

30 October 2023



Terragen

ASX Announcement

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

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

Highlights

- **Capital Raising.** Tranche 2 Placement completed.
- **Scientific programme continues**, with a focus on the development of a dry form of Terragen’s feed supplement, MYLO®, and testing this dry formulation, as well as further studies investigating the potential methane reducing properties of MYLO®.
- **Q1 net revenue of \$0.56 million**
- **Operating expenses of \$1.36m**, a 32% reduction from \$2.0m in prior comparative period.
- **Cash** reserve of \$6.7 million at 30 September 2023.

Terragen Capital Raising

Tranche 2 of the Placement completed on 7 September 2023, raising a further \$3.037 million on the issue of 125,542,360 shares. Now complete, the two-tranche Placement and Share Purchase Plan raised a total of \$4,201,485 before associated costs.

Research and Development Update

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

Scientific Communications

Several scientific abstracts relating to Terragen’s scientific work have been prepared and submitted for presentation at conferences. Two presentations were delivered at the 2023 Joint International Congress of Animal Science in Lyon, France in August 2023. Three abstracts were accepted for presentation at the International Dairy Federation’s World Dairy Summit in Chicago, USA in October 2023. Additionally, several manuscripts are being prepared with a view to publishing in scientific journals.

Of note, one of the abstracts presented at the World Dairy Summit, entitled “*A direct-fed microbial alters dairy cows’ rumen structure and reduces methane intensity*” was awarded the 2023 Environment and Sustainability Award. The study described findings from Terragen’s foundational 13 Cow study and represents the first step toward having the results of that study published.

The key findings of the study are:

- Improved milk productivity of +3.3% average daily milk production.
- Reduction in methane production of 11% in the treated group.
- Reduction in the relative abundance of methanogens in the treated group.

These activities are important steps in communicating Terragen's research and product development efforts to a global audience, which includes potential partner organisations. The results also help to strengthen the scientific support for direct fed microbials in agriculture.

Dry MYLO® Development

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

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

Terragen continues to explore options for scaling production with a view to having a dry form of MYLO® in the second half of calendar year 2024.

Feedlot Trials

Terragen is now investigating options to conduct formal studies in feedlot settings. The positive outcomes achieved in the trial conducted previously in a commercial feedlot setting provide the company with sufficient confidence to commence planning for the conduct of formal studies that would include different diets, longer feeding regimes, and possibly different breeds of cattle. This additional body of work would support the positive productivity findings seen in the earlier studies with MYLO® and build a strong case to take to potential partners.

Methane Mitigation Studies

As previously announced, a methane emissions reduction study in ruminant animals is being conducted by the Victorian Government's Hamilton research farm and Ellinbank Smart Farm. This study, largely funded by a \$615,000 MERiL grant from the Australian Government, is investigating the extent to which higher doses of MYLO® can lead to a greater reduction in enteric methane emissions compared to the standard dose. The study is ongoing, and results arising from this study will be announced to the market when they have been fully analysed and interpreted.

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

Financial Highlights

Q1 FY24 net sales of all products for the quarter were \$0.56 million, down 27% vs prior comparative period (PCP) (Q1 FY23: \$0.76 million).

MYLO® sales in Q1 were \$0.43 million, down \$130k (-23%) vs the PCP (Q1 FY23: \$0.56 million).

GREAT LAND PLUS® sales in Q1 were \$0.13 million, down \$74k (-37%) vs the PCP (Q1 FY23: \$0.2 million).

Operating expenditure in Q1 was \$1.36 million, representing savings of \$0.71 million (36%) vs Q1 FY23.

Cash reserve total of \$6.7 million at 30 June 2023 comprises \$6.6 million cash on hand plus \$0.12 million in Term Deposits not readily available.

Terragen Holdings Limited

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Net proceeds of \$3.2 million were received in Q1 FY24 after the completion of the Share placement and payment of related transaction costs.

As detailed in item 6 of the Appendix 4C at attachment 1 of this announcement, the Company made payments totalling \$0.07 million to related parties during the quarter for Directors' remuneration.

Organisational Update

In line with Company strategy, Terragen established a new role of Head of Commercial during the quarter and appointed Matt Courts to the position on 9 October 2023.

The Head of Commercial will develop and execute the commercialisation pathway for each of Terragen's products. This will include ensuring that products in the research and development program have a strong go-to-market element, and that Terragen is responding to customer needs with relevant products that solve the industry's challenges.

Changes to the Terragen Board

As previously announced on 8 June 2023, following shareholder approval and the issue of the ordinary shares (under tranche 2 of the placement), Mr Scobie Ward joined the Terragen Board as a Non-Executive Director on 7 September 2023.

About Terragen Holdings Limited

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

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

For further information, please contact:

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

Attachment 1

Appendix 4C

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

Name of entity

TERRAGEN HOLDINGS LIMITED

ABN

36 073 892 636

Quarter ended ("current quarter")

30 September 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	646	646
1.2 Payments for		
(a) research and development (direct and indirect)	(83)	(83)
(b) product manufacturing and operating costs	(164)	(164)
(c) advertising and marketing	(15)	(15)
(d) leased assets	-	-
(e) staff costs	(642)	(642)
(f) administration and corporate costs	(390)	(390)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	19	19
1.5 Interest and other costs of finance paid	(3)	(3)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives (FY23 R&D tax benefits)	-	-
1.8 Other (annual commissions paid to customers for FY23)	(55)	(55)
1.9 Net cash from / (used in) operating activities	(687)	(687)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(12)	(12)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(12)	(12)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,501	3,501
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(298)	(298)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(106)	(106)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	3,097	3,097

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
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4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,296	4,296
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(687)	(687)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(12)	(12)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,097	3,097
4.5	Effect of movement in exchange rates on cash held	2	2
4.6	Cash and cash equivalents at end of period	6,696	6,696

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	6,572	4,174
5.2	Call deposits	124	122
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,696	4,296

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

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

**Current quarter
\$A'000**

69

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

Represents payments made to Company Directors (executives and non-executives).

7. Financing facilities

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

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

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities		
7.2 Credit standby arrangements	-	-
7.3 Other – finance lease liabilities	150	150
7.4 Total financing facilities	150	150

7.5 Unused financing facilities available at quarter end

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

\$0.062m of financing facilities represent liabilities under leasing arrangements determined in accordance with the requirements of AASB16. These leasing facilities are secured against assets with a written down book value of approximately \$0.062m as at 30 September 2023. During the quarter no new lease agreements were entered into. All leases have a maturity date of less than 5 years.

Other financing facilities relates to a funding agreement for the payment of the annual insurance premiums over 10 months, concluding in December 2023. The written down book value of this facility was \$0.089m as at 30 September 2023.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(687)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	6,696
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	6,696
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	10

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

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

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

Answer:

Not applicable

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

Answer:

Not applicable

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

Answer:
Not applicable

Compliance statement

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

Date: **30 October 2023**

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

Notes

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