to apply for up to \$30,000 in new shares at an offer price of \$0.024 per share. We note that as at the closure of the subscription period on 30 June 2023, Terragen had raised \$466k. Terragen issued the 19,416,651 shares purchased under the SPP to shareholders on 6 July 2023.

Completion of Tranche 2 is subject to the Company obtaining the necessary shareholder approval required under item 7 of section 611 of the Corporations Act 2001 (Cth) ('the Act'), ASX Listing Rule 7.1 and ASX Listing Rule 10.11. In the Notice of Meeting and Explanatory Statement prepared by Terragen and dated 28 July 2023 ('the Notice of Meeting'), Tranche 2 is subject to 4 separate resolutions (resolutions 2-5). We note the following about these resolutions:

- ▶ Resolution 2: this resolution is seeking shareholder approval under ASX Listing Rule 7.1 to issue 34,042,340 shares from Tranche 2 to non-related parties ('Resolution 2');
- ▶ Resolution 3: this resolution is seeking shareholder approval under item 7 of section 611 of the Act to issue shares from Tranche 2 to Mr Ward. Shareholder approval is required for this resolution, as participation in Tranche 2 by Mr Ward will result in him acquiring an additional 83,333,340 Terragen shares. This acquisition will increase Mr Ward's relevant interest in the Company above 20.0%. For completeness, we note that following Tranche 1 and the issue of shares from the SPP on 6 July 2023, Mr Ward will hold a relevant interest in the Company of 16.3%. Mr Ward's interest in Terragen will increase from 16.3% up to a maximum of 37.7% on an undiluted basis (in the event the other Tranche 2 resolutions are rejected) and 33.3% on an undiluted basis (in the event all Tranche 2 resolutions are approved) ('Resolution 3'). We refer to Resolution 3 as 'the Proposed Transaction' which is the subject of this Report; and
- ▶ Resolution 4 and 5: these resolutions are seeking shareholder approval under ASX Listing Rule 10.11 to issue shares from Tranche 2 to Mr Sam Brougham ('Mr Brougham'), a director of the Company, and Mr Travis Dillon ('Mr Dillon'), a former director of the Company ('Resolution 4 and 5'). Under Tranche 2, Mr Brougham and Mr Dillon will be purchasing a total of 9,166,680 shares between them.

This Report is prepared pursuant to item 7 of section 611 of the Act and is to be included in the Notice of Meeting for Terragen in order to assist the Non-Associated Shareholders to form a view on whether to vote in favour of or against the Proposed Transaction. For completeness, we note that only the Proposed Transaction is the subject of this Report.

A more detailed description of the Proposed Transaction is set out in Section 4.

In this Report, BDOCF has expressed an opinion as to whether or not the Proposed Transaction is 'fair and reasonable' to the Non-Associated Shareholders. This Report has been prepared solely for use by the Non-Associated Shareholders to provide them with information relating to the Proposed Transaction. The scope and purpose of this Report are detailed in Sections 3.3 and 3.4 respectively.

This Report, including Part I, Part II and the appendices, should be read in full along with all other documentation provided to the Non-Associated Shareholders including the Notice of Meeting in relation to the extraordinary general meeting to be held on 4 September 2023 ('the Meeting').

2.0 Assessment of the Proposed Transaction

This section is set out as follows:

- ▶ Section 2.1 sets out the methodology for our assessment of the Proposed Transaction;
- ▶ Section 2.2 sets out our assessment of the fairness of the Proposed Transaction;
- ▶ Section 2.3 sets out our assessment of the reasonableness of the Proposed Transaction; and
- ▶ Section 2.4 provides our assessment of whether the Proposed Transaction is fair and reasonable to the Shareholders.

2.1 Basis of Evaluation

ASIC have issued Regulatory Guide 111: *Content of Expert Reports* ('RG 111'), which provides guidance in relation to independent expert's reports. RG 111 relates to the provision of independent expert's reports in a range of circumstances, including those where the expert is required to provide an opinion in relation to a takeover transaction. RG 111 states that the independent expert's report should explain the particulars of how the transaction was examined and evaluated as well as the results of the examination and evaluation.

The Proposed Transaction involves Terragen raising capital via an institutional placement, the shares issued to Mr Ward under the Proposed Transaction will result in his relevant interest in the Company increasing above 20.0%. Following Tranche 1 and the issue of shares from the SPP on 6 July 2023, Mr Ward holds a relevant interest in the Company of 16.3%. Mr Ward's interest in Terragen will increase from 16.3% up to a maximum of 37.7% on an undiluted basis (in the event that Resolutions 2, 4 and 5 are rejected) and 33.3% on an undiluted basis (in the event all Tranche 2 resolutions are approved). RG 111 specifically differentiates between control and non-control transactions in providing guidance on the type of analysis to complete. RG 111 suggests that where the transaction is a control transaction the expert should focus on the substance of the control transaction rather than the legal mechanism to affect it. In our opinion the Proposed Transaction is a control transaction as defined by RG 111 and we have assessed the Proposed Transaction by considering whether, in our opinion, it is fair and reasonable to the Non-Associated Shareholders.

Under RG 111, a transaction will be considered 'fair' if the value of the consideration to be received by the shareholders is equal to or greater than the value of the shares that are the subject of the transaction. To assess whether an offer is 'reasonable', an expert should examine other significant factors to which shareholders may give consideration prior to accepting or approving the transaction. This includes comparing the likely advantages and disadvantages if the transaction is approved with the position of the shareholders if the transaction is not approved.

RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept an offer in the absence of a higher bid. Our assessment concludes by providing our opinion as to whether or not the Proposed Transaction is 'fair and reasonable'. While all relevant issues need to be considered before drawing an overall conclusion, we will assess the fairness and reasonableness issues separately for clarity.

We have assessed the fairness and reasonableness of the Proposed Transaction in Sections 2.2 and 2.3 below and provide an opinion on whether the Proposed Transaction is 'fair and reasonable' to the Shareholders in Section 2.4 below.

2.2 Assessment of Fairness

2.2.1 Basis of Assessment

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject to the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities subject to an offer in a control transaction the expert should consider this value inclusive of a control premium and assume a 100% ownership interest.

In our view, it is appropriate to assess the fairness of the Proposed Transaction to the Non-Associated Shareholders as follows:

- a) Determine the value of a Terragen share on a controlling interest basis prior to the Proposed Transaction;
- b) Determine the value of a Terragen share on a minority interest basis after the Proposed Transaction; and
- c) Compare the value determined in a) above with the value of b) to determine if the Proposed Transaction is fair.

In accordance with the requirements of RG 111, the Proposed Transaction can be considered 'fair' to the Non-Associated Shareholders if the value determined in b) above is equal to or greater than the value determined in a) above.

2.2.2 Value of a Terragen Share Prior to the Proposed Transaction on a Controlling Interest Basis

In our view, for the purposes of the analysis set out in this Report, it is appropriate to adopt a value in the range of \$0.0191 to \$0.0441 per Terragen share on a controlling interest basis.

Our valuation of Terragen prior to the Proposed Transaction on a controlling interest basis is set out in Section 8.

2.2.3 Value of a Terragen Share After the Proposed Transaction on a Minority Interest Basis

Our valuation of Terragen following the Proposed Transaction, on a minority interest basis, is in the range of \$0.0154 and \$0.0302 per share.

The primary factors driving the change in the valuation range, pre and post the Proposed Transaction, are:

- ▶ **Additional cash:** As part of the Proposed Transaction, Terragen will receive cash of approximately \$2.0 million;
- ▶ **Additional equity instruments:** Following the Proposed Transaction, Terragen will have an additional 83,333,340 shares on issue; and
- ▶ **Minority interest:** We have calculated the value of Terragen on a minority interest basis following the Proposed Transaction.

Our valuation of Terragen following the Proposed Transaction on a minority interest basis is set out in Section 9.

2.2.4 Assessment of the Proposed Transaction

In order to assess the fairness of the Proposed Transaction, it is appropriate to compare the value of a Terragen share prior to the Proposed Transaction on a controlling interest basis with the value of a share in Terragen on a minority basis assuming the Proposed Transaction is implemented. Pursuant to RG 111, the Proposed Transaction is fair if the value of the Terragen share following the Proposed Transaction is greater than the value of a Terragen share prior to completion of the Proposed Transaction.

Table 2.1 below summarises our assessment of the fairness of the Proposed Transaction.

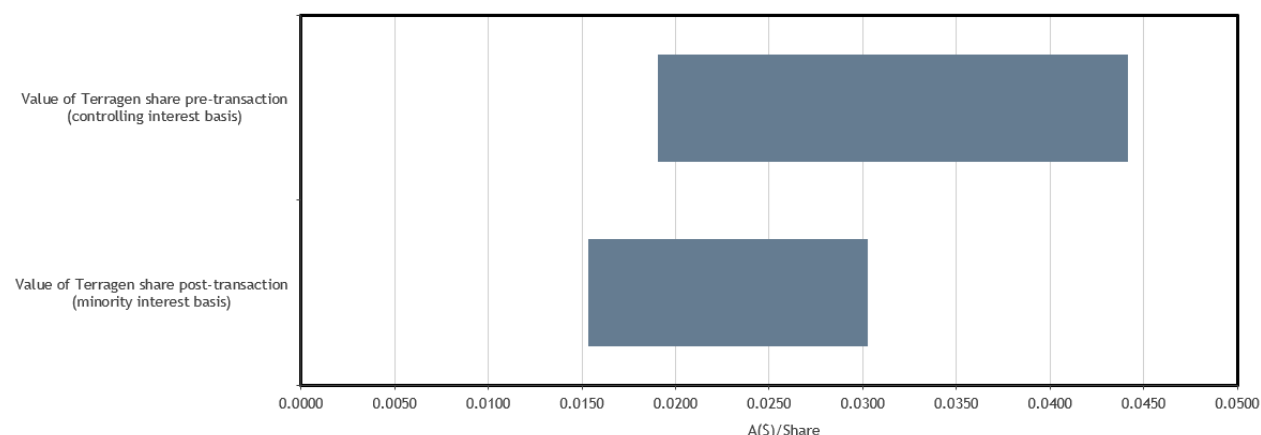
Table 2.1: Assessment of the Fairness of the Proposed Transaction

	Low	High
Value of a Terragen share prior to the Proposed Transaction (controlling interest)	\$0.0191	\$0.0441
Value of a Terragen share post the Proposed Transaction (minority interest)	\$0.0154	\$0.0302

Source: BDOCF Analysis

Figure 2.1 summarises our assessment of the fairness of the Proposed Transaction, setting out a graphical comparison of our valuation of a Terragen share prior to the Proposed Transaction on a controlling interest basis and our valuation of a share in Terragen following the Proposed Transaction on a minority interest basis.

Figure 2.1: Fairness of the Proposed Transaction



Source: BDOCF analysis

With reference to Table 2.1 and Figure 2.1, we note:

- ▶ At the low and high ends of the valuation range, the value of Terragen post the Proposed Transaction on a minority interest basis is below the value of Terragen pre the Proposed Transaction on a controlling interest basis;
- ▶ There is a downward shift in the value range of Terragen post the Proposed Transaction on a minority interest basis relative to the value of Terragen pre the Proposed Transaction on a controlling interest basis. Albeit the post Proposed Transaction value range continues to overlap with the pre-Proposed Transaction value range; and

- ▶ One of the drivers of the downward shift from the pre-transaction values to the post-transaction values is the pre-transaction values are on a controlling interest basis and the post-transaction values are on a minority interest basis. To provide information to shareholders, we have set out a comparison of minority values pre and post the Proposed Transaction in Section 2.3.5 below.

After considering the information summarised above and set out in detail in the balance of this Report, it is our view that, in the absence of any other information, the Proposed Transaction is **Not Fair** to the Non-Associated Shareholders as at the date of this Report.

2.3 Assessment of Reasonableness

2.3.1 Basis of Assessment

Under RG 111, a transaction is considered reasonable if it is fair. It may also be reasonable, despite not being fair, if after considering other significant factors the interests of the shareholders are reasonably balanced.

In addition to our fairness assessment set out in Section 2.2 above, to assess whether the Proposed Transaction is 'reasonable' we consider it appropriate to examine other significant factors to which the Non-Associated Shareholders may give consideration prior to forming a view on whether to vote in favour of or against the Proposed Transaction. This includes comparing the likely advantages and disadvantages of approving the Proposed Transaction with the position of a Non-Associated Shareholder if the Proposed Transaction is not approved, as well as a consideration of other significant factors.

Our assessment of the reasonableness of the Proposed Transaction is set out as follows:

- ▶ Section 2.3.2 sets out the advantages of the Proposed Transaction to the Non-Associated Shareholders;
- ▶ Section 2.3.3 sets out the disadvantages of the Proposed Transaction to the Non-Associated Shareholders;
- ▶ Section 2.3.4 sets out discussion of other considerations relevant to the Proposed Transaction;
- ▶ Section 2.3.5 sets out the position of the Non-Associated Shareholders if the Proposed Transaction is not approved; and
- ▶ Section 2.3.6 provides our opinion on the reasonableness of the Proposed Transaction to the Non-Associated Shareholders.

2.3.2 Advantages of the Proposed Transaction

Table 2.2 below outlines the potential advantages to the Non-Associated Shareholders of approving the Proposed Transaction.

Table 2.2: Potential Advantages of the Proposed Transaction

Advantage	Explanation
Provides cash required to fund operations, research and development	<p>Terragen is not currently a profitable business and in FY22 recorded a net profit after tax ('NPAT') loss of \$5.4 million. This loss was primarily driven by employee benefits and research and development ('R&D') expenses. As a result, Terragen is required to utilise their cash reserves to fund operations and the development of their products.</p> <p>If the Proposed Transaction is approved, Terragen will be able to raise the capital they require to fund research of near-term new product developments and support the working capital requirements of their business operations.</p> <p>Further, the Non-Conflicted Directors are of the view that without the injection of funds from Mr Ward, the Company runs a going concern risk.</p>
May increase time available to become profitable	<p>Terragen is currently focused on R&D to validate the usefulness of their existing products and to continue developing and testing the products currently in their pipeline. We note, it is not uncommon for R&D focused companies to operate at a loss and rely on external investors before becoming self-sustaining and profitable as they mature. Completion of the Proposed Transaction will provide Terragen with a potential pathway and more time in operation to attempt to reach profitability.</p>
Capital raising price in a similar range to recent share prices	<p>The average daily VWAP of Terragen from 8 June 2023 (the date the Proposed Transaction was announced) to 30 June 2023 has been \$0.0223 with a high of \$0.0260 on 14 June 2023 and a low of \$0.0220 on 22 June 2023.</p> <p>The \$0.0240 capital raising price under the Proposed Transaction is in line with the average daily VWAP over the period from 8 June 2023 to 30 June 2023.</p> <p>For completeness, we also note that capital raisings are often undertaken at a discount to recent share trading prices.</p>

Advantage	Explanation
No superior proposal	<p>Based on discussions with Management, we understand that over the last 18 months, the Non-Conflicted Directors have exhausted a number of alternative options to the Proposed Transaction. This was conducted with the view of seeking a solution that provides the capital required to continue the Company's R&D efforts and fund working capital deficiencies, allowing the Company to continue working towards a sustainably profitable business model.</p> <p>Management have advised that in February 2023 (13 months into the process), Mr Ward was identified as a potential source of additional capital.</p> <p>We note, the Non-Conflicted Directors have advised that, as at the date of this Report, a superior proposal to the Proposed Transaction has not been received by the Company.</p>
Non-Associated Shareholders have the opportunity to purchase shares at the same price	<p>Under the Proposed Transaction, Mr Ward will acquire shares in the Company at a price of \$0.024 per share. Terragen has also provided Non-Associated Shareholders with the opportunity to purchase shares in the Company at a price of \$0.024 per share. The shares acquired by Mr Ward under the Proposed Transaction is at the same price as shares offered to the Non-Associated Shareholders under the Transactions.</p> <p>In terms of the participation of Non-Associated Shareholder in the Transactions, we note the following:</p> <ul style="list-style-type: none"> ▶ Under Tranche 1, Terragen issued 29,102,880 shares to 19 participants (11 companies and 8 individuals). Of these shares, approximately 82.8% (24,101,010) were issued to Non-Associated Shareholders with the balance of approximately 17.2% (5,001,870) issued to Mr Ward; ▶ Under the SPP, Terragen raised \$466k prior to the closure of the offer on 30 June 2023 (Mr Ward was a participant in the SPP, contributing \$30k and acquiring 1,250,000 shares). Terragen intended to raise up to \$1.0 million and participation in the SPP was lower than anticipated. For completeness, we note that Terragen's daily VWAP from 8 June 2023 to 30 June 2023 traded in the range of \$0.0220 to \$0.0260 with an average over the period of \$0.0223; and ▶ Under Tranche 2, Terragen will issue (subject to approval) 126,542,360 shares to 8 participants (3 companies and 5 individuals). Of these shares, approximately 65.9% (83,333,340) will be issued to Mr Ward with the balance of approximately 34.1% (43,209,020) issued to Non-Associated Shareholders.
Results in further alignment between Terragen and Mr Ward	<p>Mr Ward was an early-stage investor in the Company, holding 4,000,000 shares (a 3.74% interest) in Terragen prior to its IPO in December 2019. Mr Ward has increased his shareholding over the years and is now Terragen's largest shareholder with an interest prior to the Transactions of 17.2%.</p> <p>Mr Ward could be considered a supportive cornerstone investor as he is providing funds of approximately \$2.1 million to Terragen to ensure the Company continues operating. If the Proposed Transaction is approved, Mr Ward's interest in Terragen will increase up to a maximum of 37.7% on an undiluted basis (in the event Resolutions 2, 4 and 5 are not approved) and 33.3% on an undiluted basis (in the event all Tranche 2 resolutions are approved). Accordingly, the interests of Terragen and Mr Ward will be further aligned.</p>
Board and senior management	<p>Following completion of the Proposed Transaction, it is expected that Mr Ward will join the Terragen Board of Directors ('the Board'). Mr Ward has extensive investment experience, having spent over 30 years working in investment management with a focus on smaller listed companies (more information on Mr Ward is set out in Section 4.2.1).</p>
Non-Associated Shareholders collectively retain control	<p>If the Proposed Transaction is approved, the Non-Associated Shareholders will collectively hold no less than a 62.3% interest in Terragen. The Non-Associated Shareholders will continue to collectively hold a controlling interest in the Company if the Proposed Transaction is approved.</p>

Source: BDOCF analysis

2.3.3 Disadvantages of the Proposed Transaction

Table 2.3 below outlines the potential disadvantages to the Non-Associated Shareholders of approving the Proposed Transaction.

Table 2.3: Potential Disadvantages of the Proposed Transaction

Disadvantage	Explanation
The Proposed Transaction is Not Fair	As set out in Section 2.2 above, the Proposed Transaction is Not Fair to the Non-Associated Shareholders as at the date of this Report.
Dilution of Non-Associated Shareholders interest in the Company	If the Proposed Transaction is approved, Mr Ward's interest in the Company will increase up to a maximum of 37.7% on an undiluted basis (in the event Resolutions 2, 4 and 5 are not approved) and 33.3% on an undiluted basis (in the event all Tranche 2 resolutions are approved). This increase in shareholding will dilute the Non-Associated Shareholders' relevant interest in the Company and decrease their exposure to any upside in the value of Terragen.

Disadvantage	Explanation
Mr Ward will have significant influence and can block special resolutions	To pass a special resolution, a minimum of 75% of the votes cast by shareholders of the company entitled to vote on the resolution must be in favour of the resolution. To pass an ordinary resolution a minimum of 50% of the votes cast by shareholders of the company entitled to vote on the resolution must be in favour of the resolution. Following the Proposed Transaction, Mr Ward will have a relevant interest in the Company of up to a maximum of 37.7% on an undiluted basis (in the event Resolutions 2, 4 and 5 are not approved) and 33.3% on an undiluted basis (in the event all Tranche 2 resolutions are approved). This will enable Mr Ward to unilaterally block special resolutions (including schemes of arrangement). Mr Ward's relevant interest will also provide him with significant influence over ordinary resolutions.
Potentially reduce the chance of receiving takeover offers in the future without Mr Ward's support	As noted above, if the Proposed Transaction is approved, Mr Ward will hold up to a maximum of 37.7% on an undiluted basis of the shares outstanding in the Company. This may reduce the chance of Terragen's shareholders receiving a takeover offer for their shares without the support of Mr Ward. We note, for any future takeover to progress Mr Ward may be required to vote in favour, and for any scheme of arrangement to succeed Mr Ward will be required to vote in favour.
If the Proposed Transaction is approved there is potential for additional shares to be sold on the open market	If the Proposed Transaction is approved, Terragen will be able to issue 83,333,340 shares to Mr Ward so that he will hold 122,930,971 shares outstanding in the Company post completion of the Proposed Transaction. Mr Ward may elect to sell some of the new Terragen shares received on the open market. This may place downward pressure on the share price of Terragen if the increased supply of Terragen shares sufficiently outweighs the demand.

Source: BDOCF analysis

2.3.4 Other Considerations - Comparison Assuming a Minority Interest Pre and Post the Proposed Transaction

Prior to the Proposed Transaction, individual Terragen Non-Associated Shareholders could reasonably be considered to be minority shareholders of Terragen. If the Proposed Transaction is approved, individual Terragen Non-Associated Shareholders will remain non-controlling shareholders in the Company. Mr Ward is the largest Terragen shareholder and his interest in the Company under the Proposed Transaction will increase up to a maximum of 37.7% on an undiluted basis (in the event Resolutions 2, 4 and 5 are not approved) and 33.3% on an undiluted basis (in the event all Tranche 2 resolutions are approved).

For the purpose of the analysis set out in this Report, we have also compared the value of a Terragen share post the Proposed Transaction on a minority interest basis with the value of a Terragen share prior to the Proposed Transaction on a minority interest basis in Table 2.4 below. Non-Associated Shareholders should note that this comparison does not form part of our fairness assessment.

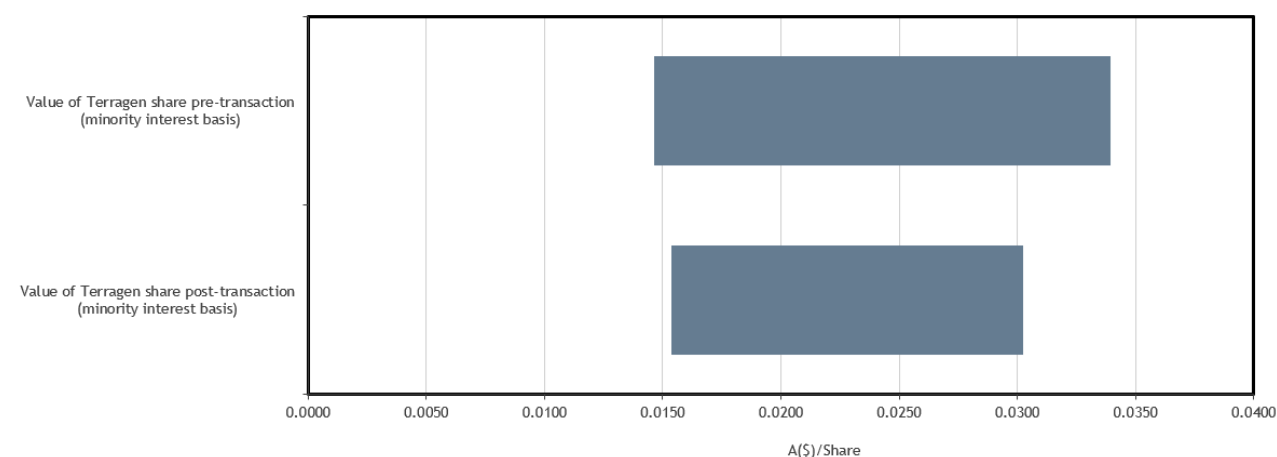
Table 2.4: Comparison of the Value of a Terragen Share on a Minority Interest Basis Prior to and Post the Proposed Transaction

	Low	High
Value of a Terragen share prior to the Proposed Transaction (minority interest)	\$0.0147	\$0.0339
Value of a Terragen share post the Proposed Transaction (minority interest)	\$0.0154	\$0.0302

Source: BDOCF Analysis

Figure 2.2 below sets out a graphical comparison of our valuation of a Terragen share prior to the Proposed Transaction on a minority interest basis and our valuation of a share in Terragen on a minority interest basis following the Proposed Transaction.

Figure 2.2: Comparison of the Value of a Terragen Share on a Minority Interest Basis Prior to and Post the Proposed Transaction



Source: BDOCF Analysis

With reference to Table 2.4 and Figure 2.2, we note that when a comparison of the value of a Terragen share is completed on a minority interest basis, both prior to and post the Proposed Transaction, the pre-Proposed Transaction range fully encompasses the post Proposed Transaction valuation range. That is to say there is an upward shift in comparison with the low ends of the ranges and a downward shift in comparison with the high ends of the ranges.

2.3.5 Position of the Shareholders if the Proposed Transaction is Not Approved

Table 2.5 below outlines the potential position of individual Terragen shareholders if the Proposed Transaction is Not Approved.

Table 2.5: Position of Non-Associated Shareholders if the Proposed Transaction is Not Approved

Position of Shareholders	Explanation
Reduced business activities	Management have advised that without the funds under the Proposed Transaction, Terragen may need to delay or eliminate their R&D, commercialisation, manufacturing or other business activities. Further, in the event of insufficient capital, for Terragen to continue operating, they may be required to license or sell their technologies and depending on the circumstances, these transactions may be on unfavourable terms.
Requirement to raise capital	If the Proposed Transaction is not approved, Terragen may be required to raise additional capital earlier than may have otherwise been the case. There is no guarantee that the price of any further capital raisings will be in excess of the \$0.0240 under the Proposed Transaction. By way of example, Terragen's daily VWAP from 8 June 2023 to 30 June 2023 was in the range of \$0.0220 to \$0.0260 with an average over the period of \$0.0223 and capital raisings are often undertaken at a discount to recent share trading prices.
No change to Terragen's shareholding as a result of the Proposed Transaction	If the Proposed Transaction is not approved, no shares will be issued under the Proposed Transaction and the Non-Associated Shareholders will not have their collective interest diluted.
Mr Ward will not be able to block special resolutions	If the Proposed Transaction is not approved, Mr Ward's interest in the Company will remain below 25% and he will not be able to unilaterally block special resolutions.
Mr Ward level of control will remain unchanged	If the Proposed Transaction is not approved, Mr Ward's interest in the Company will remain at 16.3%.
Non-recoverable costs	Terragen has incurred costs in relation to the Proposed Transaction. Terragen will not be able to recover the costs that it has incurred in relation to the Proposed Transaction irrespective of whether or not the Proposed Transaction is approved.

Source: BDOCF analysis

2.3.6 Assessment of the Reasonableness of the Proposed Transaction

In our opinion, after considering all of the issues set out in this Report, it is our view that, in the absence of any other information or a superior proposal, the Proposed Transaction is **Reasonable** to the Non-Associated Shareholders as at the date of this Report.

2.4 Opinion

After considering the above assessments, it is our view that, in the absence of any other information, the Proposed Transaction is **Not Fair but Reasonable** as at the date of this Report.

Before forming a view on whether to vote in favour of or against the Proposed Transaction, Non-Associated Shareholders must:

- ▶ Have regard to the information set out in the balance of this Report, including the Important Information set out in Section 3;
- ▶ Consult their own professional advisers; and
- ▶ Consider their specific circumstances.

3.0 Important Information

3.1 Read this Report, and Other Documentation, in Full

This Report, including Part I, Part II and the appendices, should be read in full to obtain a comprehensive understanding of the purpose, scope, basis of evaluation, limitations, information relied upon, analysis, and assumptions underpinning our work and our findings.

Other information provided to the Non-Associated Shareholders in conjunction with this Report should also be read in full, including the Notice of Meeting.

3.2 Shareholders' Individual Circumstances

Our analysis has been completed and our conclusions expressed at an aggregate level having regard to the Non-Associated Shareholders as a whole. BDOCF has not considered the impact of the Proposed Transaction on the particular circumstances of individual Non-Associated Shareholders. Individual Non-Associated Shareholders may place a different emphasis on certain elements of the Proposed Transaction relative to the emphasis placed in this Report. Accordingly, individual Non-Associated Shareholders may reach different conclusions as to whether or not the Proposed Transaction is fair and reasonable in their individual circumstances.

The decision of an individual Non-Associated Shareholder to vote in favour of or against the Proposed Transaction is likely to be influenced by their particular circumstances and accordingly, the Non-Associated Shareholders are advised to consider their own circumstances and seek their own independent advice.

Voting in favour of or against the Proposed Transaction is a matter for individual Non-Associated Shareholders based on their expectations as to the expected value, future prospects and market conditions together with their particular circumstances, including risk profile, liquidity preference, portfolio strategy and tax position. Non-Associated Shareholders should carefully consider the Notice of Meeting.

Non-Associated Shareholders who are in doubt as to the action they should take in relation to the Proposed Transaction should consult their professional adviser.

With respect to the taxation implications of the Proposed Transaction, it is strongly recommended that the Non-Associated Shareholders obtain their own taxation advice, tailored to their own particular circumstances.

3.3 Scope

In this Report we provide our opinion on whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders.

This Report has been prepared at the request of the directors other than Mr Brougham ('the Non-Conflicted Directors') for the sole benefit of the Non-Associated Shareholders entitled to vote, to assist them in their decision to vote in favour of or against the Proposed Transaction. This Report is to accompany the Notice of Meeting to be sent to the Non-Associated Shareholders to consider the Proposed Transaction and was not prepared for any other purpose. Accordingly, this Report and the information contained herein may not be relied upon by anyone other than the Non-Conflicted Directors and the Non-Associated Shareholders without our written consent. We accept no responsibility to any person other than the Non-Conflicted Directors and the Non-Associated Shareholders in relation to this Report.

This Report should not be used for any other purpose and we do not accept any responsibility for its use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of this Report, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

We have consented to the inclusion of this Report with the Notice of Meeting. Apart from this Report, we are not responsible for the contents of the Notice of Meeting or any other document associated with the Proposed Transaction. We acknowledge that this Report may be lodged with regulatory authorities to obtain the relevant approvals prior to it being made available to the Non-Associated Shareholders.

The scope of procedures we have undertaken has been limited to those procedures required in order to form our opinion. Our procedures did not include verification work nor constitute an audit or assurance engagement in accordance with Australian Auditing and Assurance Standards. In preparing this Report we considered a range of matters, including the necessary legal requirements and guidance of the Corporations Act 2001 (Cth) ('the Corporations Act'), the Corporation Regulations 2001 ('the Regulations'), the regulatory guides ('RGs') published by the Australian Securities and Investments Commission ('ASIC'), the listing requirements of the relevant exchanges (where relevant) and commercial practice.

In forming our opinion, we have made certain assumptions and outline these in this Report including:

- ▶ We have performed our analysis on the basis that the conditions precedent to the Proposed Transaction are satisfied;
- ▶ That matters such as title to all relevant assets, compliance with laws and regulations and contracts in place are in good standing, and will remain so, and that there are no material legal proceedings, other than as publicly disclosed;
- ▶ All information which is material to the Non-Associated Shareholders' decision on the Proposed Transaction has been provided and is complete, accurate and fairly presented in all material respects;

- ▶ ASX announcements and other publicly available information relied on by us are accurate, complete and not misleading;
- ▶ If the Proposed Transaction is approved, that it will be implemented in accordance with the stated terms outlined in the Notice of Meeting;
- ▶ The legal mechanism to implement the Proposed Transaction is correct and effective;
- ▶ There are no undue changes to the terms and conditions of the Proposed Transaction or complex issues unknown to us; and
- ▶ Other assumptions, as outlined in this Report.

In this Report we have not provided any taxation, legal or other advice of a similar nature in relation to the Proposed Transaction. Terragen has engaged other advisors in relation to those matters.

Terragen has acknowledged that the Company's engagement of BDOCF is as an independent contractor and not in any other capacity, including a fiduciary capacity.

The statements and opinions contained in this Report are given in good faith and are based upon our consideration and assessment of the information provided by the Board, executives and management of all the entities.

3.4 Purpose of this Report

Section 606 of the Corporations Act states that, subject to the exceptions set out in section 611, a 'relevant interest' in issued voting shares in a listed company cannot be increased from 20% or below to more than 20%, or increasing from a starting point that is above 20% and below 90%. A 'relevant interest' is broadly defined as an interest giving the holder the power to control the right to vote or dispose of shares.

If the Proposed Transaction is approved, Mr Ward will be issued a total of 83,333,340 fully paid ordinary Terragen shares. Following the Proposed Transaction, Mr Ward's relevant interest in Terragen will increase from approximately 16.3% up to a maximum of 37.7% on an undiluted basis (in the event Resolutions 2, 4 and 5 are not approved) and 33.3% on an undiluted basis (in the event all Tranche 2 resolutions are approved). In these circumstances, an exemption from section 606 must be sought under item 7 of section 611 of the Corporations Act.

Item 7 of section 611 allows a party to gain a relevant interest in shares of a public company that would otherwise be prohibited under subsection 606(2) of the Corporations Act if the Proposed Transaction is approved in advance by a resolution passed at a general meeting of the company, and:

- ▶ No votes are cast in favour of the resolution by any party who is associated with the party acquiring the shares, or by the party acquiring the shares; and
- ▶ There was full disclosure of all information known by both the party proposing to make the acquisition, their associates and the company in relation to the transaction which was material to a decision on how to vote on the resolution.

ASIC RG 74: *Acquisitions Approved by Members* states that the obligation to supply shareholders with all material information can be satisfied by the non-associated directors of Terragen by either:

- ▶ Undertaking a detailed examination of the Proposed Transaction themselves, if they consider that they have sufficient expertise; or
- ▶ Commissioning an independent expert's report.

We have been requested to prepare this independent expert's report to provide additional information to the Non-Associated Shareholders to assist them to form a view on whether to vote in favour of or against the Proposed Transaction.

3.5 Current Market Conditions

Our opinion and the analysis set out in this Report is based on economic, commodity, market and other conditions prevailing at the date of this Report. Such conditions can change significantly over relatively short periods of time and may have a material impact on the results presented in this Report and result in any valuation or other opinion becoming quickly outdated and in need of revision.

In circumstances where we become aware of and believe that a change in these conditions, prior to the Meeting, results in a material statement in this Report becoming misleading, deceptive or resulting in a material change in valuation, we will provide supplementary disclosure to Terragen. BDOCF is not responsible for updating this Report following the close of the Meeting or in the event that a change in prevailing circumstance does not meet the above conditions.

3.6 Reliance on Information

Terragen recognises and confirms that, in preparing this Report, except to the extent to which it is unreasonable to do so, BDOCF, BDO Services Pty Ltd or any of the partners, directors, agents or associates (together 'BDO Persons'), will be using and relying on publicly available information and on data, material and other information furnished to BDO Persons by Terragen, its management, and other parties, and may assume and rely upon the accuracy and completeness of, and is not assuming any responsibility for independent verification of, such publicly available information and the other information so furnished.

Unless the information we are provided suggests the contrary, we have assumed that the information provided was reliable, complete and not misleading, and material facts were not withheld. The information provided was evaluated through analysis and inquiry for the purpose of forming an opinion as to whether or not the Proposed Transaction is fair and reasonable.

We do not warrant that our inquiries have identified or verified all of the matters which an audit, extensive examination or due diligence investigation might disclose. In any event, an opinion as to whether a corporate transaction is fair and reasonable is in the nature of an overall opinion rather than an audit or detailed investigation.

It is understood that the accounting information provided to us was prepared in accordance with generally accepted accounting principles.

Where we relied on the views and judgement of management, the information was evaluated through analysis and inquiry to the extent practical. Where we have relied on publicly available information, we have considered the source of the information and completed our own analysis to assist us to determine the accuracy of the information we have relied on. However, in many cases the information we have relied on is often not capable of external verification or validation and on that basis we provide no opinion or assurance on the information.

The Non-Conflicted Directors represent and warrant to us for the purpose of this Report, that all information and documents furnished by Terragen (either by management directly or through its advisors) in connection or for use in the preparation of this Report do not contain any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements therein. We have received representations from the Non-Conflicted Directors in relation to the completeness and accuracy of the information provided to us for the purpose of this Report.

Under the terms of our engagement, Terragen has agreed to indemnify BDO Persons against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided, which is false or misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

3.7 Glossary

Capitalised terms used in this Report have the meanings set out in the glossary. A glossary of terms used throughout this Report is set out immediately following the Table of Contents at the start of this Report.

All dollar ('\$') references in this Report are in Australian dollars unless otherwise stated.

3.8 Sources of Information

This Report has been prepared using information obtained from sources including the following:

- ▶ Terragen annual report for the year ended 30 June 2022, 2021 and 2020;
- ▶ Terragen half year report for the 6 months ended 31 December 2022;
- ▶ Terragen ASX announcements;
- ▶ The Notice of Meeting;
- ▶ The financial model provided by Terragen ('the Model');
- ▶ Capital IQ;
- ▶ IBISWorld;
- ▶ MergerMarket;
- ▶ Other research publications and publicly available data as sourced throughout this Report;
- ▶ Various transaction documents provided by the Management of Terragen and their advisors;
- ▶ Discussions and other correspondence with Terragen, management and their advisers.

3.9 APES 225 Valuation Services

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 *Valuation Services* ('APES 225'). A Valuation Engagement is defined by APES 225 as 'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

3.10 Forecast Information

Any forecast financial information referred to in this Report has originated from the Company's management and is adopted by the Directors in order to provide us with a guide to the potential financial performance of Terragen. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to event(s) and transaction(s) that have not yet occurred and may not occur. Actual results are likely to be different from the forecast financial information since anticipated event(s) or transaction(s) frequently do not occur as expected and the variation between actual results and those forecast may be material.

The directors' best-estimate assumptions on which the forecast is based relate to future event(s) and/or transaction(s) that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of Terragen. Evidence may be available to support the directors' best-estimate assumptions on which the forecast is based however, such evidence is generally future-oriented and therefore speculative in nature. In certain circumstances, we may adjust the forecast assumptions provided by management to complete our valuation work. In this instance, the forecasts we have adopted for our valuation work will not be the same as the forecasts provided by management.

BDOCF cannot and does not provide any assurance that any forecast is representative of results or outcomes that will actually be achieved. While we have considered the forecast information to the extent we considered necessary to complete the analysis set out in this Report, we have not been engaged to provide any form of assurance conclusion on any forecast information set out in this Report. We disclaim any assumption of responsibility for any reliance on this Report, or on any forecast to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management, that all material information concerning the prospects and proposed operations of Terragen has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

3.11 Qualifications

BDOCF has extensive experience in the provision of corporate finance advice, including takeovers, valuations and acquisitions. BDOCF holds an Australian Financial Services Licence issued by ASIC for preparing expert reports pursuant to the Listing Rules of the ASX and the Corporations Act.

BDOCF and its related parties in Australia have a wide range of experience in transactions involving the advising, auditing or expert reporting on companies that have operations domestically and in foreign jurisdictions. BDO in Queensland and in Australia is a national association of separate partnerships and entities and is a member of the international BDO network of individual firms.

Mark Whittaker and Scott Birkett have prepared this Report with the assistance of staff members. Mr Whittaker, BCom (Hons), CA, CFA, and Mr Birkett, BBusMan/BCom, CFA, are directors of BDOCF. Both Mr Whittaker and Mr Birkett have extensive experience in corporate advice and the provision of valuation and professional services to a diverse range of clients, including large private, public and listed companies, financial institutions and professional organisations. Mr Whittaker and Mr Birkett are considered to have the appropriate experience and professional qualifications to provide the advice offered within this Report.

BDO Corporate Finance Ltd



Mark Whittaker
Director



Scott Birkett
Director

PART II: INFORMATION SUPPORTING OUR OPINION ON THE PROPOSED TRANSACTION

4.0 Overview of the Proposed Transaction

This section sets out an overview of the Proposed Transaction and is structured as follows:

- ▶ Section 4.1 provides a brief description of the Proposed Transaction;
- ▶ Section 4.2 describes the key parties involved in the Proposed Transaction; and
- ▶ Section 4.3 details the rationale for the Proposed Transaction.

This section is a summary only and should not be treated as a complete description of the Proposed Transaction. The Non-Associated Shareholders should refer to the Notice of Meeting and any subsequent disclosures for additional information relating to the Proposed Transaction and the key parties involved.

4.1 Summary of the Proposed Transaction

4.1.1 Overview of the Transactions

On 8 June 2023, Terragen announced that they will be conducting the Transactions to raise up to a total amount of \$4.7 million as follows:

- ▶ The Placement will raise up to approximately \$3.7 million via the issue of approximately 155.6 million new fully paid ordinary shares in the Company to professional and sophisticated investors. The two tranches will comprise the following:
 - Tranche 1: approximately \$0.7 million via the issue of approximately 29.1 million new shares at an offer price of \$0.024 per share within the Company's existing placement capacity under Listing Rule 7.1. We note, Terragen announced the completion of Tranche 1 on 15 June 2023; and
 - Tranche 2: approximately \$3.0 million via the issue of approximately 126.5 million new shares at an offer price of \$0.024 per share, subject to shareholder approval.
- ▶ Terragen also intended to raise an additional \$1.0 million via the SPP with eligible shareholders, offering them the opportunity to apply for up to \$30,000 in new shares at an offer price of \$0.024 per share. We note that as at the closure of the subscription period on 30 June 2023, Terragen had raised \$466k. Terragen issued the 19,416,651 shares purchased under the SPP to shareholders on 6 July 2023.

Completion of Tranche 2 is subject to the Company obtaining the necessary shareholder approval required under item 7 of section 611 of the Act, ASX Listing Rule 7.1 and ASX Listing Rule 10.11. In the Notice of Meeting, Tranche 2 is subject to four separate resolutions (resolutions 2-5). We note the following about these resolutions:

- ▶ Resolution 2: this resolution is seeking shareholder approval under ASX Listing Rule 7.1 to issue 34,042,340 shares from Tranche 2 to non-related parties;
- ▶ Resolution 3: this resolution is seeking shareholder approval under item 7 of section 611 of the Act to issue shares from Tranche 2 to Mr Ward. Shareholder approval is required for this resolution, as participation in Tranche 2 by Mr Ward will result in him acquiring an additional 83,333,340 Terragen shares. This acquisition will increase Mr Ward's relevant interest in the Company above 20.0%. For completeness, we note that following Tranche 1 and the issue of shares from the SPP on 6 July 2023, Mr Ward will hold a relevant interest in the Company of 16.3%. Mr Ward's interest in Terragen will increase from 16.3% up to a maximum of 37.7% on an undiluted basis (in the event the other Tranche 2 resolutions are rejected) and 33.3% on an undiluted basis (in the event all Tranche 2 resolutions are approved). We refer to Resolution 3 as 'the Proposed Transaction' which is the subject of this Report; and
- ▶ Resolution 4 and 5: these resolutions are seeking shareholder approval under ASX Listing Rule 10.11 to issue shares from Tranche 2 to Mr Brougham, a director of the Company, and Mr Dillon, a former director of the Company. Under Tranche 2, Mr Brougham and Mr Dillon will be purchasing a total of 9,166,680 shares between them.

For completeness, we note that the offer price of \$0.024 per share for the Transactions represents the following:

- ▶ A 14.3% discount to the last close price prior to the announcement of the Transactions (5 June 2023); and
- ▶ An 8.2% discount to the 15-day VWAP up to the last trading day prior to the announcement of the Transactions (5 June 2023).

4.1.2 Intended Use and Allocation of Funds

Terragen have advised that the proceeds from the Transactions will primarily be used to fund research and development of near-term new products. Specifically, the funds will be used for the following:

- ▶ New product research and development:
 - Development of a dry version of Mylo and research into feasibility of a higher dose Mylo product;
 - Conduct further study for methane reduction potential and enhanced productivity benefits vs baseline dose;
 - Development of a biological teat wash, Lactolin, and a silage inoculant Sylo; and
 - Product extension of Great Land Plus.
- ▶ Working capital to support business operations:
 - Registration and commercialisation of new products; and
 - Staff and management of day-to-day operations.

Table 4.1 below outlines the intended allocation of funds following the Transactions.

Table 4.1: Intended Allocation of Funds

AUD Million's	Tranche 1	Tranche 2	The SPP ¹	Total	%
New product research and development	\$0.46	\$2.04	\$0.31	\$2.81	67.0%
Working capital to support business operations	\$0.20	\$0.87	\$0.13	\$1.20	28.7%
Costs of the Transactions	\$0.04	\$0.12	\$0.02	\$0.18	4.3%
Total	\$0.70	\$3.03	\$0.47	\$4.20	100.0%

Source: Terragen ASX Announcements

¹ In Terragen's announcement, the SPP figures were calculated assuming it would be subscribed to \$1.0 million. As at the close of the subscription period on 30 June 2023, Terragen's eligible shareholders only subscribed to \$466k. Keeping the allocation percentages consistent between the three categories, we have adjusted for the actual capital received via the SPP.

4.1.3 Movement in Capital Structure

Prior to the announcement of the Transactions, Terragen had 194,019,235 shares outstanding. Table 4.2 below outlines the capital structure of Terragen prior to the Transactions.

Table 4.2: Capital Structure Prior to the Transactions

Shareholder	Number of Shares	Percentage Holding
Mr Ward	33,345,761	17.2%
Other Shareholders	160,673,474	82.8%
Total	194,019,235	100.0%

Source: Terragen ASX Announcements, BDO Analysis

¹ In addition to the capital structure outlined in Table 4.1, there are 8,000,000 options outstanding as of 8 June 2023 with exercises prices in the range of \$0.25 to \$1.00.

Table 4.3 below sets out the indicative capital structure following completion of Tranche 1, the SPP and Tranche 2. Whilst the shares under Tranche 2 will be issued on the same date (if approved), we have separately included the movements under Tranche 2 for the Proposed Transaction and the other resolutions. Table 4.3 also assumes that no additional shares are issued, or options exercised, prior to completion of the Transactions.

Table 4.3: Indicative Capital Structure Following the Transactions

	Post Tranche 1		Post the SPP ²		Post the Proposed Transaction		Post Resolution 2 and Resolution 4 and 5	
	No. Shares	% Holding	No. Shares	% Holding	No. Shares	% Holding	No. Shares	% Holding
Mr Ward	38,347,631	17.19%	39,597,631	16.33%	122,930,971	37.72%	122,930,971	33.31%
Other Shareholders ¹	184,774,484	82.81%	202,941,135	83.67%	202,941,135	62.28%	246,150,155	66.69%
	223,122,115	100.00%	242,538,766	100.00%	325,872,106	100.00%	369,081,126	100.00%

Source: Terragen ASX Announcements, BDO Analysis

¹ Other shareholders include non-related parties that acquire 34,042,340 shares under Resolution 2 and Mr Brougham and Mr Dillon who together acquire a total of 9,166,680 shares under Resolution 4 and 5.

² We have adjusted the capital structure for the actual movements under the SPP. For completeness, we note Terragen intended to raise \$1.0 million via the SPP. However, as at the close of the subscription period on 30 June 2023, Terragen's shareholders only subscribed to \$466k. Resultantly, Terragen only issued 19,416,651 shares under the SPP to shareholders on 6 July 2023. We note, of the 19,416,651 shares issued, Mr Ward was issued with 1,250,000 (as he subscribed for the maximum of \$30k worth of shares).

³ In addition to the capital structure outlined in Table 4.2, there are 8,000,000 options outstanding as of 8 June 2023 with exercises prices in the range of \$0.25 to \$1.00. We have not included these options in our capital structure calculations. For completeness, we note that in the event they were exercised, Mr Ward's interest in the Company (assuming all Tranche 2 resolutions are approved) would decrease from 33.31% to 32.60%.

4.2 Description of the key party involved in the Proposed Transaction

4.2.1 Mr Ward

Mr Ward was an early investor in Terragen, holding 4,000,000 shares in the Company prior to its IPO in 2019. Since the Company has listed, Mr Ward has increased his interest and is now the largest shareholder of Terragen with an interest of approximately 16.3%. As seen in Table 4.3 above, following completion of the Transactions, Mr Ward will hold an interest in the Company of up to a maximum of 37.7% on an undiluted basis.

It is also anticipated that following the Proposed Transaction, Mr Ward will join the Board as a Director. Mr Ward has a strong academic background, graduating cum laude with a BA from Harvard University in 1989 and holding a CFA charter. Mr Ward brings a wealth of experience, having over 30 years of investment management experience focusing on smaller listed companies. Mr Ward was also the co-founder and executive chairman of the investment firm Ward Ferry Management.

4.3 Strategic Rationale for the Proposed Transaction

The Non-Conflicted Directors unanimously recommend that the Non-Associated Shareholders vote in favour of the Proposed Transaction. Specifically, the Non-Conflicted Directors recommend that the Non-Associated Shareholders vote in favour of the Proposed Transaction for the following reasons:

- ▶ The capital that Mr Ward is proposing to invest is required for the ongoing development of the Company's research and product development;
- ▶ Management have been unable to identify alternate sources of investment capital prepared to support the efforts of the Company; and
- ▶ The Company runs a going concern risk without the injection of funds at this time.

5.0 Background of Terragen

This section is set out as follows:

- ▶ Section 5.1 provides an overview and background information on Terragen;
- ▶ Section 5.2 outlines Terragen's key products;
- ▶ Section 5.3 outlines Terragen's production facility and process;
- ▶ Section 5.4 summarises the equity structure of Terragen;
- ▶ Section 5.5 summarises the share market trading in Terragen shares; and
- ▶ Section 5.6 summarises the historical financial information of Terragen.

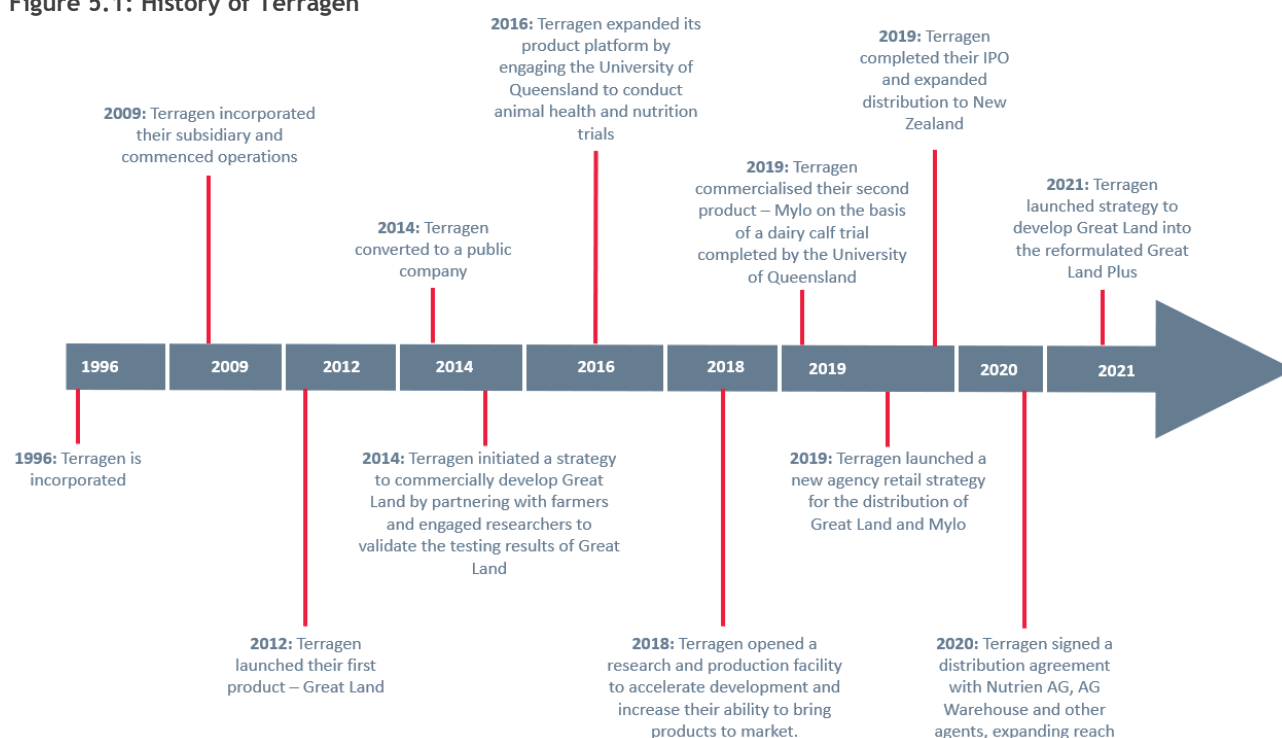
5.1 Background

5.1.1 Overview

Terragen is an ASX listed company (ASX: TGH) headquartered in the Sunshine Coast, Australia. The Company develops and markets microbial biological solutions to address animal and soil health, productivity and methane reduction which it sells to customers in Australia and New Zealand. The aim of the Company is to increase farm productivity through the use of their products, whilst providing improved environmental sustainability that will be attractive to customers. Each Terragen product utilises 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 was founded in 1996 by a team of scientists and agriculturalists with a passion for developing sustainable solutions for the agricultural industry. However, from 1996 to 2009, Terragen was largely inactive. Terragen only commenced operations in 2009 following the incorporation of their subsidiary, Terragen Biotech Pty Ltd (we note, Terragen's corporate structure is only comprised of these two entities). The Company initially began by developing technologies with environmental potential but transitioned into focusing its efforts to support dairy farmers. The Company's history is summarised in Figure 5.1 below.

Figure 5.1: History of Terragen



Source: Terragen Prospectus

Given the early-stage nature of the Company, a major component of Terragen's operations is still in research and development. Terragen are focused on progressing studies from the lab to the field for plant and animal applications whilst ensuring all product development is underpinned by evidence-based research programs. Terragen are able to achieve this due to the knowledge of their staff and their research and manufacturing facility. Terragen are always looking for new ways to develop and test the efficacy of its two primary products, Mylo (feed supplement) and Great Land Plus (soil conditioner) whilst continuing to move forward with the products and studies it has in its pipeline. Terragen's products are discussed further in Section 5.2 below.

5.2 Key Products

This section sets out a summary of Terragen’s key products. Terragen currently has two products on the market in Australia and New Zealand which are sold and distributed by a retail agency network consisting of 200 stores. Both of Terragen’s products utilise live microbes, we note Terragen’s use of microbes are protected by patents across Australia, New Zealand, United States and Europe. Terragen’s two products are:

- ▶ **Mylo® ('Mylo')**: a live microbial feed supplement with applications to boost health and productivity for dairy and beef cattle and sheep, in addition to reducing methane emissions; and
- ▶ **Great Land Plus® ('Great Land Plus')**: a patented chemical free-soil conditioner, containing a proprietary consortium of live microbes.

For completeness, we note Terragen also have a number of products/studies in the pipeline which they are continuing to develop.

5.2.1 Mylo

Mylo is a next generation natural feed supplement that is proven to help improve the health and productivity of calf and cattle, elevating financial returns for farmers. Mylo is a live microbial probiotic feed supplement, primarily targeted at production animals such as dairy cattle, beef cattle and sheep. It is a liquid product that contains a specialised selection and blend of live microbes. These microbes impact the development and function of the animal’s gut (rumen and intestinal system), increasing the abundance of beneficial bacteria. As animals are born with immature guts, they are susceptible to harmful bacteria and pathogens. By feeding them Mylo, it helps to establish the right microbes in the intestinal tract to suppress disease-causing organisms and minimise stress on the immune system. Terragen offers two variations of Mylo being Mylo Calf and Mylo Cow. Mylo for calves currently holds a 10% market share of Australia calves and Mylo for cows currently holds a 4.4% market share of Australian cows¹. Table 5.1 below summarises the key advantages of the two Mylo products:

Table 5.1: Key Advantages of Mylo Calf and Mylo Cow

Mylo Calf	Mylo Cow
<p>Benefits for the calf:</p> <ul style="list-style-type: none"> ▶ Earlier weaning as calves reach target weight up to 10 days earlier (which means reduced feeding, labour and animal health costs); ▶ Heavier weaning weight of up to 8% or 6kg due to accelerated rumen development; ▶ Faster and stronger gut development for improved digestion and nutrient absorption; ▶ Improved health characteristics (increased energy, shinier coats and stronger appetites); and ▶ Improved immunity and resilience. <p>Benefits for the farmer:</p> <ul style="list-style-type: none"> ▶ Improved feed conversion; and ▶ Reduced labour and animal health costs. 	<p>Benefits for the cow:</p> <ul style="list-style-type: none"> ▶ Reduces methane emissions in cows by up to 7.5%, resulting in 100 Tonne CO₂ reduction per year per farm; ▶ Increased milk production, with cows producing 10.1% more milk; ▶ Higher quality milk with somatic cell count reduced by up to 38%; ▶ Increased body weight by up to 21%; ▶ Improved immunity and resilience; ▶ Improved feed digestion and nutrient absorption; and ▶ Reduced mastitis management and health costs. <p>Benefits for the farmer:</p> <ul style="list-style-type: none"> ▶ Improved feed conversion; ▶ Reduced labour and animal health costs; and ▶ Increased dollar return per cow (up to \$410 annual benefit per cow net of Mylo costs).

Source: Terragen ASX Announcements

5.2.2 Great Land Plus

Great Land Plus is a patented liquid biological soil conditioner which contains live, natural occurring bacterial species that helps to boost soil health and yield. It was developed as an effective alternative to chemical-based soil conditioners and is made from a blend of plant extracts and beneficial microbes. It helps to improve plant health by stimulating root growth, increasing nutrient uptake, and reducing stress. In Australia and New Zealand, Great Land Plus has a market share of the dairy pasture industry of 3% and 1% respectively¹.

By using Great Land Plus, it reduces the need for farmers to use harmful chemicals and fertilizers, which benefits the environment and lowers input costs. Further, in an independent study conducted by the University of Queensland, it was shown that cows grazing pasture treated with Great Land Plus produced more milk and showed a reduced risk of mastitis. The highlights of Great Land Plus are as follows:

- ▶ Observed significant increase in lucerne growth, through improved water retention, nutrient profile and biology;

¹ Terragen Capital Raising Presentation Dated 8 June 2023

- ▶ Free of damaging chemicals;
- ▶ Contains five naturally occurring bacterial species from Lactobacillus and Acetobacter genera and one yeast;
- ▶ Increased milk per cow (+7.3%) contributing additional \$200 per pasture-fed cow per season to farmers;
- ▶ Reduces the need to use fertilisers; and
- ▶ Certified for organic farming in Australia and New Zealand.

5.2.3 Product Pipeline

As part of Terragen's growth strategy, they are continuing to improve and expand their product offering. Table 5.2 below summarises Terragen's current initiatives.

Table 5.2: Terragen's New Product Developments

Product	Description	Status	Size of Opportunity
▶ Dry Mylo	<ul style="list-style-type: none"> ▶ A dry version of the existing Mylo product. ▶ Benefits include increased shelf life, reduced transport costs, expansion to overseas markets and eliminates the need for Mylo pump. ▶ Management have advised that overseas expansion is limited due to the shelf life of Mylo. The increased shelf life of Dry Mylo will make overseas expansion more available. 	<ul style="list-style-type: none"> ▶ Currently in development and testing ▶ Management have advised they expect to begin launching Mylo Dry during FY25 	▶ \$150 million estimated addressable market (Australia and New Zealand)
▶ Great Land Plus - Nitrogen Reduction Potential	▶ Exploring the potential to reduce fertiliser requirement and thereby lowering costs for farmers and minimising adverse impact from fertiliser run off	▶ Currently in trial phase	▶ \$93 million total addressable market (Australia and New Zealand)
▶ Lactolin Teat Wash	▶ Alternative offering to teat washes that are based on harsh chemical (iodine or chlorhexidine) used in the dairy industry	▶ Early stage	▶ \$80 million total addressable market (Australia and New Zealand)
▶ Sylo	▶ Silage inoculant(s) - for use in silage production	▶ In small-scale testing	▶ Global market for grass silage inoculants is \$100 million

Source: Terragen ASX Announcements

5.3 Production Facility and Process

Since 2018, Terragen has maintained a manufacturing, research and development facility located in Queensland's Coolool Industrial Park. The facility produces Mylo and Great Land Plus and currently has the capacity to scale production by 300% without incurring any additional capital expenditure.

Terragen's production process is underpinned by a portfolio of organic microbes and supported by production processes and equipment. Terragen's production process involves the production of individual microbes, removal of fermentation and concentration of microbes, blending microbes into a liquid solution and packaging the product for distribution to customers.

5.4 Equity Structure of Terragen

5.4.1 Ordinary Shares

As at 6 July 2023 (following completion of Tranche 1 and the SPP), Terragen had 242,538,766 ordinary shares on issue. The substantial shareholders are set out in Table 5.3. Table 5.3 does not consider the impact of any changes in shareholding as a result of Tranche 2.

Table 5.3: Substantial Shareholders

Shareholders	Number of Shares	Percentage Holding
1 Mr Ward	39,597,631	16.33%
2 One Funds Management Ltd ATF Saville Capital Emerging Companies Fund	20,000,000	8.25%
3 Mr Brougham	15,178,718	6.26%
Other shareholders	167,762,417	69.17%
Total shares on issue¹	242,538,766	100.00%

Source: Terragen FY22 Annual Report, Terragen ASX Announcements

5.4.2 Options on Issue

On 17 July 2019, Terragen established an employee incentive plan to assist in the motivation, reward and retention of its directors, executive staff and selected employees. As at 8 June 2023, Terragen had 8,000,000 shares under option. All options are held directly by Mr. Jim Cooper, the former managing director and CEO of the Company.

Options or performance rights granted under the employee incentive plan can only be exercised if, at the time of exercise, the option or performance right has vested, it has not been forfeited or lapsed and the exercise price has been paid. For completeness, we note that no vesting conditions are attached to the current outstanding options.

Table 5.4: Terragen's Outstanding Options

Expiration Date	Number Outstanding	Exercise Price (AUD)
04-Dec-25	1,000,000	0.25
04-Dec-25	2,000,000	0.50
04-Dec-25	5,000,000	1.00
Total	8,000,000	-

Source: Terragen ASX Announcements

5.5 Share Trading Data of Terragen

5.5.1 Share Trading Data

Figure 5.2 displays the daily volume weighted average price ('VWAP') and daily volume of Terragen shares traded on the ASX over the period 11 December 2019 to 30 June 2023.

Figure 5.2: Daily VWAP and Volume of Terragen Shares Traded from 11 December 2019 to 30 June 2023



Source: Capital IQ as at 30 June 2023

Over the period graphed in Figure 5.2 above, Terragen's daily VWAP displays a period low of \$0.0200 on 29 May 2023 and a period high of \$0.4850 on 11 February 2021.

In addition to the share price and volume data of Terragen shown above, we have also provided additional information in Table 5.5 below to assist readers to understand the possible reasons for the movement in Terragen's share price over the period analysed. The selected ASX announcement references in Table 5.5 below correspond to those displayed in Figure 5.2 above.

Table 5.5: Selected Terragen ASX Announcements from 11 December 2019 to 30 June 2023

Date	Announcement
12/12/2019	Terragen released a business update and announced that sales for the first five months of FY20 were up 45% on the prior year with growth continuing to accelerate.
28/02/2020	Terragen released their half year report for the 6 months ended 31 December 2019. The Company announced that despite revenues from ordinary activities being \$795k, representing an 81% increase in comparison with the 6 months ended 31 December 2018, Terragen still recorded a loss for the period of approximately \$2.4 million.
23/03/2020	Terragen announced that the Company has expanded its Australian retail agency network by signing a retail agency partner agreement with Nutrien Ag Solutions limited for the distribution of its Mylo product, a liquid microbial livestock feed supplement. Nutrien Ag Solutions Limited is the subsidiary of Canada's Nutrien Ltd which is the world's largest provider of crop inputs and services.
07/04/2020	Terragen announced the appointment of Mr Dillon to their board of directors. The Company stated that Mr Dillon has extensive commercial and strategic expertise in the agricultural distribution channel. Mr Dillon was previously the CEO and Managing Director of Ruralco Holdings Limited, prior to its acquisition by Nutrien Ltd.
25/06/2020	Terragen announced they have made changes to strengthen the board and management team as the Company transitions from research and development to growing sales of its products. The Company announced they have appointed Mr Jim Cooper as CEO who brings extensive commercial and operational experience.
28/07/2020	Terragen announced that Mr Dillon has assumed the role of chair of the board of directors.

Date	Announcement
31/08/2020	Terragen released their results for the year ended 30 June 2020. The Company reported a NPAT loss for the year of \$4.9 million (FY19 NPAT loss: \$3.2 million). The Company recorded this loss despite revenue of \$1.5 million (representing an increase of 56% in comparison with the previous year). The growth in sales was driven by the rollout of the Mylo microbial feed supplement and the expansion of the Australian retail agency partner network. The Company noted that sales in New Zealand were adversely impacted in April and May due to Covid-19 but that the Covid-19 pandemic has had a negligible impact on the group's operations.
26/02/2021	Terragen released their half year report for the 6 months ended 31 December 2020. The Company reported a loss for the period of \$3.4 million despite revenue of \$1.4 million (representing a 73% increase in comparison with the previous period).
27/08/2021	Terragen released their results for the year ended 30 June 2021. The Company reported a NPAT loss for the period of \$6.1 million. Sales revenue grew to \$3.6 million representing an 86% increase in comparison with the previous period, however, this was offset by an increase in operating expenses. The operating expenses primarily comprised non-cash expenses related to employee options and additional salary and wage expenses to strengthen the Company's sales, manufacturing and management teams.
25/02/2022	Terragen released their half year results for the period ended 31 December 2021. The Company reported sales revenue over the period of \$1.1 million, representing a 23.2% decrease in comparison with the results as at 31 December 2020. Terragen stated revenues were impacted due to Covid-19 and a restructure to the sales team.
21/04/2022	Terragen announced the results of research conducted at Australia's pre-eminent dairy research farm, Ellinbank Smartfarm. The results indicate that the Company's product Mylo can reduce methane emission by the equivalent of 100 tonnes of CO ₂ per 350-cow dairy farm per year and that the cows that received the product gained 21% more weight than the control cows, a finding which benefits the broader cattle industry. Terragen also announced that more research will be conducted to determine if a higher dose further reduces emissions.
30/08/2022	Terragen announced their results for the year ended 30 June 2022. Sales revenue for the Company was \$2.2 million, representing a decrease in comparison with the previous year of 21%. However, over the second half of the year, Mylo sales increased by 6.1% in comparison with FY21 H2 and Great Land Plus sales increased by 13% in comparison FY22 H1. As per the announcement on 25 February 2022, revenue in the first half of the year was impacted due to Covid-19 and a restructure of the sales team. Terragen also announced that their market share has grown to 4.4%, with 1 in 23 Australian dairy cows taking Mylo as a feed supplement daily.
24/10/2022	Terragen announced that the Company was successful with their grant application for methane research on Mylo. The Company will conduct their research in partnership with the Victorian Department of Jobs, Precincts and Regions and has been awarded a significant grant from the second round of the Federal Governments Methane Emissions Reduction in Livestock Program.
24/02/2023	Terragen released their results for the half year ended 31 December 2022. The Company recorded sales revenue for the period of \$1.4 million, representing a 33% increase on the comparative prior period. The Company announced this was the first time Terragen sold over \$1.0 million in Mylo products in a half year. Terragen also increased their market share to 4.8% with 1 in 21 Australian dairy cows taking Mylo as a feed supplement daily.
28/03/2023	Terragen announced that they have appointed Mr Miles Brennan as their new CEO and managing director. Management stated that Mr Miles Brennan (as the former CFO) knows the business intimately and brings to the team his extensive commercial and operational experience. The decision was made in line with Terragen's business plan to streamline costs, with a view to extending its cash runway to enable completion of critical product studies.
24/05/2023	Terragen announced the latest findings from their research into Mylo has shown to improve milk yield by 10% and reduce cycle time of dairy cows by 9 days.
08/06/2023	Terragen announced that they have received firm commitments for a \$3.7 million placement and launched a \$1 million share purchase plan to support new product research and development.
15/06/2023	Terragen announced the completion of the first tranche of its two-tranche institutional placement. Specifically, the Company announced it had issued a total of 26,102,880 fully paid ordinary shares at an issue price of \$0.024.
30/06/2023	Terragen announced that Mr Travis Dillon has stepped down as chairman and non-executive director of the Company and that Terragen have now appointed Mr Mike Barry as non-executive director and chairman. Mr Mike Barry is currently the non-executive chair of Entyr Limited (ASX:ETR). Prior to this, Mr Mike Barry's executive career included 10 years in senior executive roles at Boral Limited, including regional general manager for the Western Australian and South Australian Construction Materials operations. Mr Mike Barry was also the CEO of MSF Sugar Limited for 13 years up until 2020.

Source: Terragen ASX Announcements

In Table 5.6 below we have set out Terragen's VWAP for the 1 week, 1 month, 3 months, 6 months, 9 months and 12 months prior to 5 June 2023, being the last date Terragen traded prior to announcing the Proposed Transaction.

Table 5.6: Terragen's VWAP for Specified Periods Up to 5 June 2023

Length of Relevant VWAP Period	VWAP up to 5 June 2023
1 Week	\$0.0222
1 Month	\$0.0258
3 Months	\$0.0299
6 Months	\$0.0466
9 Months	\$0.0608
12 Months	\$0.0796

Source: Capital IQ as at 7 June 2023

5.5.2 Liquidity of Terragen Shares on the ASX

The rate at which equity instruments are traded is generally referred to as the 'liquidity' of the equity instruments. Changes in liquidity may impact the trading price of equity instruments. This is particularly dependent on the number of equity instruments required to be bought and/or sold and the time period over which the equity instrument holder needs to buy and/or sell those equity instruments. Depending on the circumstances, a movement in market price may or may not represent a shift in value of either the equity instruments or a shift in value of the company to which the equity instruments relate as a whole.

Table 5.7 summarises the monthly liquidity of Terragen shares from 1 June 2022 to 30 June 2023. Liquidity has been summarised by considering the following:

- ▶ Volume of Terragen share trades per month;
- ▶ Value of total trades in Terragen shares per month;
- ▶ Number of Terragen shares traded per month as a percentage of total Terragen shares outstanding at the end of the month; and
- ▶ Volume weighted average price per month.

Table 5.7: Liquidity of Terragen shares on the ASX

Month	Volume	Shares Outstanding	Volume / Shares Outstanding	Monthly Low Share Price	Monthly VWAP	Monthly High Share Price
June 2023 (From 8 th to 30 th)	5,504,340	210,995,920	2.61%	\$0.0210	\$0.0223	\$0.0270
Total Post-Transaction Announcement	5,504,340	210,995,920	2.61%	\$0.0210	\$0.0223	\$0.0270
June 2023 (to 5 th)	117,000	194,019,240	0.06%	\$0.027	\$0.0280	\$0.028
May 2023	1,166,160	194,019,240	0.60%	\$0.020	\$0.0259	\$0.036
April 2023	859,390	194,019,240	0.44%	\$0.026	\$0.0333	\$0.037
March 2023	1,576,190	194,019,240	0.81%	\$0.029	\$0.0312	\$0.046
February 2023	431,810	194,019,240	0.22%	\$0.045	\$0.0725	\$0.080
January 2023	627,090	194,019,240	0.32%	\$0.077	\$0.0806	\$0.085
December 2022	746,160	194,019,240	0.38%	\$0.082	\$0.0865	\$0.100
November 2022	621,020	194,019,240	0.32%	\$0.095	\$0.1070	\$0.130
October 2022	1,009,410	194,019,240	0.52%	\$0.100	\$0.0985	\$0.135
September 2022	324,320	194,019,240	0.17%	\$0.100	\$0.1147	\$0.130
August 2022	692,630	193,719,240	0.36%	\$0.115	\$0.1371	\$0.140
July 2022	263,520	193,419,240	0.14%	\$0.130	\$0.1284	\$0.170
June 2022	1,361,350	193,071,000	0.71%	\$0.130	\$0.1476	\$0.175
Total Pre-Transaction Announcement	9,796,050	193,830,980	5.05%	\$0.020	\$0.0807	\$0.175

Source: Capital IQ as at 30 June 2023

5.6 Historical Financial Information of Terragen

This section sets out the historical financial information of Terragen. As this Report contains only summarised historical financial information, we recommend that any user of this Report read and understand the additional notes and financial information contained in Terragen's annual reports, including the full Statements of Profit or Loss and Other Comprehensive Income, Statements of Financial Position and Statements of Cash Flows.

Terragen's financial statements have been audited by Deloitte Touche Tohmatsu ('Deloitte') in FY20, FY21 and FY22. Since the beginning of FY23, Terragen have changed to a different auditor being SW Audit (formerly ShineWing Australia). BDOCF has not performed any audit or review of any type on the historical financial information of Terragen and we make no statement as to the accuracy of the information provided. However, we have no reason to believe that any of the information provided is false or misleading.

5.6.1 Statements of Profit or Loss

Table 5.8 summarises the Consolidated Statement of Profit or Loss of Terragen for the 12-month periods ended 30 June 2020, 2021, 2022 and the 6-month period ended 31 December 2022.

Table 5.8: Terragen Consolidated Statement of Profit or Loss

	12 Months Ended 30-Jun-20 Audited	12 Months Ended 30-Jun-21 Audited	12 Months Ended 30-Jun-22 Audited	6 Months Ended 31-Dec-22 Reviewed
Revenue	1,963,603	3,652,301	2,890,716	1,947,112
Other income	495,050	393,563	95,262	31,798
Total income	2,458,653	4,045,864	2,985,978	1,978,910
Direct research expenses	(584,309)	(871,232)	(840,396)	(203,937)
Raw materials and consumables used	(444,225)	(464,417)	(274,161)	(87,484)
Transport costs	(190,561)	(263,574)	(257,127)	(229,036)
Commissions	(432,750)	(972,999)	(694,786)	(543,036)
Employee benefits expense	(3,188,241)	(3,816,687)	(4,498,319)	(2,159,470)
Motor vehicle costs	(94,164)	(73,966)	(85,752)	-
Occupancy costs	(141,843)	(134,245)	(151,224)	(121,002)
Advertising and marketing expenses	(260,568)	(622,593)	(511,501)	(149,147)
Accounting and audit expenses	(231,324)	(194,032)	(214,171)	(115,482)
Travel and accommodation	(152,165)	(76,023)	(84,063)	(51,699)
ASX and share registry expenses	(79,665)	(85,221)	(84,572)	(34,203)
Computer costs	(88,292)	(110,467)	(106,220)	(58,758)
Consulting costs	(361,740)	(373,283)	(314,310)	(301,679)
Insurance costs	(98,583)	(216,739)	(250,090)	(101,322)
Finance costs	(29,824)	(22,466)	(18,384)	(9,002)
Legal costs	(112,736)	(126,787)	(90,980)	-
D&A expense	(443,427)	(524,310)	(608,923)	(263,817)
IPO Costs	(428,691)	-	-	-
Share based payment expenditure	-	(1,664,734)	-	-
Other expenses	(539,098)	(112,932)	(201,559)	(112,612)
Total expenses	(7,902,206)	(10,726,707)	(9,286,538)	(4,541,686)
Loss before income tax expense from continuing operations	(5,443,553)	(6,680,843)	(6,300,560)	(2,562,776)
Income tax benefit	517,938	580,692	893,430	366,060
Loss for the year after income tax benefit	(4,925,615)	(6,100,151)	(5,407,130)	(2,196,716)

Source: Terragen FY20, FY21 and FY22 Annual Reports

With reference to Table 5.8 above, we note the following:

- ▶ With regard to the Company's revenue over the financial years displayed, we note the following:
 - From FY20 to FY21, Terragen's revenue grew by approximately 86%. This growth was primarily driven by the Company prioritising the sale of their Mylo product which saw a 241% increase in sales over the period. As at the end of the period, Mylo was being fed daily to over 60,000 cows, representing 4.3% of the Australian dairy cow market;
 - From FY21 to FY22, Terragen's revenue decreased by approximately 21%. This decrease was primarily driven by Covid-19 limiting sales activity and a restructure of the sales team which impacted the first half of the year. These headwinds eased in the second half of the year with lockdown restrictions lifting and the completion of the sales team restructure. This allowed a return to growth for Mylo and Great Land Plus with net revenues for Mylo increasing 6.1% in comparison with the second half of FY21 and Great Land Plus increasing 13% in comparison with the first half of FY22. We note, as at the end of the FY22 period, Terragen's market share had grown to 4.4% with Mylo being used as a daily feed supplement to over 63,000 Australian dairy cows; and
 - HY23 revenue appears to be tracking ahead of both FY21 and FY22 with revenues for the period up 30% in comparison with HY22 and 41% in comparison with HY21.
- ▶ Other income is primarily comprised of grant income, interest received, and government subsidies related to Covid-19. Other income has decreased over each of the financial periods displayed in line with the following:
 - A reduction in grant income received;
 - A reduction in interest received as a result of lower cash balances; and
 - The Australian Government ending Covid-19 subsidies.

- ▶ With regard to the Company's expenses, we note the following:
 - Terragen's consistently largest expenses (which together make up over 50% of the total expenses in each of the financial periods displayed) relate to direct research, commissions and employee benefits expense;
 - From FY20 to FY21, Terragen's expenses increased by approximately 36%. This increase was primarily driven by the following:
 - Additional research expenditure of approximately \$287k for project activities under Terragen's CRC funding program;
 - An increase in commissions paid to Terragen's network of customer agents and advertising expenses of \$540k and \$362k respectively, which is in line with the increase in sales revenue and activity seen over the period;
 - An increase in wages and salaries of approximately \$628k which the Company made to strengthen its sales, manufacturing and management teams;
 - A non-cash share-based payment expense of \$1.7 million related to employee options (which is a one-off expense in comparison with the other financial periods displayed); and
 - For completeness, we note that the increase in expenses over the period is partly offset by the one-off initial public offering ('IPO') expenses incurred in FY20.
 - From FY21 to FY22, Terragen's expenses decreased by approximately 13%. This decrease primarily related to the share-based payment incurred in FY21 (as it didn't occur in FY22). Apart from an increase in employee benefits expenses of approximately \$682k, the majority of expenses either remained relatively consistent with the previous year or decreased in line with the reduced sales activity (as a result of Covid-19 and the sales team restructure).
- ▶ Terragen has recorded a NPAT loss in each of the financial years displayed. We note, this is not unusual as Terragen is still an early-stage company relying on their revenue and cash reserves to fund operations and growth.

5.6.2 Statements of Financial Position

Table 5.9 summarises Terragen statements of financial position as at 30 June 2020, 2021, 2022 and as at 31 December 2022.

Table 5.9: Terragen's Summarised Consolidated Statements of Financial Position

	As at 30-Jun-20 Audited	As at 30-Jun-21 Audited	As at 30-Jun-22 Audited	As at 31-Dec-22 Reviewed
Current assets				
Cash and cash equivalents	16,378,408	11,641,681	6,669,478	4,347,474
Trade and other receivables	547,970	322,078	230,792	245,616
Inventories	64,155	3,409	144,506	128,555
Other current assets	185,448	243,158	151,551	216,314
Current tax asset	517,938	1,098,630	890,223	1,256,283
Total current assets	17,693,919	13,308,956	8,086,550	6,194,242
Non-current assets				
Right of use assets	397,837	354,581	336,080	246,541
Property, Plant and equipment	776,779	908,713	625,928	510,923
Intangible assets	132,290	149,578	166,376	183,403
Other assets	122,256	2,560	1,720	-
Total non-current assets	1,429,162	1,415,432	1,130,104	940,867
Total assets	19,123,081	14,724,388	9,216,654	7,135,109
Current liabilities				
Trade and other payables	1,329,852	1,055,830	763,555	974,789
Borrowings	221,321	144,444	176,495	182,713
Employee provisions	219,825	219,413	314,914	282,346
Total current liabilities	1,770,998	1,419,687	1,254,964	1,439,848
Non-current liabilities				
Borrowings	254,985	213,513	155,767	80,791
Employee provisions	54,543	67,900	44,662	39,433
Total non-current liabilities	309,528	281,413	200,429	120,224
Total liabilities	2,080,526	1,701,100	1,455,393	1,560,072
Net assets	17,042,555	13,023,288	7,761,261	5,575,037

	As at 30-Jun-20 Audited	As at 30-Jun-21 Audited	As at 30-Jun-22 Audited	As at 31-Dec-22 Reviewed
Equity				
Issued capital	41,560,581	42,438,295	43,004,870	43,128,634
Reserves	1,636,894	2,801,268	2,290,440	1,663,376
Accumulated losses	(26,154,920)	(32,216,275)	(37,534,049)	(39,216,973)
Total equity	17,042,555	13,023,288	7,761,261	5,575,037

Source: Terragen FY20, FY21 and FY22 Annual Reports

With reference to Table 5.9 above, we note the following:

- ▶ On 11 December 2019, Terragen commenced trading on the ASX after raising \$20 million via the issue of 80 million fully paid ordinary shares. Since their IPO, Terragen's cash and cash equivalents balance has gradually decreased due to the Company being forced to utilise their cash reserves to fund the operations and growth of the business. For completeness, we note that Terragen have raised additional capital in each of the financial periods displayed, however, even in combination with their revenue, it is not enough to offset their expenses. Refer to Section 5.6.3 for a more detailed breakdown of Terragen's cash movements;
- ▶ Trade and other receivables have remained relatively consistent over the period from FY21 to HY22;
- ▶ Other current assets are comprised of prepayments and deposits and guarantees. The deposits and guarantees relate to term deposits held as security against credit card facilities;
- ▶ Current tax assets are comprised of tax benefits that the Company receives in relation to research and development;
- ▶ Right of use assets are comprised of a vehicle fleet and the Company's Coolum premises. Right of use assets have remained relatively consistent over each of the periods displayed. For completeness, we note that the Company's borrowings (current and non-current) are comprised of lease liabilities, the balance of borrowings (including current and non-current) are broadly in line with the balance of right of use assets;
- ▶ Property, plant and equipment increased from FY20 to FY21 due to additions to plant and equipment, office equipment, motor vehicles, leasehold improvements and capital work in progress outweighing the decrease due to depreciation. The decrease in FY22 and HY22 is due to the depreciation outweighing additions and an asset sale of \$57k (occurring in the FY22 period);
- ▶ Intangible assets are comprised of patents and trademarks;
- ▶ Trade and other payables is comprised of trade payables, accrued expenses and other payables. Trade and other payables has remained relatively consistent over the periods displayed;
- ▶ Borrowings (current and non-current) represent lease liabilities relating to the Company's Coolum operations and a small vehicle fleet. We note, borrowings have remained relatively consistent over the financial periods displayed; and
- ▶ Employee provisions (current and non-current) represent the provisions for annual leave and long service leave. Employee provisions have remained relatively consistent over the financial periods displayed.

5.6.3 Statements of Cash Flows

Table 5.10 summarises Terragen's Statement of Cash Flows for the 12-month periods ended 30 June 2020, 2021, 2022 and the 6-month period ended 31 December 2022.

Table 5.10: Terragen's Summarised Consolidated Statements of Cash Flows

	12 Months Ended 30-Jun-20 Audited	12 Months Ended 30-Jun-21 Audited	12 Months Ended 30-Jun-22 Audited	6 Months Ended 31-Dec-22 Reviewed
Cash flow from operating activities				
Receipts from customers	1,550,056	2,979,462	2,400,603	1,566,357
Payments to suppliers and employees	(6,472,549)	(7,761,435)	(8,322,083)	(3,770,618)
Interest and other costs of finance paid	(29,824)	(22,467)	(18,384)	(5,231)
Interest received	98,455	123,137	32,893	22,646
Government grants received	315,655	157,354	-	-
Research and development tax concessions received	645,321	-	1,101,837	-
Net cash flows used in operating activities	(3,892,886)	(4,523,949)	(4,805,134)	(2,186,846)
Cash flow from investing activities				
Payments for property, plant and equipment	(376,581)	(385,539)	(142,596)	(27,781)
Proceeds for sale of property, plant and equipment	-	-	57,302	0
Payments for intangible assets	(64,868)	(22,479)	(32,911)	(23,298)
Net cash used in investing activities	(441,449)	(408,018)	(118,205)	(51,079)

	12 Months Ended 30-Jun-20 Audited	12 Months Ended 30-Jun-21 Audited	12 Months Ended 30-Jun-22 Audited	6 Months Ended 31-Dec-22 Reviewed
Cash flow from financing activities				
Proceeds from share issue	20,050,000	415,833	141,626	30,000
Cost of issuing equity securities	(918,134)	-	-	-
Repayments of borrowings	(93,207)	(38,308)	-	-
Repayment of lease liabilities	(163,239)	(182,601)	(194,324)	(120,952)
Net cash provided by financing activities	18,875,420	194,924	(52,698)	(90,952)
Cash and cash equivalents at the beginning of the year	1,837,241	16,378,408	11,641,681	6,669,478
Net increase in cash and cash equivalents	14,541,085	(4,737,043)	(4,976,037)	(2,328,877)
Foreign exchange difference on cash and cash equivalents	82	316	3,834	6,873
Cash and cash equivalents at the end of the year	16,378,408	11,641,681	6,669,478	4,347,474

Source: Terragen FY20, FY21 and FY22 Annual Reports

With reference to Table 5.10 above, we note the following:

- ▶ Terragen generates cash from operating activities via receipts from customers, interest received, government grants received, and research and development tax concessions received. However, the Company records a net out flow of cash from operating activities due to the significant amount of payments Terragen makes to suppliers and employees;
- ▶ Terragen also reports a net outflow of cash from cash used in investing activities. We note, these cash flows relate to property, plant and equipment and intangible assets; and
- ▶ Terragen has issued shares in each of the financial years displayed, reporting a cash inflow from financing activities in FY20 and FY21. The cash generated via the issue of shares in these periods related to the IPO of the Company and the shares issued on the exercise of employee and investor options.

6.0 Industry Overview

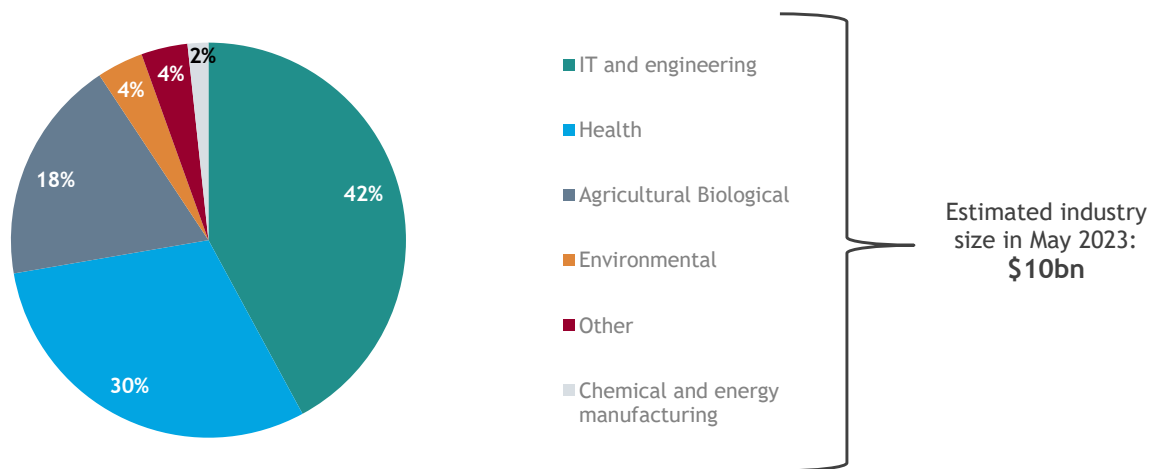
Terragen operates in the biological agriculture industry which is a sub-sector of the broader scientific research services industry in Australia. This section sets out an overview of the broader industry and biological agriculture sub-sector.

The information presented in this section has been compiled from a range of publicly available sources, together with information taken from various databases to which we subscribe. BDOCF has not independently verified any of the information and we recommend that users of this Report refer to the original source of any information listed in this section. This section should be referred to as a guide only.

6.1 Overview of the Agricultural Biologicals Industry

The Australian market for the scientific research services industry is estimated at approximately \$10 billion as of May 2023. Figure 6.1 below provides a breakdown of the sub-sectors within this industry and the estimated percentage of revenue each sub-sector comprises.

Figure 6.1: Percentage of Industry Revenue of Scientific Research Services Sector



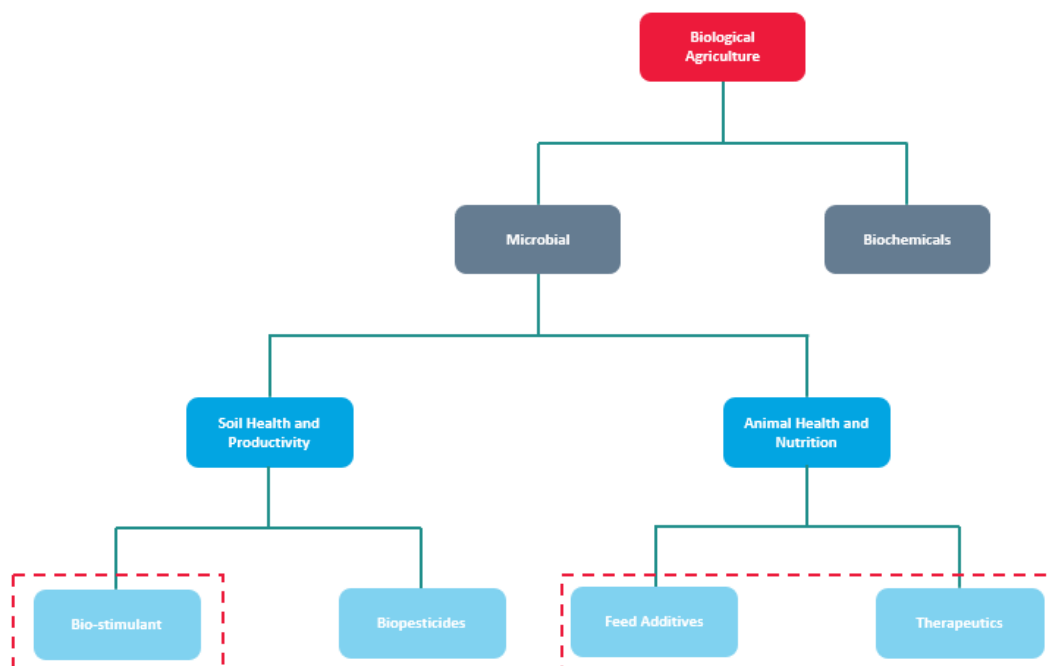
Source: IBISWorld Scientific Research Services in Australia May 2023, BDOCF analysis

With regard to Figure 6.1 above, we note that the scientific research services sector is primarily comprised of IT and engineering, health and biological agriculture.

The biological agriculture industry exhibits a notable level of fragmentation, featuring numerous enterprises of varying size². One distinguishing feature of this industry is the substantial emphasis on innovation, with companies consistently striving to develop novel technologies and practices to enhance sustainability. The dynamic nature of the industry fosters a climate of continuous improvement and encourages the adoption of cutting-edge solutions. Figure 6.2 below breaks down the segments within the biological agriculture industry.

² (OECD, 2022)

Figure 6.2: Breakdown of Biological Agriculture Segments



Source: *The Prospectus*

With regard to Figure 6.2, we note the dotted red boxes depict the segments within the biological agriculture industry that Terragen operates. The soil health and productivity sector and animal health and nutrition sector are discussed in Section 6.1.1 and Section 6.1.2 respectively.

6.1.1 Soil Health and Productivity

Biological products used for soil and plant health and productivity, combine to a global revenue estimated to be US\$11 billion in 2018, and projected to reach approximately US\$23 billion in 2025, representing a CAGR of 11%³. There are two factors that underpin the expected development of this sector which include:

- ▶ The consumer demand for organic foods; and
- ▶ The increased pressure on chemical pesticide reduction.

Terragen are exposed to the growth of this industry via their soil conditioner product Great Land Plus.

6.1.2 Animal Health and Nutrition

The animal health and nutrition sector is a well-established market where the use of biological products are on the rise. The market for eubiotics (biological products for animal health applications including probiotics, prebiotics, organic acids and essential oils) was estimated to have a global revenue of US\$5.4 billion in 2018 and projected to reach US\$9.4 billion in 2025, representing a CAGR of 8%². This growth is due to the rising demand for meat products across the world and consumers calling for a reduced use of antibiotics.

This demand has led to several companies developing products and technologies to address the challenges of producing a greater abundance of proteins for human consumption while reducing the reliance on antibiotics. These products and technologies include nutritional supplements for growth promotion and feed efficiency, vaccines and other pharmaceutical interventions to treat disease.

However, as antimicrobial resistance builds, the market is pushing the switch from antibiotics to prophylactic use of biological products. This has led to a smaller group of companies (such as Terragen) pursuing targeted solutions that simultaneously reduce livestock illness, improve feed efficiency and promote higher rates of growth and productivity in animals.

Terragen are exposed to the growth and changing demands of this sector through their feed supplement Mylo.

³ *The Prospectus*

6.2 Key Demand Drivers

Table 6.1 below outlines the key drivers of the biological agriculture industry.

Table 6.1: Biological Agriculture Industry Key Drivers

Driver	Description
Sustainable Agriculture	Farmers and consumers are becoming more interested in using sustainable agricultural practices, which include using biological products instead of chemical fertilizers, pesticides, and antibiotics. This is due to several factors, including growing concerns about the environmental impact of conventional agriculture, the rising cost of synthetic inputs, and the increasing demand for organic and sustainably grown food. Terragen's products have been shown to be effective in improving crop yields and reducing the use of synthetic chemicals. Additionally, Terragen's products are made from natural ingredients and do not contain any synthetic chemicals. Movement towards sustainable agriculture would drive demand for Terragen Holdings products.
Government regulations	Governments around the world are enacting regulations that restrict the use of chemical fertilizers, pesticides, and antibiotics. This is creating an opportunity for the agricultural biologicals industry to provide farmers with alternative products. There is an increasing pressure to reduce pesticide production in both the Australian and New Zealand target markets. The Australian Government is currently developing a National Biosecurity Act, which would provide a more comprehensive framework for regulating the use of genetically modified organisms (GMOs) and antibiotics in livestock while the New Zealand government is targeting farmers for methane emissions and emphasising nitrogen-based fertiliser reduction. These regulations present an opportunity for the agricultural biologicals industry and specifically, Terragen, to provide farmers with alternative products.
Shift in Consumer and Farmer Sentiment	Conventional agriculture has several negative environmental impacts, such as soil erosion, water pollution, and greenhouse gas emissions. This has become a looming concern that has shifted to the forefront of both consumers and farmers minds. There has been a distinct shift in consumer sentiment to an increasing preference for organic and sustainably produced food along with a shift in farmer sentiment from seeking chemical solutions to biological solution. As the demand for sustainable and environmentally friendly agriculture continues to grow, the demand for agricultural biological products is likely to increase as well. This is a major opportunity for Terragen, as its products offer several advantages over conventional agricultural practices.
Innovations in Industry Technology	The advancement of technology is simplifying and enhancing the production of sustainable agricultural products, rendering these options increasingly appealing to farmers. Through the latest and upcoming advancements in genetic engineering, microbiology, plant chemistry, and precision agriculture, farmers are consistently witnessing the proven advantages and cost-effectiveness of embracing these natural technological innovations. As the momentum for innovation continues to grow and the track record of success becomes evident, it is expected that an increasing number of farmers will shift away from traditional methods and adopt the available innovative solutions. Both the industry as a whole and Terragen are anticipated to reap the benefits of these favourable trends.

Source: McKinsey, GHD and AGthentic

6.3 Australian Industry Outlook

Enhancing the performance of the agricultural sector, particularly through environmentally friendly and natural solutions, is a top priority for Australian farmers, given the industry's significant size and its role in generating domestic and export revenue. In both Australia and New Zealand, there is ongoing discussion regarding regulations pertaining to the environmentally friendly aspects of farming products. This presents a significant opportunity for Terragen, as a company operating in the agricultural biological solutions sector in Australia. Forecasts indicate that the industry is expected to achieve a Compound Annual Growth Rate (CAGR) of 13.7% from 2023 to 2027, reflecting the growth prospects and market potential in this sector.

7.0 Common Valuation Methodologies

A 'fair market value' is often defined as the price that reflects a sales price negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, with both parties at arm's length. The valuation work set out in this Report assumes this relationship.

RG 111 outlines a number of methodologies that a valuer should consider when valuing securities or assets for the purposes of, among other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. The valuation methodologies we have considered in this Report include the discounted cash flow ('DCF'), capitalisation of maintainable earnings ('CME'), asset-based valuation ('ABV') and market-based valuation ('MBV') methodologies.

RG 111 does not prescribe which methodology should be used by the expert, but rather notes that the decision lies with the expert based on the expert's skill and judgement and after considering the unique circumstances of the securities or assets being valued.

7.1 Discounted Cash Flows ('DCF')

The DCF approach calculates the value of an entity by adding all of its future net cash flows discounted to their present value at an appropriate discount rate. The discount rate is usually calculated to represent the rate of return that investors might expect from their capital contribution, given the riskiness of the future cash flows and the cost of financing using debt instruments.

In addition to the periodic cash flows, a terminal value is included in the cash flow to represent the value of the entity at the end of the cash flow period. This amount is also discounted to its present value. The DCF approach is usually appropriate when:

- ▶ An entity does not have consistent historical earnings but is identified as being of value because of its capacity to generate future earnings; and
- ▶ Future cash flow forecasts can be made with a reasonable degree of certainty over a sufficiently long period of time.

Any surplus assets, along with other necessary valuation adjustments, are added to the DCF calculation to calculate the total entity value.

7.2 Capitalisation of Maintainable Earnings ('CME')

The CME approach involves identifying a maintainable earnings stream for an entity and multiplying this earnings stream by an appropriate capitalisation multiple. Any surplus assets, along with other necessary valuation adjustments, are added to the CME calculation to calculate the total entity value.

The maintainable earnings estimate may require normalisation adjustments for non-commercial, abnormal or extraordinary events.

The capitalisation multiple typically reflects issues such as business outlook, investor expectations, prevailing interest rates, quality of management, business risk and any forecast growth not already included in the maintainable earnings calculation. While this approach also relies to some degree on the availability of market data, the multiple is an alternative way of stating the expected return on an asset.

The CME approach is generally most appropriate where an entity has historical earnings and/or a defined forecast or budget. Further, a CME is usually considered appropriate when relevant comparable information is available.

7.3 Asset Based Valuation ('ABV')

An ABV is used to estimate the fair market value of an entity based on the book value of its identifiable net assets. The ABV approach using a statement of financial position alone may ignore the possibility that an entity's value could exceed the book value of its net assets. However, when used in conjunction with other methods which determine the value of an entity to be greater than the book value of its net assets, it is also possible to arrive at a reliable estimate of the value of intangible assets including goodwill.

Alternatively, adjustments can be made to the book value recorded in the statement of financial position in circumstances where a valuation methodology exists to readily value the identifiable net assets separately and book value is not reflective of the true underlying value. Examples of circumstances where this type of adjustment may be appropriate include when valuing certain types of identifiable intangible assets and/or property, plant and equipment.

The ABV approach is most appropriate where the assets of an entity can be identified and it is possible, with a reasonable degree of accuracy, to determine the fair value of those identifiable assets.

7.4 Market Based Valuation ('MBV')

An MBV methodology determines a value for an entity by having regard to the value at which securities in the entity have recently been purchased. This approach is particularly relevant to:

- ▶ Entities whose shares are traded on an exchange. The range of share prices observed may constitute the market value of the shares where a sufficient volume of shares is traded and the shares are traded over a sufficiently long period of time; and/or
- ▶ Entities for which it is possible to observe recent transactions relating to the transfer of relatively large parcels of shares (e.g. recent capital raisings).

For listed entities, the range of share prices observed may constitute the market value of the shares in circumstances where sufficient volumes of shares are traded and the shares are traded over a sufficiently long period of time. Share market prices usually reflect the prices paid for parcels of shares not offering control to the purchaser.

7.5 Industry Based Metrics (Comparable Analysis)

It is often appropriate to have regard to industry specific valuation metrics in addition to the traditional valuation approaches outlined above. These metrics are particularly relevant in circumstances where it is reasonably common for market participants to have regard to alternative measures of value.

8.0 Valuation of Terragen Prior to the Proposed Transaction

This section sets out our valuation of the shares in Terragen and is structured as follows:

- ▶ Section 8.1 sets out our view of the most appropriate methodology to value Terragen;
- ▶ Section 8.2 sets out our valuation of Terragen having regard to the ABV approach;
- ▶ Section 8.3 sets out our valuation of Terragen having regard to the MBV approach; and
- ▶ Section 8.4 sets out our conclusion on the value of Terragen for the purposes of this Report.

8.1 Our Valuation Approach for Terragen Prior to the Proposed Transaction

We have considered each of the valuation methodologies outlined in Section 7 above and determined, in our view, the most appropriate methodologies for calculating the value of Terragen. In relation to the valuation methodologies applied, we note the following:

- ▶ Terragen has historically been loss-making at a net profit level and has historically generated net cash outflows from operating activities (see Section 5.6). This is not uncommon for an early-stage company such as Terragen, which listed on the ASX in December 2019 and has not yet reached the necessary scale to consistently generate positive cash-flows through operations. Therefore, Terragen does not currently have maintainable earnings suitable for use in a CME valuation methodology;
- ▶ The DCF methodology relies on projections which predict the future cash flows of a company using assumptions about the company's future performance. Management have provided us with a financial model which sets out forecast financial information and the expected annual performance of Terragen from FY23 to FY32 ('the Model'). We have considered the Model in forming a view on an appropriate intangible asset value to adopt under our ABV (refer discussion in Section 8.2.1) however, based on track record to date including being historically loss making, we consider other methodologies preferable to set out in this Report;
- ▶ An ABV is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business. However, we note that an ABV does not capture the growth potential and intangible assets associated with a business, particularly a business like Terragen that has invested in and developed their own products. Notwithstanding this, we have adopted an ABV for Terragen, having regard to Terragen's unaudited balance sheet as at 31 May 2023. We note that for the purposes of our ABV, we have separately estimated the value of Terragen's intangible assets. We have incorporated this value into our ABV on the basis that a potential acquirer may place value of Terragen's intangible assets that approximates the cost that would need to be incurred to replace them. We consider this approach a broad proxy for value only as the value ultimately paid by an acquirer will have regard to the acquirer's view of the economic returned that can be generated on the assets;
- ▶ It is generally possible to complete a MBV of a company when there is readily observable market for the trading of the company's shares. The shares of Terragen are listed on the ASX and it is possible to observe the market price of trades in Terragen shares. We consider it appropriate to adopt an MBV approach to value Terragen; and
- ▶ Having regard to each of the valuation methodologies adopted, we have formed a view on an appropriate valuation range for the Company.

8.2 ABV of Terragen

Our ABV valuation of Terragen is set out as follows:

- ▶ Section 8.2.1 sets out the value of Terragen's intangible assets;
- ▶ Section 8.2.2 sets out Terragen's pro forma balance sheet, having regard to the movements as a result of the Transactions (excluding the Proposed Transaction); and
- ▶ Section 8.2.3 sets out our valuation of a Terragen share prior to the Proposed Transaction.

8.2.1 Value of Terragen's Intangible Assets

In considering an appropriate value to adopt for the intangible assets for the purposes of this Report, we have considered matters including:

- ▶ As at 31 May 2023, Terragen's intangible asset balance was approximately \$203k. As outlined in Section 5.6.2, Terragen's intangible assets are comprised of patents and trademarks;
- ▶ Historically, Terragen have recognised expenditure on research activities as an expense in the period in which it is incurred rather than capitalising it to the balance sheet. As a result, Terragen's intangible asset balance as at 31 December 2022 does not reflect the expenditure incurred to develop Mylo, Great Land Plus and the products currently in the Terragen pipeline. As stated in Note 1(w) of the Terragen FY22 Annual Report, 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;
- Note 1(f) of the FY22 Annual Report states that with regard to research and development costs incurred during the financial year it has been determined that Terragen has not met the criteria for capitalisation as an asset 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 Terragen during the financial year was primarily designed to provide this additional evidence. Notwithstanding this, we note Management have advised that they are beginning to meet this criterion for their existing products (Great Land Plus and Mylo) and expect to start capitalising R&D expenditure in the near future (FY24 or FY25); and
- Table 8.1 below summarises the total notional R&D deductions the Company has claimed via their Australian Taxation Office submissions from FY15 to FY22. Over this period, Terragen have invested over \$16.2 million into R&D. Management have advised that despite the Company's operations beginning in 2009, R&D expenditure prior to FY15 was immaterial in comparison. For completeness, we note the R&D expenditure in the table may differ to that reported in the annual reports, as the table captures the total notional deductions reported to the Australian Taxation Office rather than R&D recorded for accounting purposes.

Table 8.1: Terragen's Notional R&D Deductions

FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	Total	Average
2,007,151	2,681,853	2,643,569	2,807,987	1,483,497	1,054,285	1,478,612	2,053,858	16,210,812	2,026,352

Source: Management

- With regard to Table 8.1 above, we note Management have separately provided us with a breakdown of historical R&D expenditure, allocating the yearly expenditure seen in Table 8.1 between their different products/projects. Over this period, Management have estimated that approximately \$6.6 million of their total R&D expenditure can be attributed to the development of Great Land Plus and Mylo. For completeness, we note that over this period, between 33.4% and 72.6% of Terragen's yearly R&D expenditure related to their existing products (Great Land Plus and Mylo);
- Management have advised that they expect R&D expenditure to be approximately \$2.0 million to \$2.5 million per year moving forward. On the basis that they meet the criteria outlined above, they will be able to capitalise the expenditure relating to their existing products (Great Land Plus and Mylo); and
- For completeness, we note Terragen's net cash flow from operations was a loss of approximately \$3.9 million, \$4.5 million and \$4.8 million in FY20, FY21 and FY22 respectively and a further loss of approximately \$2.2 million in HY23. There is no guarantee that Terragen will ultimately be able to utilise its intangible assets to generate sustainable positive cash flows from operations.

Having regard to the above bullet points, we consider it appropriate to adopt the value for the intangible assets as follows:

- A low value of \$nil - this assumes that Terragen is ultimately unable to demonstrate an ability to generate positive operating cash flows on an ongoing basis; and
- A high value of \$7.0 million - this assumes that a potential purchaser of Terragen may place a value on Terragen's intangible assets (including Mylo, Great Land Plus and pipeline products) that approximates the cost that would need to be incurred to recreate or replace them. Our figure is broadly in line with both the R&D expenditure from FY19 to FY22 (representing the second half of Terragen's R&D expenditure), three years of expenditure at the average yearly cost and Managements estimation for historical expenditure that can be attributed to the development of Great Land Plus and Mylo.

Whilst we have not set out a DCF valuation, we have cross-checked our value of the intangible assets with the Model. We considered that the results of our DCF valuation were sufficiently in line with our adopted intangible asset value. In completing these cross-checks, we adopted the assumptions already set out in the Model. For completeness, we note we made enquires to Management to understand the primary drivers of growth in the Model. Management have advised that forecast growth and eventual profitability is primarily driven by the introduction of new products and the continued growth of their existing products Great Land Plus and Mylo.

8.2.2 Terragen's Pro Forma Balance Sheet and Movements due to the Transactions

Our valuation date for the Company (both prior to and post the Proposed Transaction) is 7 September 2023 ('the Valuation Date'), being the date Terragen expects the Tranche 2 shares to be issued⁴. As mentioned previously, Management have provided us with their unaudited balance sheet as at 31 May 2023. We have calculated their pro forma balance sheet as at the Valuation Date, having regard to the capital that will be raised prior to the Proposed Transaction, the expected costs involved with the capital raisings and the Company's monthly cash 'burn'.

Table 8.2 below sets out the expected cash movements prior to the Proposed Transaction.

Table 8.2: Cash Movements Prior to the Proposed Transaction:

Cash adjustments	Low (AUD)	High (AUD)
Tranche 1	698,469	698,469
SPP	466,000	466,000
Tranche 2 (excluding the Proposed Transaction)	-	1,037,016
Total capital raised	1,164,469	2,201,485
Transaction costs	(80,000)	(140,000)
Cash burn	(720,000)	(720,000)
Cash adjustment	364,469	1,341,485

Source: Management, BDO Analysis

With regard to Table 8.2 above, we note the following:

- ▶ We have calculated the cash movements in Terragen prior to the Proposed Transaction having regard to a low and high scenario. Our low scenario includes Tranche 1 and the SPP (as both transactions have already completed). Our high scenario includes Tranche 1, the SPP and assumes all Tranche 2 resolutions are approved (excluding the Proposed Transaction);
- ▶ Management have advised that the expected transaction costs for Tranche 1, the SPP and Tranche 2 are approximately \$40k, \$40k and \$170k respectively. Our low scenario includes the costs of Tranche 1 and the SPP (\$80k), whilst our high scenario includes the costs of Tranche 1 (\$40k), the SPP (\$40k) and part of Tranche 2 (\$60k). As the estimated transaction costs for Tranche 2 includes the Proposed Transaction, we have apportioned the total expense between the four resolutions having regard to the capital raised under each resolution. We note, of the total capital raised under Tranche 2 (assuming approval of all resolutions), approximately \$2.0 million (66%) will be raised from the Proposed Transaction with the balance of approximately \$1.0 million (34%) raised from the other resolutions. Having regard to this, we have assumed \$110k of the total Tranche 2 transaction costs relates to the Proposed Transaction with the balance of \$60k relating to the other resolutions; and
- ▶ Management have advised that monthly cash burn is approximately \$260k. Having regard to the time between 31 May 2023 and the Valuation Date, we have allowed for a cash burn of \$720k.

Having regard to the information set out above, we have estimated Terragen's pro forma balance sheet as at the Valuation Date in Table 8.3 below.

Table 8.3: Terragen Pro Forma Balance Sheet as at the Valuation Date

	As at 31-May-23 Unaudited	Adjustments		Pro Forma as at the Valuation Date	
		Low	High	Low	High
Current assets					
Cash and cash equivalents	3,617,316	364,469	1,341,485	3,981,785	4,958,801
Trade and other receivables	261,546	-	-	261,546	261,546
Inventories	195,629	-	-	195,629	195,629
Other current assets	317,360	-	-	317,360	317,360
Current tax asset	362,854	-	-	362,854	362,854
Total current assets	4,754,705	364,469	1,341,485	5,119,174	6,096,190
Non-current assets					
Right of use assets	119,131	-	-	119,131	119,131
Property, Plant and equipment	395,095	-	-	395,095	395,095
Intangible assets	203,232	-	7,000,000	203,232	7,203,232
Other assets	1,720	-	-	1,720	1,720
Total non-current assets	719,178	-	7,000,000	719,178	7,719,178
Total assets	5,473,883	364,469	8,341,485	5,838,352	13,815,368
Current liabilities					
Trade and other payables	708,411	-	-	708,411	708,411

⁴ Terragen Capital Raising Presentation dated 8 June 2023

	As at 31-May-23 Unaudited	Adjustments		Pro Forma as at the Valuation Date	
		Low	High	Low	High
Borrowings	252,471	-	-	252,471	252,471
Employee provisions	181,788	-	-	181,788	181,788
Total current liabilities	1,142,670	-	-	1,142,670	1,142,670
Non-current liabilities					
Borrowings	24,207	-	-	24,207	24,207
Employee provisions	42,954	-	-	42,954	42,954
Total non-current liabilities	67,161	-	-	67,161	67,161
Total liabilities	1,209,831	-	-	1,209,831	1,209,831
Net assets	4,264,052	364,469	8,341,485	4,628,521	12,605,537

Source: Terragen, BDO Analysis

With regard to Table 8.3 above, we note the following:

- ▶ To estimate the pro forma balance sheet of Terragen as at the Valuation Date, we have included the cash adjustments set out in Table 8.2; and
- ▶ As outlined in Section 8.2.1, we have adopted a low and high value for Terragen's intangible assets of \$nil and \$7.0 million respectively.

8.2.3 Value of a Terragen Share

Table 8.4 below sets out our valuation of a Terragen share prior to the Proposed Transaction.

Table 8.4: Valuation of a Terragen Share Prior to the Proposed Transaction

	Low	High
Net asset value (\$)	4,628,521	12,605,537
Number of shares outstanding prior to the Transactions	194,019,235	194,019,235
Number of shares issued under the Transactions ¹	48,519,531	91,728,551
Number of shares outstanding following the Transactions¹	242,538,766	285,747,786
Net asset value per share on a controlling interest basis (\$/share)	0.0191	0.0441

Source: BDO Analysis

¹ The difference in shares between the low and high scenarios is discussed further in the bullet points under Table 8.4. The share numbers set out in Table 8.4 do not include any shares to be issued under the Proposed Transaction.

With regard to Table 8.4 above, we note the following:

- ▶ The number of additional shares included under the low and high scenarios is in line with the transaction outcomes we have assumed. For completeness, we note our low scenario includes the shares issued under Tranche 1 and the SPP being 29,102,880 and 19,416,651 shares respectively. Whilst our high scenario also includes the shares issued under Tranche 2 (excluding the Proposed Transaction) being 43,209,020 shares;
- ▶ We have calculated a net asset value per share for Terragen on a controlling interest basis between \$0.0191 and \$0.0441; and
- ▶ For completeness, we note that as at 8 June 2023, Terragen had 8 million shares under option with exercise prices ranging from \$0.25 to \$1.00. As the exercise prices of these options are significantly larger than our adopted per share value range, we have not considered these options in our calculations.

8.3 MBV of Terragen

Our market based valuation of Terragen prior to the Proposed Transaction is set out as follows:

- ▶ Section 8.3.1 sets out Terragen's recent share trading data;
- ▶ Section 8.3.2 sets out Terragen's liquidity of ordinary shares; and
- ▶ Section 8.3.3 sets out our view as to the MBV of Terragen prior to the Proposed Transaction.

8.3.1 Analysis of Terragen's Share Trading Data

Terragen's ordinary shares are listed on the ASX and trade under the ticker 'TGH'. Information relating to the recent share trading data of Terragen's ordinary shares along with an analysis of recent announcements made by Terragen to the ASX are set out in Section 5.5.1 of this Report.

For the purposes of our MBV, we have assessed the VWAP of Terragen shares over 1 week, 1 month, 3 months, 6 months, 9 months and 12 months up to 5 June 2023, being the last date Terragen traded prior to the announcement of the Proposed Transaction.

Table 8.5: Terragen's VWAP for Specified Periods up to 5 June 2023

Period before 5 June 2023	VWAP	Volume per shares outstanding	Daily Low VWAP	Daily High VWAP
1 Week	\$0.0222	0.06%	\$0.0200	\$0.0280
1 Month	\$0.0258	0.66%	\$0.0200	\$0.0360
3 Months	\$0.0299	1.92%	\$0.0200	\$0.0458
6 Months	\$0.0466	2.85%	\$0.0200	\$0.0908
9 Months	\$0.0608	3.85%	\$0.0200	\$0.1350
12 Months	\$0.0796	4.97%	\$0.0200	\$0.1700

Source: Capital IQ as at 8 June 2023

With regard to Table 8.5, we note the following:

- ▶ The price of Terragen's shares on the ASX has declined significantly in the past 12 months, declining by as much as 83.53% between the 12-month VWAP high and the 1-week VWAP low; and
- ▶ The VWAP of Terragen's shares over the periods specified before 5 June 2023 have ranged from \$0.0222 to \$0.0796. We note that comparability between our pre-transaction value and historical share prices has been reduced due to the 48.5 million shares issued at \$0.024 under Tranche 1 and the SPP (i.e. the capital raise has impacted Terragen's share price due to the dilution of new shares issued at \$0.024).

8.3.2 Liquidity of Terragen Shares

Information on the liquidity of Terragen shares is set out in Section 5.5.2 of this Report.

8.3.3 Conclusion on MBV (Minority Basis)

Whilst we note that there is evidence of limited liquidity in Terragen shares, it nonetheless represents useful information in the context of our valuation of Terragen.

8.4 Conclusion on the Value of Terragen Shares

In our view, for the purpose of our assessment of Terragen shares prior to the Proposed Transaction set out in this Report, it is appropriate to adopt a value in the range of \$0.0191 to \$0.0441 per Terragen share on a controlling interest basis. This valuation range was determined having regard to our ABV methodology. We also note that Terragen's VWAPs set out in Table 8.4 for the 1-week, 1 month and 3 month periods prior to 5 June 2023 falls within this range, both on a minority basis and after adjusting for a 30% control premium (refer Appendix A for additional discussion on control premium). We reiterate that the VWAPs shown for the period up to 5 June 2023 (which was prior to the announcement of the Transactions on 8 June 2023) do not make an allowance for the additional 48.5 million shares issued at \$0.024 under Tranche 1 and the SPP.

9.0 Valuation of Terragen Post the Proposed Transaction

This section sets out our calculation of the shares in Terragen post the Proposed Transaction as follows:

- ▶ Section 9.1 sets out our view of the most appropriate valuation methodologies to adopt for the purpose of valuing Terragen post the Proposed Transaction; and
- ▶ Section 9.2 sets out our valuation of Terragen having regard to the ABV approach.

9.1 Our Valuation Approach of Terragen Post the Proposed Transaction

In our view, it is appropriate to adopt a valuation methodology for Terragen post the Proposed Transaction that is consistent with the valuation methodology set out in Section 8.1 for the valuation of Terragen prior to the Proposed Transaction. We have adopted an ABV methodology.

9.2 Valuation of Terragen Post the Proposed Transaction on a Minority Interest Basis - ABV

The Proposed Transaction involves the issue of 83,333,340 shares to Mr Ward at an offer price of \$0.024 per share to raise \$2.0 million (before transaction costs). To calculate the value of an ordinary share in Terragen on a minority interest basis post the Proposed Transaction we have:

- ▶ Adopted the net asset value of Terragen as set out in Table 8.4;
- ▶ Adjusted the cash balance of the Company to reflect the \$2.0 million worth of capital being raised and the \$110k worth of transactions costs allocated to the Proposed Transaction (see the second dot point under Table 8.2 for transaction cost allocation);
- ▶ Increased the number of shares on issue by 83,333,340;
- ▶ Calculated the net asset value per share on a controlling interest basis following the Proposed Transaction; and
- ▶ Calculated the net asset value per share on a minority interest basis by applying a minority interest discount of 23.1%. We note, the minority interest discount represents the inverse of our assumed control premium of 30%. Our assumed control premium of 30% is based on the results of our research and analysis into control premiums in Australia (refer Appendix A for additional discussion).

Our valuation of Terragen post the Proposed Transaction is set out in Table 9.1 below.

Table 9.1: Value of Terragen Post the Proposed Transaction

\$	Low	High
Net asset value prior to the Proposed Transaction	4,628,521	12,605,537
Cash raised under the Proposed Transaction	2,000,000	2,000,000
Costs incurred under the Proposed Transaction	(110,000)	(110,000)
Net asset value post the Proposed Transaction	6,518,521	14,495,537
Number of shares on issue prior to the Proposed Transaction ²	242,538,766	285,747,786
Number of shares issued under the Proposed Transaction	83,333,340	83,333,340
Number of shares on issue following the Proposed Transaction	325,872,106	369,081,126
Net asset value per share on a controlling interest basis (\$/share)	0.0200	0.0393
Minority interest discount ¹	-23.1%	-23.1%
Net asset value per share on a minority interest basis (\$/share)	0.0154	0.0302

Source: BDO Analysis

1 Adjustment to remove control premium calculated as $1/(1+0.3)$, with the 0.3 input referring to the 30% control premium.

2 As discussed in Section 8.2.3, the difference in the number of shares on issue prior to the Proposed Transaction is in line with the transaction outcomes we have assumed. Specifically, our low scenario includes the shares issued under Tranche 1 and the SPP being 29,102,880 and 19,416,651 shares respectively. Whilst our high scenario also includes the shares issued under Tranche 2 (excluding the Proposed Transaction) being 43,209,651 shares.

With regard to Table 9.1 above, we note the following:

- ▶ Having regard to an ABV methodology, our valuation range for a Terragen share following the Proposed Transaction is between \$0.0154 and \$0.0302 on a minority interest basis; and
- ▶ For completeness, we note that as at 8 June 2023, Terragen had 8 million shares under option with exercise prices ranging from \$0.25 to \$1.00. As the exercise prices of these options are significantly larger than our adopted per share value range, we have not considered these options in our calculations.

APPENDIX A: CONTROL PREMIUM ANALYSIS

A controlling interest in a company is usually regarded as being more valuable than a minority interest as it provides the owner with control over the operating and financial decisions of the company, the right to set the strategic direction of the company, control over the buying, selling and use of the company's assets, and control over appointment of staff and setting financial policies.

The increase in value for a controlling interest is often observed where an acquirer launches a takeover bid, or some other mechanism for control, for another company. For the purposes of our research on control premiums, we have defined a controlling interest to be an interest where the acquirer has acquired a shareholding of greater than 50% in the target company.

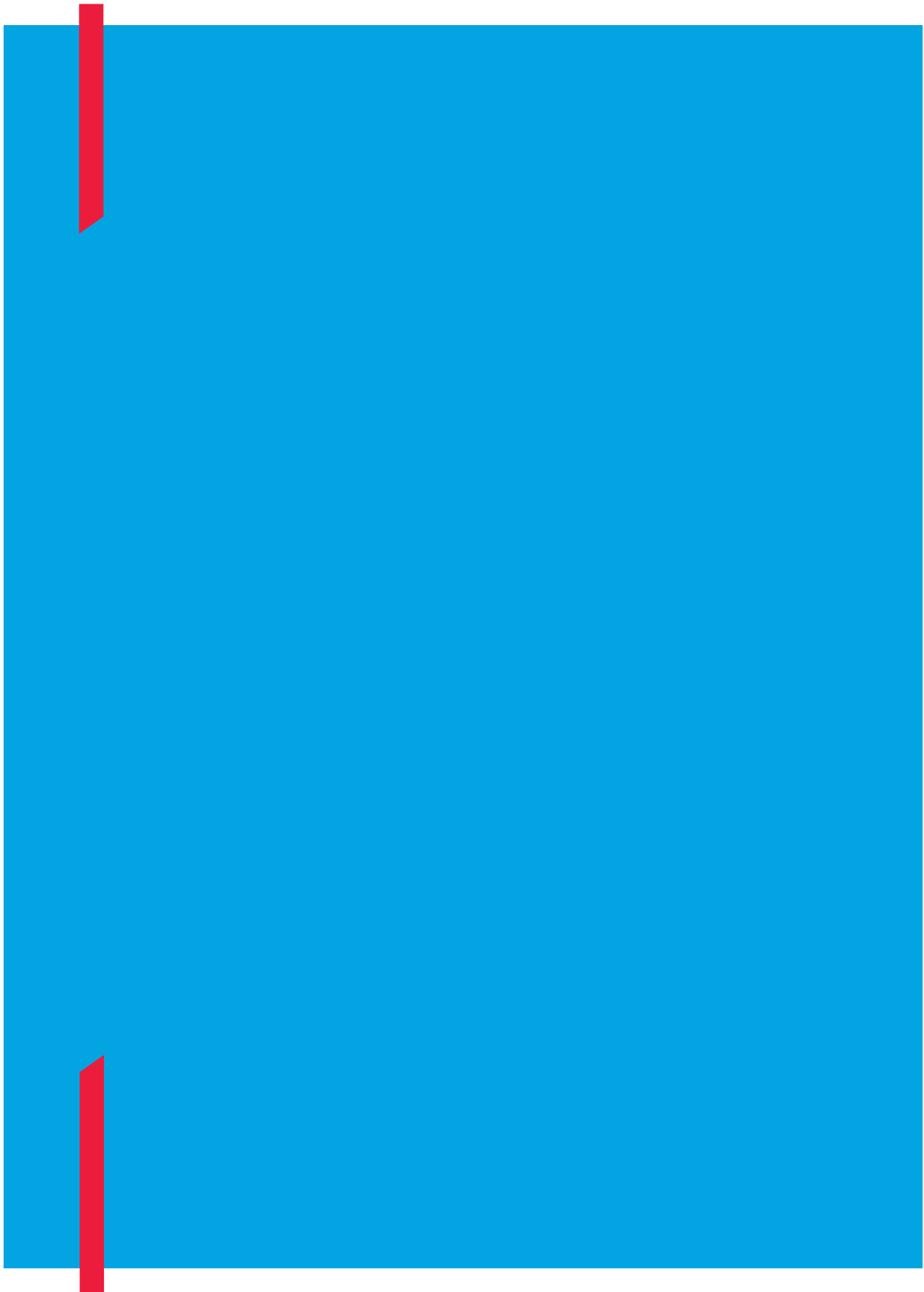
Generally, control premiums may be impacted by a range of factors including the following:

- ▶ Specific acquirer premium and/or special value that may be applicable to the acquirer;
- ▶ Level of ownership in the target company already held by the acquirer;
- ▶ Market speculation about any impending transactions involving the target and/or the sector that the target belongs to;
- ▶ The presence of competing bids; and
- ▶ General market sentiment and economic factors.

To form our view of an appropriate range of control premium applicable to Terragen for the purposes of this Report, we have considered information which includes:

- ▶ Recent independent expert's reports which apply control premiums in the range of 20% to 40%;
- ▶ Various industry and academic research, which suggests that control premiums are typically within the range of 20% to 40%;
- ▶ Our own research on control premiums implied by the trading data of ASX listed companies. The average and median control premium found in our research are approximately within the range of 20% and 40%, based on one-day, one-week, and one-month prior trading prices;
- ▶ Various valuation textbooks; and
- ▶ Industry practice.

Having regard to the information set out above, in our view, it is appropriate to consider control premiums within the range of 20% to 40% for the purposes of assessing the Proposed Transaction within the context of this Report.



LODGE YOUR VOTE

ONLINE
<https://investorcentre.linkgroup.com>

BY MAIL

Terragen Holdings Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia


BY FAX

+61 2 9287 0309


BY HAND

Link Market Services Limited
Parramatta Square, Level 22, Tower 6,
10 Darcy Street, Parramatta NSW 2150


ALL ENQUIRIES TO

Telephone: +61 1300 554 474


X999999999999
PROXY FORM

I/We being a member(s) of Terragen Holdings Limited (the **Company**) and entitled to attend and vote hereby appoint:

APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name and email of the person or body corporate you are appointing as your proxy. An email will be sent to your appointed proxy with details on how to access the virtual meeting.

Name

Email

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the General Meeting of the Company to be held at **10:00am (AEST) on Monday, 4 September 2023 (the Meeting)** and at any postponement or adjournment of the Meeting.

The Meeting will be conducted as a virtual meeting and you can participate by logging in online at <https://meetings.linkgroup.com/TGHGM23> (refer to details in the Virtual Meeting Online Guide).

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒
Resolutions

- 1 Ratification of prior issue of Tranche 1 Placement Shares under ASX Listing Rule 7.4
- 2 Approval to issue Tranche 2 Placement Shares under ASX Listing Rule 7.1 to non-related parties
- 3 Approval to issue Tranche 2 Placement Shares to Mr Scobie Ward, a Proposed Director of the Company, under item 7 of section 611 of the Corporations Act

For Against Abstain*

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- 4 Approval to issue Tranche 2 Placement Shares to a Related Party – Mr Sam Brougham
- 5 Approval to issue Tranche 2 Placement Shares to a Related Party – Mr Travis Dillon

For Against Abstain*

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

TGH PRX2301N

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name and email address of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting virtually the appropriate "Certificate of Appointment of Corporate Representative" must be received at registrars@linkmarketservices.com.au prior to admission in accordance with the Notice of General Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00am (AEST) on Saturday, 2 September 2023**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

<https://investorcentre.linkgroup.com>

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).



BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link <https://investorcentre.linkgroup.com> into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



BY MAIL

Terragen Holdings Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
Parramatta Square
Level 22, Tower 6
10 Darcy Street
Parramatta NSW 2150

*During business hours Monday to Friday (9:00am - 5:00pm)