

24 January 2024



Terragen

ASX Announcement

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

Terragen Holdings Limited (ASX:TGH) 24 January 2024 – Australian biological agriculture company Terragen Holdings Limited (“Terragen”) provides an activities update for the three month period ended 31 December 2023.

Highlights

- **Greater focus and discipline** to drive more efficient product development and commercialisation outcomes in the next 12-18 months.
- **FAMI-QS accreditation achieved** on 17 November 2023.
- **Cash** reserve of \$5.8 million at 31 December 2023.
- **Net cash used in operating** activities of \$0.69m, down \$343k from the prior comparative period.
- **Operating expenses of \$1.37m**, a 24% reduction from \$1.8m in the prior comparative period.

Commercialisation

During the quarter, Terragen commissioned a review of the research, development and commercialisation by Food Agility Consulting (FAC). FAC is a subsidiary of an Australian Cooperative Research Centre, that supports collaborations between industry and research organisation to accelerate the uptake and commercialisation of innovative technologies. The review will enable Terragen to identify appropriate strategic partners, refined R&D plans and the commercialisation strategy.

Terragen’s new Head of Commercial, Matt Courts, commenced his role on 9 October 2023.

Research and Development Update

Terragen continues to expand and explore its library of microbes with the intent to develop a portfolio of valuable biological solutions. Through discovery efforts, microbial screening and extensive research (both *in vitro* and *in vivo*) Terragen aims to deliver sustainable solutions that enhance plant, soil and animal health and productivity, naturally.

Methane Mitigation Studies

The MERiL2 methane emissions reduction study in ruminant animals led by Agriculture Research Victoria is well underway. The animal observation period of the lactating cow component (undertaken at the Ellinbank Smart Farm) has concluded, and data analysis is underway. The sheep component (to be undertaken at the Hamilton research farm) is due to commence in February 2024. This study utilises a dry form of MYLO®, and Terragen intends to use the learnings from this study to understand the impact of MYLO® dose rates on methane mitigation potential and to examine effects of MYLO® in sheep. Terragen expects interim results in June 2024.

Terragen Holdings Limited

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

Quality Assurance

Terragen obtained FAMI-QS (Feed Additive and pre-Mixture System) certification in November 2023. FAMI-QS is a preeminent quality and feed safety accreditation system led by the FIAAA (Feed Ingredients and Additives Association of Australia). The FIAAA provides leadership to the Australian feed ingredient and supplement industry with the core purpose of ensuring sustainable product development and food safety. This globally recognised accreditation is testament to Terragen's optimal bioprocessing and quality standards. Industries seeking confidence in feed additive quality and safety will view certification favourably.

Financial Highlights

In line with the company's strategic priorities, more resources are being actively allocated to research activities. Operating expenditure in Q2 was \$1.37 million, of which 45% was for research & development. Operating expenditure in Q2 represents savings of \$0.49 million (24%) vs Q2 FY23.

Q2 FY24 net sales of all products for the quarter were \$0.32 million, down 50% vs prior comparative period (PCP) (Q2 FY23: \$0.63 million).

YTD F24 net sales were \$0.88 million made up of \$0.85 million in Australia and \$0.03 million in New Zealand.

The New Zealand market has seen significant financial pressure following the decline in the farm gate milk price in the second half of 2023. The record low milk prices led to farmers cutting spend, directly impacting input spend on MYLO® and GREAT LAND PLUS®.

In Australia, the declared El Nino resulted in similarly cautious farmers and the market saw reduced spend accordingly. The industry is seeing some improvement from this as the actual weather conditions have been better than anticipated.

In January 2024, Terragen launched an Autumn calving sales campaign in Australia. The campaign will run across the season and incentivise farmers to purchase MYLO®.

The cash reserves total of \$5.8 million at 31 December 2023 comprises \$5.7 million cash on hand plus \$0.1 million in Term Deposits not readily available.

As detailed in item 6 of the Appendix 4C at attachment 1 of this announcement, the Company made payments totalling \$0.076 million to related parties during the quarter for Directors' remuneration.

Changes to the Terragen Board

During the quarter Terragen welcomed two new Non-Executive Directors to the Board, Dr Michele Allan AO on 24 November 2023 and Mr. Richard Norton on 12 December 2023. Non-Executive Director Ingrid van Dijken resigned from the Board on 24 November 2023.

Terragen Holdings Limited

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

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 health and productivity of plants and animals. 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 biostimulant known as GREAT LAND PLUS®.

For further information, please contact:

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

Attachment 1

Appendix 4C

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

Name of entity

TERRAGEN HOLDINGS LIMITED

ABN

36 073 892 636

Quarter ended ("current quarter")

31 December 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	381	1,027
1.2 Payments for		
(a) research and development (direct and indirect)	(49)	(132)
(b) product manufacturing and operating costs	(141)	(305)
(c) advertising and marketing	(16)	(31)
(d) leased assets	-	-
(e) staff costs	(742)	(1,384)
(f) administration and corporate costs	(140)	(530)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	23	42
1.5 Interest and other costs of finance paid	(8)	(11)
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)
1.9 Net cash from / (used in) operating activities	(692)	(1,379)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(12)	(24)
	(d) investments	-	-
	(e) intellectual property	(26)	(26)
	(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	(38)	(50)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	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	(46)	(344)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(129)	(235)
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	(175)	2,922

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
--------------------------------------	----------------------------	---------------------------------------

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,696	4,296
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(692)	(1,379)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(38)	(50)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(175)	2,922
4.5	Effect of movement in exchange rates on cash held	2	4
4.6	Cash and cash equivalents at end of period	5,793	5,793

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	5,686	6,572
5.2	Call deposits	107	124
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)	5,793	6,696

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**

76

-

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		
<i>Note: the term 'facility' includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
	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	426	150
7.4 Total financing facilities	426	150

7.5 **Unused financing facilities available at quarter end** -

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

Financing facilities represent liabilities under leasing arrangements determined in accordance with the requirements of AASB16. These leasing facilities are secured against assets with a written down book value of approximately \$0.409m as at 31 December 2023. During the quarter two new lease agreements were entered into for the Company's commercial premises.

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

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(692)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	5,793
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	5,793
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	8

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

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

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

Answer:

Not applicable

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

Answer:

Not applicable

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

Answer:

Not applicable

Compliance statement

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

Date: **24 January 2024**

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.