



Appendix 4E – Preliminary Final Report under ASX Listing Rule 4.3A

1. Company Details

Name of entity: Terragen Holdings Limited
ABN: 36 073 892 636
Reporting period: For the year ended 30 June 2024
Previous period: For the year ended 30 June 2023

2. Results for announcement to the market

Key information	30 June 2024	30 June 2023	Change %
Revenue from ordinary operations	2,137,088	3,275,719	(35%)
Loss from ordinary activities after tax attributable to members	(3,014,078)	(3,233,919)	(7%)
Net Loss for the period attributable to members	(3,013,977)	(3,236,062)	(7%)

3. Details relating to dividends

There were no dividends paid, recommended, or declared during the reporting period or the previous period.

4. Dividend reinvestment plans

Not applicable.

5. Net tangible assets per share

	30 June 2024 Cents per share	30 June 2023 Cents per share
Net tangible assets per ordinary security	1.38	2.14

6. Details of subsidiaries and associates

The Company did not gain or lose control over any entities during the reporting period.

The Company has no associated entities.

7. Audit qualification or review

The consolidated financial statements for the year ended 30 June 2024 on which this report is based, have been audited by SW Accountants and Advisors who have issued an unqualified audit opinion.

8. Other information

Additional Appendix 4E disclosure requirements and further information including commentary on significant features of the operating performance, results of segments and other factors affecting performance for the reporting period are contained in the accompanying consolidated financial statements for the year ended 30 June 2024.



Signed : _____

Richard Norton
Managing Director

22/08/2024

Date: _____



Terragen Holdings Limited and Controlled Entity

ABN 36 073 892 636

Financial Report
For the year ended 30 June 2024

Financial Report Contents

Contents

Directors' Report.....	3
Auditor's Independence Declaration.....	25
Consolidated Statement of Profit or Loss and Other Comprehensive Income.....	26
Consolidated Statement of Financial Position.....	27
Consolidated Statement of Changes in Equity.....	28
Consolidated Statement of Cash Flows.....	29
Notes to the Financial Statements.....	30
Consolidated Entity Disclosure Statement	59
Directors' Declaration.....	60
Independent Auditor's Report.....	61

Directors' report

The directors of Terragen Holdings Limited (the "Company" or "Terragen") submit herewith the financial report of the Company and the entity it controlled for the year ended 30 June 2024 (collectively "Group"). To comply with the provisions of the *Corporations Act 2001*, the directors report is as follows.

Directors

The following persons were directors of the Company during the whole of the year and up to the date of this report, unless otherwise stated:

- Michael Barry – Non-Executive Chair
- Scobie Ward – Non-Executive Director (appointed 7 September 2023)
- Dr Michele Allan AO – Non-Executive Director (appointed 24 November 2023)
- Andrew Guthrie – Non-Executive Director (appointed 8 July 2024)
- Richard Norton – Managing Director and CEO (appointed Non-Executive Director 12 December 2023; appointed Managing Director and CEO 1 February 2024)
- Miles Brennan – Managing Director and CEO (resigned 31 January 2024)
- Sam Brougham – Non-Executive Director (resigned 6 April 2024)
- Ingrid van Dijken – Non-Executive Director (resigned 24 November 2023)

Information on directors and key management personnel in office during the financial year and to the date of this report

Name and Position	Qualifications and Experience	Particulars of interests in shares and options of the Company	
		Shares [#]	Options
Michael Barry <i>Non-Executive Chair</i>	Mr Barry has completed a Bachelor of Business from the Queensland University of Technology and a Masters of Business Administration from the University of Queensland. Mr 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. Most recently Mr Barry was CEO of MSF Sugar Limited for 13 years up until 2020. Mr Barry is a Director of various unlisted and private Companies. Other listed directorships in past three years: Entyr Limited	Nil	Nil
Scobie Ward <i>Non-Executive Director</i> <i>(Appointed 7 September 2023)</i>	Mr Ward has a strong academic background, graduating cum laude with a Bachelor of Arts from Harvard University and is a CFA (Chartered Financial Analyst). 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 was an early investor in Terragen, holding shares in the Company prior to its IPO in 2019. Other listed directorships in past three years: Coonridge Investment Limited	122,930,971 held indirectly	Nil

Directors' report

Name and Position	Qualifications and Experience	Particulars of interests in shares and options of the Company	
		Shares [#]	Options
Dr Michele Allan AO <i>Non-Executive Director</i> <i>(Appointed 24 November 2023)</i>	<p>Dr Allan AO has a Bachelor of Applied Science from University Technology Sydney, a Master of Management (Technology) from the University of Melbourne, a Doctor of Business Administration from Royal Melbourne Institute of Technology and a Master of Commercial Law from Deakin University. She is also a Fellow of the Australian Institute of Company Directors. In January 2023, Dr Allan was made an Officer in the Order of Australia for distinguished service to the agricultural, food production and business sectors, and to tertiary education. Michele is currently Chair of SmartSat CRC, Wine Australia, Trusted Autonomous Systems Defence, Charles Sturt University and Corrego Limited. She is a non-executive director of CSIRO, MJ Chickens, Dairy Food Safety Victoria and Food Agility CRC. Michele is the appointed independent reviewer of the Intergovernmental Biosecurity Legislation and member of the steering committee for the food Trailblazer at University of Queensland.</p> <p>Other listed directorships in past three years: Nil</p>	Nil	Nil
Andrew Guthrie <i>Non-Executive Director</i> <i>(Appointed 8 July 2024)</i>	<p>Mr Guthrie has a Bachelor of Agricultural Science (Hons) from La Trobe University and is a Graduate of the Australian Institute of Company Directors (GAICD). Andrew gained extensive global agricultural experience during his 32-year career with Syngenta - a global market leader in crop protection and seeds. He spent most of his senior leadership years in Asia, as Regional Director for Asia Pacific, before returning to Switzerland to lead Syngenta's multi-billion dollar business in Europe, Africa and the Middle East. Andrew was a member of Syngenta's Global Crop Protection Leadership team.</p> <p>In 2019 Mr Guthrie returned to Australia and is now a Non-executive Company director and mentor. He currently serves on the Boards of Cotton Seed Distributors Ltd and Bio-Gene Technology Ltd.</p> <p>Other listed directorships in past three years: Bio-Gene Technology Limited</p>	Nil	Nil

Directors' report

Name and Position	Qualifications and Experience	Particulars of interests in shares and options of the Company	
		Shares [#]	Options
Richard Norton <i>Managing Director, Chief Executive Officer</i> (Appointed Non-Executive Director 12 December 2023; appointed Managing Director and CEO 1 February 2024)	<p>Mr Norton has a Master of Business Administration from Monash University and is a Graduate of the Australian Institute of Company Directors (GAICD). He has extensive experience in the food processing and agribusiness sector with a specialised focus on commercialisation, having held executive positions in retail, innovation, logistics, marketing and agribusiness for over 30 years.</p> <p>Mr Norton's executive experience includes time as Managing Director of Meat and Livestock Australia (MLA), Managing Director of Landmark Operations and General Manager of Retail at Elders. Richard also has previously held senior positions at Wesfarmers Dalgety, Toll Holdings, Woolworths and Coca Cola Amatil.</p> <p>Other listed directorships in past three years: Nil</p>	Nil	Nil
Miles Brennan <i>Managing Director, Chief Executive Officer</i> (Resigned 31 January 2024)	<p>Miles is a member of CIMA (Chartered Institute of Management Accountants) and CPA Australia. Prior to joining Terragen, Mr Brennan enjoyed a long finance leadership career across a variety of highly successful businesses in the FMCG industry, including Simplot Australia, Treasury Wine Estates and Red Bull UK.</p> <p>Mr Brennan was appointed as Managing Director and Chief Executive Officer on 28 March 2023. Prior to this appointment, Miles had been Chief Financial Officer and Company Secretary of Terragen since August 2021.</p> <p>Other listed directorships in past three years: Nil</p>	40,000 held directly	Nil
Jocelyn West <i>Chief Operating Officer</i>	<p>Dr West is a qualified veterinarian and holds a BVetBiol/BVSc from Charles Sturt University and an MBA from Griffith University. Prior to joining Terragen, she worked in clinics, with a focus on mixed and production animal practice for eight years. In 2018, Dr West became Clinic Lead for National Vet Care.</p> <p>Dr West was appointed Chief Operating Officer of Terragen in March 2023, having previously been Terragen's Head of Veterinary Science.</p>	516,566 held directly	Nil

Directors' report

Name and Position	Qualifications and Experience	Particulars of interests in shares and options of the Company	
		Shares [#]	Options
Robyn Smith <i>Chief Financial Officer and Company Secretary</i> <i>(Appointed 24 July 2023, resigned 7 July 2024)</i>	<p>Mrs Smith is a Chartered Accountant (CAANZ) and holds a Bachelor of Commerce (Honours) in Accounting, Financial Management, Auditing and Tax. Robyn joined Terragen in April 2021 as the Company's Financial Controller, prior to which, she provided support to Terragen through the IPO process and as an outsourced Finance Manager.</p> <p>Mrs Smith has over 15 years of expertise as a finance professional for public and private companies across the manufacturing and mining sectors.</p>	40,000 held directly	Nil
Matthew Whyte <i>Chief Financial Officer and Company Secretary</i> <i>(Appointed 8 July 2024)</i>	<p>Mr Whyte holds a Graduate Diploma of Applied Finance, is a Chartered Accountant, and holds a Bachelor of Commerce (Honours) from the University of Queensland. Mr Whyte has over a decade of experience as a CFO of public and private businesses and has prior experience with Australian biotechnology companies.</p>	Nil	Nil
Sam Brougham <i>Non-Executive Director</i> <i>(Resigned 6 April 2024)</i>	<p>Mr Brougham has an economics degree from the University of Adelaide. He has over thirty years' experience in private and public investment and is currently a director of Ellerston Global Investments and Ceres Capital, a private global equity investment firm he cofounded in 1999. Mr Brougham also cofounded Structured Asset Management in 1993. He spent his early career with Price Waterhouse, and as a partner at JB Were.</p> <p>Other listed directorships in past three years: Ellerston Global Investments Limited; Ellerston Asian Investments Limited.</p>	23,512,058 held indirectly	Nil
Ingrid van Dijken <i>Non-Executive Director</i> <i>(Resigned 24 November 2023)</i>	<p>Ms van Dijken holds a Masters' degree in International Relations from the Graduate Institute in Geneva and an undergraduate degree from the Universiteit Utrecht, in the Netherlands.</p> <p>Ms van Dijken has more than 20 years' experience in private banking and funds management both in Australia and Switzerland. During these years she held senior management positions and acquired an in-depth understanding of wealth management for high-net-worth individuals.</p>	970,000 held indirectly	Nil

Directors' report

Name and Position	Qualifications and Experience	Particulars of interests in shares and options of the Company	
		Shares [#]	Options
	Ms van Dijken is a Trustee of the St Peters Eastern Hill Melbourne Charitable Foundation. She has been a non-executive board member of Escala Partners, a Melbourne based wealth management firm from 2015 until March 2019.		
	Other listed directorships in past three years:		
	Nil		

[#] Includes shares in which the Director has an indirect interest through associated entity.

Company secretary

Miles Brennan (to 24 July 2023)

Robyn Smith (appointed 24 July 2023, resigned 7 July 2024)

Matthew Whyte (appointed 8 July 2024)

Meetings of Directors

The number of meetings of the Group's board of directors and each board committee held during the year ended 30 June 2024, and the numbers of meetings attended by each director were as follows:

Number of Board meetings held	Board Meetings	
	Number of meetings eligible to attend	Number of meetings attended
		8
Michael Barry	8	8
Sam Brougham	6	6
Scobie Ward	7	7
Ingrid van Dijken	4	1
Dr Michele Allan AO	4	4
Richard Norton	4	4

Due to the changes in the Board of Directors during the year, all Directors were members of the Audit and Risk Committee. No Remuneration and Nomination committee meetings were held during the year.

The numbers of meetings attended by each committee member were as follows:

Number of Audit and Risk Committee meetings held	Meetings	
	Number of meetings eligible to attend	Number of meetings attended
		2
Michael Barry	2	2
Sam Brougham	2	2
Scobie Ward	1	0
Ingrid van Dijken	1	1
Dr Michele Allan AO	1	0
Richard Norton	1	0

Directors' report

Principal activities

The Group's principal activities during the financial year were research and early market development of biological products in the agriculture sector. There were no significant changes in the nature of these activities during the financial year.

Corporate activities

During the year, the Group:

- Made the following Board and Management Changes:
 - Robyn Smith was appointed as Chief Financial Officer and Company Secretary on 24 July 2023 having previously held the position of Senior Financial Controller.
 - Non-Executive Director Scobie Ward was appointed on 7 September 2023.
 - Non-Executive Director Ingrid van Dijken resigned on 24 November 2023.
 - Non-Executive Director Dr Michele Allan AO was appointed on 24 November 2023.
 - Managing Director and CEO Miles Brennan resigned on 31 January 2024.
 - Non-Executive Director Richard Norton was appointed on 12 December 2023. On 1 February 2024 Richard Norton was appointed Managing Director and CEO and was no longer a Non-Executive Director.
 - Non-Executive Director Sam Brougham resigned on 6 April 2024.
 - Non-Executive Director Andrew Guthrie was appointed on 8 July 2024.
 - Following the resignation of Robyn Smith, Matthew Whyte was appointed as Chief Financial Officer and Company Secretary on 8 July 2024.
- During the year the Group completed Tranche 2 of a two-tranche institutional placement and a share purchase plan as announced in June 2023.
 - The Share Purchase Plan (SPP), offered to retail investors, raised \$466,000. The 19,416,651 shares were issued at \$0.024 per share on 6 July 2023.
 - Tranche 2 completed on 7 September 2023 following shareholder approval. 126,542,360 fully paid ordinary shares were issued at \$0.024 per share to raise equity of \$3,037,017 before capital raising costs.

Operating and financial review

Review of financial results

The Group reported a loss after tax for the year of \$3,014,078 (2023: loss of \$3,233,919). The significant items affecting the operating result were:

- Revenues of \$2,137,088 (2023: \$3,275,719) from the sale of the Company's two products *Mylo*® and *Great Land Plus*® in Australia and New Zealand. This decline in sales reflects Terragen's strategic shift from a traditional farm-to-gate sales model to a focused investment approach in research and development and commercial product trials. The commitment to innovation and delivering substantial evidence sets the stage for the launch of Terragen's Dry Mylo® product and is the foundation for successful global commercialisation and long-term future growth.
- Income tax benefit of \$869,356 (2023: \$741,791) comprising the accrued research and development tax benefit in relation to research expenditure incurred by the Group during the year.
- Operating expenses of \$6,134,848 in the year have decreased by 17% from the prior year operating expenses of \$7,364,714. The key drivers of the decrease are:

Directors' report

- Employee benefits expense \$3,131,204 (2023: \$3,616,509)
- Sales commissions to Retail Agents of \$500,523 (2023: \$806,463)
- Transport costs \$183,176 (2023: \$345,235).

Review of financial position

- Net cash flows used in operating activities decreased by 17% to \$(2,321,406) (2023: \$(2,809,025)).
- Issued capital of \$46,903,663 (2023: \$43,649,618) following the completion of a two-tranche institutional placement and a share purchase plan as announced in June 2023.
- Terragen Group's net assets have increased from \$5,076,183 to \$5,316,251 which is consistent with and largely attributable to the capital raising activities and the current year's loss after tax.
- Terragen Group's financial liabilities relate to lease liabilities for the Group's rental premises and small motor vehicle fleet.

Review of operations

Terragen conducts research activities for the advancement of the use of biological products in agricultural applications. Research is focussed on determining the optimum combination and concentration of naturally occurring live microbe strains to help boost the productivity, welfare and resilience of farm production animals and address plant 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 continues to prioritise various research trials to further scientific knowledge and expand the product offering, as it works to present a compelling proposition for commercial partners seeking sustainable options.

Terragen has two products on the market in Australia and New Zealand: a microbial feed supplement for animals known as Mylo®, and a biostimulant called Great Land Plus®.

Terragen sells Mylo®, a liquid probiotic containing naturally occurring microorganisms to assist with the gut health of cattle. Over the 2024 financial year, Terragen has developed a prototype Dry Mylo®. This formulation is recognised to have benefits in terms of delivery, logistical efficiencies and extended shelf life.

Principal risks

The Group's growth and success depends on its ability to understand and respond to the challenges of an uncertain and changing world. This uncertainty generates risk, with the potential to be a source of both opportunities and threats. By understanding and managing risks, we provide greater certainty and confidence for all shareholders.

The material business risks that could adversely impact the Group's financial prospects in future periods and the broad approach Terragen takes to manage these risks are outlined below. These risks are not a complete or exhaustive list of the risks the Group is exposed to.

Directors' report

Risk	Description	Mitigation
Ownership and protection of intellectual property	<p>Terragen's business model depends on its ability to commercially exploit its intellectual property (IP). Terragen relies on laws relating to trade secrets, copyright and trademarks to assist in protecting its proprietary rights. There is a risk that unauthorised use or copying of intellectual property, business data or secure documentation (electronic laboratory books) will occur.</p> <p>A breach of Terragen's intellectual property may result in the need to commence legal action, which could be costly and time consuming. A failure or inability to protect the Company's intellectual property rights could have an adverse impact on operating and financial performance.</p>	<p>Terragen's use of microbes are protected by patents across Australia, New Zealand, US and Europe.</p> <p>Terragen ensures that its IP is protected when entering into any agreements with 3rd parties such as research institutions or distributors.</p>
Loss of key personnel	The successful operation of Terragen in part relies on the Company's ability to attract and retain experienced and high performing personnel. The loss of any key members of management or other personnel, or the inability to attract additional skilled individuals to key projects or roles, may adversely affect Terragen's ability to develop and implement its business strategies.	Terragen operates in a manner conducive to retain high performing personnel. In particular, this includes flexible workplace arrangements, and cross functional training and development experiences.
Risk of delay and continuity of operations	The potential for delay of any of Terragen's key projects presents a number of risks (including potential cost overruns and impacts of delays on the conclusion of commercial partnerships). Delays may be caused by various factors, including delays in obtaining regulatory approvals, delays in scientific studies, and delays in completing successful field trials.	<p>Strategic planning is fundamental to Terragen's business model.</p> <p>This identifies the process steps and allows management to develop options as required.</p>
Regulatory approvals	<p>Terragen's target markets for its products are emerging, and as such the regulatory environment is constantly changing.</p> <p>There is also a possibility that Terragen may become subject to additional legal or regulatory requirements if its business operations, strategy or geographic reach expand in the future or if there is a change in applicable law or regulation.</p>	<p>Terragen engages appropriate expert advice when entering into new business areas.</p> <p>This approach will continue in the future, whenever Terragen seeks to enter into new jurisdictions with existing or new products.</p>

Directors' report

Risk	Description	Mitigation
Failure to realise benefits from product research and development	<p>The development and commercialisation of products is expensive and often involves an extended period to achieve return on investment. A critical aspect of Terragen's business model is to continually invest in innovative research and product development opportunities.</p> <p>Terragen may not realise benefits from these investments for several years. The Company makes assumptions about the expected future benefits generated by investment in product research and development and the expected timeframe in which the benefits will be realised. These assumptions are subject to change and involve both known risks and risks that are beyond the Company's control. Any change to the assumptions the Company has made about certain product development may have an adverse impact on the Company's ability to realise a benefit from investment in the development of that product.</p>	<p>Terragen tracks its progress as a matter of course.</p> <p>As new knowledge arises, management will adjust its business plans to maintain an appropriate path to commercial success.</p>
Product risks and liability	<p>Terragen currently manufactures Great Land Plus® and Mylo® in a liquid form on a commercial scale. However, there is no assurance that unforeseen adverse events or manufacturing defects will not arise, which could have significant impacts for Terragen's corporate and brand reputations, as well as having regulatory implications.</p>	<p>Terragen operates in accordance with current Good Manufacturing Practices (GMP), prescribed by the Australian Pesticides and Veterinary Medicines Authority (APVMA) and other regulatory authorities.</p> <p>It also operates a strong Quality Assurance framework, including use of retention samples.</p>
Arrangements with third party collaborators	<p>Terragen may pursue collaborative arrangements with life science companies, academic institutions or other partners to complete the development and commercialisation of the Terragen products. However, there is no assurance that Terragen will attract and retain appropriate strategic partners or that any such collaborations will result in commercial grade outcomes.</p> <p>There is a risk that third party collaborators may seek commercial exploitation of Terragen's intellectual property that has been shared under any collaboration arrangement, such as in the form of copycat products.</p>	<p>Terragen engages with appropriate expert advice when entering into new arrangements. Through written agreements, Terragen protects its IP and associated trade secrets, and restricts third parties through undertakings of confidentiality.</p>

Directors' report

Risk	Description	Mitigation
Market acceptance and competitor risk	<p>Terragen believes that there is a growing demand for non-chemical products that enable farmers to pursue sustainable agricultural practices. The demand for such products can be significantly impacted by changes in the regulatory and industry economic environment.</p> <p>Whilst the market for such products is relatively new, and demand is developing, there is a risk that there will be new entrants into the market and the risk of existing competitors introducing new products or technologies.</p> <p>Competition in the market has the potential to disrupt Terragen's business and market share. There may be aggressive, fast-moving, early stage, start-up companies developing products that are comparable or competing products with properties that are similar to one or more of the properties of the Terragen equivalent.</p>	<p>Terragen considers it has a competitive advantage in being one of the first in the market to provide a new approach to the development of natural live microbial products.</p> <p>Terragen also supports its early-mover advantage with a level of investment in research that distinguishes itself from the competitive set of biological products.</p>
Uncertainty of future revenue and profitability	<p>Terragen's long term viability is contingent on, amongst other things, the Company's ability to enter into appropriate licensing or distribution arrangements that deliver the requisite revenues to cover the Company's ongoing indirect costs, including the ongoing research into next generation products.</p> <p>Future revenues could be impacted by general economic conditions, market demand, competitor activity and the results of further studies and field trials.</p>	<p>Terragen's products are targeted towards a large global market opportunity and are well positioned to increase market share given the growing market trend towards sustainability, organic products and environmentally friendly solutions.</p>
Sufficiency of funding and additional requirements for capital	<p>There is a risk that the costs of research and development may be higher than anticipated or increase as a result of unforeseen circumstances (which may include circumstances related to other key risk factors set out in this section).</p>	<p>As a business that is still in the IP building phase of its development, management undertakes continuous assessment to allocate available funds to projects or activities that are identified as delivering the best return on investment.</p>
Financial risks	<p>Terragen is exposed to a variety of financial risks, including credit risk, adverse movements in interest rates as well as liquidity risk. These risks may have an adverse effect on the Company's operating and financial performance.</p>	<p>Terragen has in place a framework for managing these risks.</p> <p>Information on how Terragen manages financial risks is included in note 21 to the Financial Statements.</p>

Directors' report

Risk	Description	Mitigation
Operational risks	<p>A prolonged and unplanned interruption to Terragen's operations could significantly impact the Company's financial performance and reputation. Terragen is exposed to a variety of operational risks, including risk of site loss or damage, environmental and climatic events, global pandemic risks, technology failure or incompetency and systems security or data breaches.</p> <p>Failure to mitigate these risks could impact on Terragen's corporate reputation, and adversely impact delivery of Terragen's strategy, through a failure in customer service.</p>	<p>Terragen has a comprehensive range of controls and strategies in place to manage such risks, including operational processes to Good Manufacturing Practises (GMP) standards, inventory management processes and business continuity plans.</p>
Cyber risks	<p>Terragen, like any organisation, faces an ever-changing cyber security threat, and needs to prevent, detect and respond to cyber security threats by maintaining a high standard of information security control.</p>	<p>The Group has in place a Computer and Cyber Security, Digital Information, Internet and Email policy. The policy sets out security controls and standards of behaviour determined as necessary to achieve an appropriate level of information security.</p>

Directors' report

Earnings per share

	2024	2023
Basic and diluted loss per share	0.87 cents	1.57 cents

Likely developments and expected results of operations

Terragen intends to continue investment into research on biological product application in agriculture. This research is intended to provide the scientific basis for a new generation of sustainable agricultural treatments for both animal and plant applications.

Events since the end of the financial year

There have been no matter or circumstance which has arisen since the end of the year that has significantly affected, or may significantly affect the Group's operations, the result of those operations or the Group's state of affairs.

Dividends

No dividends were paid or declared during the year and no recommendation is made as to payment of dividends.

Significant changes in state of affairs

There were no significant changes in the state of affairs of the Group during the financial year.

Environmental Regulation

The Group was not subject to any significant environmental regulation under a law of the Commonwealth or a State or Territory of Australia.

Shares under Option

Unissued ordinary shares of the Group under option at the date of this report are as follows:

Option series	Grant Date	Expiry Date	Exercise price of options	Number under options
Tranche 13	4/12/2020	4/12/2025	\$0.25	1,000,000
Tranche 14	4/12/2020	4/12/2025	\$0.50	2,000,000
Tranche 15	4/12/2020	4/12/2025	\$1.00	5,000,000
				<u>8,000,000</u>

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

Shares issued on the exercise of options

During the financial year no shares were issued as a result of the exercise of options.

Directors' report

Remuneration Report (Audited)

This remuneration report, which forms part of the Directors' Report, sets out information about the remuneration of Terragen's key management personnel for the financial year ended 30 June 2024. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing, and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group. The prescribed details for each person covered by this report are detailed below under the following headings:

- Key management personnel
- Remuneration policy
- Remuneration, Group performance and shareholder wealth
- Remuneration of key management personnel
- Loans to key management personnel.

a) Key management personnel

The directors and other key management personnel of the consolidated entity during the financial year were:

Non-executive directors

Michael Barry	Chair
Sam Brougham	Non-Executive Director (resigned 6 April 2024)
Scobie Ward	Non-Executive Director (appointed 7 September 2023)
Ingrid van Dijken	Non-Executive Director (resigned 24 November 2023)
Dr Michele Allan AO	Non-Executive Director (appointed 24 November 2023)

Executive Directors

Miles Brennan	Managing Director, Chief Executive Officer (resigned 31 January 2024)
Richard Norton	Managing Director and CEO (appointed Non-Executive Director 12 December 2023; appointed Managing Director and CEO 1 February 2024)

Other Key Management Personnel

Jocelyn West	Chief Operating Officer
Robyn Smith	Chief Financial Officer and Company Secretary (appointed 24 July 2023, resigned 7 July 2024)

Except as noted, the named persons held their current position for the whole of the financial year. Refer to Note 22 Related Party Transactions for further information.

b) Remuneration policy

The Board of Terragen is responsible for determining and reviewing compensation arrangements for the non-executive directors and the executive director. The Board's remuneration policy is to ensure that the remuneration package properly reflects the person's duties and responsibilities, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality board and executive team. Such officers are given the opportunity to receive compensation in a variety of forms. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost to the Group. In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Directors' report

Non-Executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Group with the ability to attract and retain directors of high calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

Remuneration of non-executive directors is determined by the Board, within the maximum amount approved by the shareholders from time to time (currently set at an aggregate of \$300,000 per annum).

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each non-executive director receives a fee for being a director of the Company. The non-executive Chair receives an annual fee of \$83,250, all other non-executive directors receive an annual fee of \$60,000. Non-executive directors who are called upon to perform extra services beyond the director's ordinary duties may be paid additional fees for those services. However, for the 30 June 2024 year end, selective directors chose to waive their director fees.

No fees were paid to non-executive directors for additional services during the year ended 30 June 2024.

Non-executive directors may also be granted equity incentives from time to time. The options granted are considered by the Board to be an effective means of appropriately compensating directors whilst preserving the Group's cash reserves and providing an alignment between Director and shareholder interests. No equity incentives were issued to non-executive directors as remuneration during the financial year.

Executive Directors and Key Management Personnel Remuneration

Objective

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group so as to:

- reward executives for Group and individual performance against agreed targets;
- align the interest of executives with those of shareholders;
- link reward with the strategic goals and performance of the Group; and
- ensure total remuneration is competitive by market standards.

Structure

In determining the level and make-up of executive remuneration, the Board has had regard to market levels of remuneration for comparable executive roles. It is the Board's policy that employment contracts are entered into with all senior executives.

Variable Remuneration - Short and Long-Term Incentives

Objective

The objectives of the incentive plan are to:

- recognise the ability and efforts of the employees of the Group who have contributed to the success of the Group and to provide them with rewards where deemed appropriate;
- provide an incentive to the employees to achieve the long-term objectives of the Group and improve the performance of the Group; and

Directors' report

- attract persons of experience and ability to employment with the Group and foster and promote loyalty between the Group and its employees.

Structure

Long term incentives granted to senior executives are delivered in the form of shares, options or performance rights in accordance with an Employee Incentive Plan. As part of the Group's annual strategic planning process, the Board and Management agree upon a set of financial and non-financial objectives for the Group. The objectives form the basis of the assessment of Management performance and vary but are targeted directly to the Group's business and financial performance and thus to shareholder value.

c) Remuneration, Group performance and shareholder wealth

The development of remuneration policies and structures is considered in relation to the effect on Group performance and shareholder wealth. They are designed by the Board to align director and executive behaviour with improving Group performance and ultimately shareholder wealth. The Board considers at this stage in the Group's development, that share price growth itself is an adequate measure of total shareholder return.

Executives are currently remunerated by a combination of cash base remuneration, options and short-term incentives. The options granted are considered by the Board to provide an alignment between the employees and shareholders interests.

The table below shows for the current financial year and previous financial years the total remuneration cost of the key management personnel, earnings per ordinary share (EPS), dividends paid or declared, and the closing price of ordinary shares on ASX at year end.

Financial Year	Total Remuneration \$	EPS (Cents)	Dividends (cents)	Share Price as at 30 June (cents)
2024	911,945	(0.87)	-	1.3
2023	1,001,966	(1.57)	-	2.4
2022	1,111,142	(2.80)	-	15.5
2021	2,500,558	(3.23)	-	28.0
2020	766,416	(3.27)	-	17.5

d) Remuneration of key management personnel

Compensation paid, payable or provided by the Group or on behalf of the Group, to key management personnel is set out below. Key management personnel include all directors of the Group and certain executives who, in the opinion of the Board and Managing Director, have authority and responsibility for planning, directing, and controlling the activities of the Group directly or indirectly.

The Company's Managing Director and other members of senior management are employed under individual contracts of employment with the Company. The contracts set out:

- The individual's total fixed compensation, including fixed cash remuneration and the Company's superannuation contribution;
- Notice and termination provisions; and
- Employee entitlements including leave.

Directors' report

The Company makes contributions with respect to the senior executives to complying superannuation funds in accordance with relevant superannuation legislation and the individual contracts of employment. Summaries of material service agreements are set out below:

Miles Brennan, Managing Director and Chief Executive Officer (resigned 31 January 2024)

- Base Remuneration – Effective 28 March 2023 \$250,000 per annum, plus superannuation contributions, on a fulltime basis, subject to annual increases at the discretion of the Board of Directors.
- Termination – By four months' notice from either party.
- Incentive benefits – Entitled to participate in the Terragen Employee Incentive Plan subject to the usual Board and Shareholder approvals.

Richard Norton, Managing Director and Chief Executive Officer (appointed 1 February 2024)

- Base Remuneration – Effective 1 February 2024, \$250,000 per annum, plus superannuation contributions, on a fulltime basis, subject to annual increases at the discretion of the Board of Directors.
- Provision of motor vehicle.
- Termination – By four months' notice from either party.
- Incentive benefits – Entitled to participate in the Terragen Employee Incentive Plan subject to the usual Board and Shareholder approvals.

Jocelyn West, Chief Operating Officer

- Base Remuneration – Appointed 28 March 2023 \$190,000 per annum plus superannuation contributions, on a fulltime basis, subject to annual increases at the discretion of the Board of Directors.
- Termination – By one month's notice from either party.
- Incentive benefits – Entitled to participate in the Terragen Employee Incentive Plan subject to the usual Board and Shareholder approvals.

Robyn Smith, Chief Financial Officer and Company Secretary (Appointed 24 July 2023, resigned 7 July 2024)

- Base Remuneration – Effective 24 July 2023 \$180,000 per annum plus superannuation contributions, on a fulltime basis, subject to annual increases at the discretion of the Board of Directors.
- Termination – By three month's notice from either party.
- Incentive benefits – Entitled to participate in the Terragen Employee Incentive Plan subject to the usual Board and Shareholder approvals.

Directors' report

2024	Cash and salary fees	Super-annuation	Employee entitlements ^f	Share-based payments	Other	Total remuneration	Proportion of remuneration that is performance based
	\$	\$			\$	\$	%
<i>Non-Executive Directors</i>							
Michael Barry	75,000	8,250	-	-	-	83,250	0%
Sam Brougham ^a	-	-	-	-	-	-	0%
Scobie Ward ^a	-	-	-	-	-	-	0%
Ingrid van Dijken ^a	-	-	-	-	-	-	0%
Dr Michele Allan AO ^b	32,555	3,581	-	-	-	36,136	0%
Richard Norton ^c	7,508	826	-	-	-	8,334	0%
Total Non-Executive Directors	115,063	12,657	-	-	-	127,720	0%
<i>Executive Directors</i>							
Miles Brennan ^d	229,167	20,600	3,550	-	-	253,317	0%
Richard Norton ^c	104,167	11,458	8,152	-	-	123,777	0%
Total Executive Directors	333,334	32,058	11,702	-	-	377,094	0%
<i>Other Key Management Personnel</i>							
Jocelyn West ^g	190,000	20,900	6,378	-	-	217,278	0%
Robyn Smith ^e	165,300	18,183	6,370	-	-	189,853	0%
Total Key Management Personnel	355,300	39,083	12,748	-	-	407,131	0%
Total Director and KMP Compensation	803,697	83,798	24,450	-	-	911,945	0%

^a Directors elected to waive their entitlement to be paid directors fees.

^b Appointed 24 November 2023.

^c Richard Norton was appointed as a Non-Executive Director 12 December 2023. Subsequently, on 1 February 2024 he was appointed Managing Director and CEO.

^d Resigned 31 January 2024.

^e Appointed Chief Financial Officer and Company Secretary on 24 July 2023; resigned on 7 July 2024.

^f Reflects annual and long service leave movements during the year.

Directors' report

2023	Cash and salary fees	Super-annuation	Employee entitlements ^h	Share-based payments	Other	Total remuneration	Proportion of remuneration that is performance based
	\$	\$			\$	\$	%
<i>Non-Executive Directors</i>							
Travis Dillon ^a	25,833	-	-	-	6,000 ^j	31,833	0%
Michael Barry ^b	206	-	-	-	-	206	0%
Sam Brougham ^c	18,333	-	-	-	-	18,333	0%
Ingrid van Dijken	18,333	-	-	-	-	18,333	0%
Total Non-Executive Directors	62,705	-	-	-	6,000	68,705	0%
<i>Executive Directors</i>							
Jim Cooper ^d	337,176	27,500	-	-	14,659 ^k	379,335	0%
Miles Brennan ^e	233,284	24,495	7,457	-	-	265,236	0%
Total Executive Directors	570,460	51,995	7,457	-	14,659	644,571	0%
<i>Other Key Management Personnel</i>							
Paul Grave ^f	98,086	6,838 ⁱ	24,428	-	105,427 ^l	234,779	0%
Jocelyn West ^g	48,975	5,142	-	-	-	54,117	0%
Total Key Management Personnel	147,061	11,980	24,428	-	105,427	288,896	0%
Total Director and KMP Compensation	780,226	63,975	31,885	-	126,086	1,002,172	0%

^a Travis Dillon invoices director fees via Dillon Consulting Company Pty Ltd. Mr Dillon resigned as Chair on 30 June 2024.

^b Appointed Non-Executive Director and Chair on 30 June 2023 Agreed annual fee of \$75,000 with no additions for sub-committee fees.

^c Sam Brougham invoices director fees via Crofton Park Developments Pty Ltd at Sam Brougham Family Trust.

^d Resigned 28 March 2023.

^e Appointed Chief Executive Officer and Managing Director 28 March 2023. Previously held the position of Chief Financial Officer.

^f Resigned 7 December 2022 and received a payment in lieu of notice. Paul Grave's earnings were paid in NZD and have been translated to AUD for the purposes of this table.

^g Appointed Chief Operating Officer 28 March 2023.

^h Reflects annual and long service leave movements during the year.

ⁱ KiwiSaver contribution of 3.3% of Gross Earnings

^j Fees paid to Travis Dillon in relation to consulting services provided to the Sales and Marketing Team during the year.

^k Annual car allowance in accordance with contract.

^l Lump sum (In lieu of notice) payment on resignation.

Directors' report

Share-based compensation

On 16 November 2022, Terragen established an employee incentive plan (Employee Incentive Plan) to assist in the motivation, reward and retention of its Directors, executive staff, and other selected employees.

Incentives under the Employee Incentive Plan may be offered to an Eligible Employee which means:

- an employee of a Group Company;
- an executive director, a non-executive director, or a company secretary of a Group Company;
- a contractor or consultant who provides services to a Group Company.

In selecting Eligible Employees to apply for, or otherwise receive incentives, the Board will have regard to:

- the position in the Group held or to be held by the Eligible Employee;
- the Eligible Employee's length of service with the Group;
- the contribution made by the Eligible Employee to the Group;
- the potential contribution to be made by the Eligible Employee to the Group; and
- any other matters which the Board considers relevant.

The following incentives may be issued under the Employee Incentive Plan:

- a performance right;
- an option; and
- a share.

A grant of Incentives under the Employee Incentive Plan is subject to both the rules of the Employee Incentive Plan and the terms of the specific grant.

Options or performance rights granted under the Employee Incentive Plan may only be exercised if, at the time of exercise:

- the options or performance rights have vested;
- the options or performance rights have not been forfeited or lapsed; and
- the exercise price (for option or performance right (as adjusted if applicable)) has been paid.

During the financial year no options were issued under the Employee Incentive Plan.

The Board has rules that contain restrictions on removing the 'at risk' aspect of the options granted to executives. Executives may not enter into any transactions designed to remove the 'at risk' aspect of an instrument before it vests.

There are no vesting conditions attached to options issued in previous years. In the event of termination (specified circumstances) only vested options are entitled to be exercised and must be exercised within thirty days of termination or such other period as may be determined by the Board of Directors.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are determined using an option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Shares provided on exercise of remuneration options

No shares were issued to Key Management Personnel or Directors as a result of the exercise of options during the year. No shares were issued, as a result of the exercise of options, to individuals other than Key Management Personnel or Directors.

Directors' report

Unlisted option holdings

No options over ordinary shares in the Group were issued to or held by Directors or key management persons of the Group during the financial year ended 30 June 2024.

2023						
Name	Balance at start of year	Granted as remuneration	Lapsed	Held at time of ceasing to be KMP	Balance at end of year	Vested and exercisable
Travis Dillon	-	-	-	-	-	-
Michael Barry	-	-	-	-	-	-
Sam Brougham	1,600,000	-	(1,600,000)	-	-	-
Ingrid van Dijken	100,000	-	(100,000)	-	-	-
Jim Cooper	8,000,000	-	-	(8,000,000)	-	-
Miles Brennan	-	-	-	-	-	-
Paul Grave	-	-	-	-	-	-
Jocelyn West	-	-	-	-	-	-
Total	9,700,000	-	(1,700,000)	(8,000,000)	-	-

Share holdings

The number of shares in the Group held during the financial year by each director of Terragen and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation (2023: nil).

2024	Balance at start of year	Shares held on appointment as KMP	Acquisitions during the year	Options converted	Shares held on ceasing to be KMP	Balance at the end of the year
Michael Barry	-	-	-	-	-	-
Sam Brougham	15,178,718	-	8,333,340	-	(23,512,058)	-
Scobie Ward	-	122,930,971	-	-	-	122,930,971
Ingrid van Dijken	970,000	-	-	-	(970,000)	-
Dr Michele Allan AO	-	-	-	-	-	-
Andrew Guthrie	-	-	-	-	-	-
Miles Brennan	-	-	40,000	-	(40,000)	-
Richard Norton	-	-	-	-	-	-
Jocelyn West	99,900	-	416,666	-	-	516,566
Robyn Smith	-	-	40,000	-	(40,000)	-
	16,248,618	122,930,971	8,830,006	-	(24,562,058)	123,447,537

2023	Balance at start of year	Shares held on appointment as KMP	Acquisitions during the year	Options converted	Shares held on ceasing to be KMP	Balance at the end of the year
Travis Dillon	350,000	-	-	-	(350,000)	-
Sam Brougham	15,178,718	-	-	-	-	15,178,718
Ingrid van Dijken	970,000	-	-	-	-	970,000
Jim Cooper	500,000	-	-	-	(500,000)	-
Miles Brennan	-	-	-	-	-	-
Paul Grave	-	-	-	-	-	-
Jocelyn West	-	99,900	-	-	-	99,900
	16,998,718	99,900	-	-	(850,000)	16,248,618

Directors' report

e) Loans to key management personnel

There were no loans to key management personnel at any time during the financial year.

End of Remuneration Report

Insurance and indemnification

To the extent permitted by law, the Group has indemnified (fully insured) each director and the secretary of the Group. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings (that may be brought) against the officers in their capacity as officers of the Company or a related body, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. Premiums paid during the year for Directors & Officers liability insurance were \$82,469 (2023: \$83,451).

Proceedings on behalf of the Group

The Group is not aware that any person has applied to the court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings in which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group with leave of the court under section 237 of the *Corporations Act 2001*.

Non-audit Services

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important. Details of amounts paid or payable to the auditor for audit and non-audit services provided during the year by the auditor are set out in Note 23 to the Financial Statements.

The directors are satisfied that the provision of non-audit services, during the year, by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are of the opinion that the services, as disclosed in note 23 to the financial statements, do not compromise the external auditor's independence, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Details of the amounts paid or payable to the auditor, SW Audit, for audit services provided during the year are set out in note 23 to the financial report.

Directors' report

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is attached to this report.

Rounding off of amounts

The Company is a company of the kind referred to in *ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest dollar unless otherwise indicated.

This report is made in accordance with a resolution of directors.

On behalf of the Directors



Richard Norton
Managing Director

22 August 2024

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF TERRAGEN HOLDINGS LIMITED

As lead auditor, I declare that, to the best of my knowledge and belief, during the year ended 30 June 2024 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit, and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.



SW Audit
Chartered Accountants



R Blayney Morgan
Partner

Melbourne, 22 August 2024

Brisbane
Level 15
240 Queen Street
Brisbane QLD 4000
T + 61 7 3085 0888

Melbourne
Level 10
530 Collins Street
Melbourne VIC 3000
T + 61 3 8635 1800

Perth
Level 18
197 St Georges Terrace
Perth WA 6000
T + 61 8 6184 5980

Sydney
Level 7, Aurora Place
88 Phillip Street
Sydney NSW 2000
T + 61 2 8059 6800



Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2024

	Notes	2024 \$	2023 \$
Revenue	3	2,137,088	3,275,719
Other income	3	114,326	113,285
Commissions paid		(500,523)	(806,463)
Direct research	4	(402,288)	(314,196)
Raw materials and consumables used		(79,645)	(64,235)
Transport		(183,176)	(345,235)
Employee benefits	5	(3,131,204)	(3,616,509)
Occupancy		(160,601)	(198,344)
Selling costs		(78,613)	(173,757)
Accounting and audit	23	(151,548)	(182,938)
Travel and accommodation		(93,704)	(92,565)
ASX and share registry		(48,867)	(63,226)
Communications and IT		(102,139)	(132,585)
Consulting		(274,012)	(342,091)
Insurance		(198,123)	(202,687)
Finance costs	6	(28,634)	(17,532)
Depreciation and amortisation	7	(356,664)	(493,364)
Other expenses		(345,107)	(318,987)
Loss before income tax expense		(3,883,434)	(3,975,710)
Income tax benefit	8	869,356	741,791
Loss for the year after income tax benefit		(3,014,078)	(3,233,919)
Other comprehensive income / (deficit), net of tax			
Translation of foreign operations		101	(2,143)
Total comprehensive deficit for the year		(3,013,977)	(3,236,062)
Basic and diluted loss per share (cents per share)	9	(0.87)	(1.57)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Financial Position

As at 30 June 2024

	Notes	2024 \$	2023 \$
Current assets			
Cash and cash equivalents	20	4,543,013	4,174,116
Trade and other receivables	10	189,933	254,655
Inventories	11	188,009	202,954
Other assets	12	266,509	297,018
Current tax assets	8(c)	869,192	738,586
Total current assets		6,056,656	5,667,329
Non-current assets			
Right of use assets	13	391,846	105,784
Plant and equipment	14	263,091	375,793
Intangible assets	15	233,941	196,253
Other assets		1,600	1,600
Total non-current assets		890,478	679,430
TOTAL ASSETS		6,947,134	6,346,759
Current liabilities			
Trade and other payables	16	832,568	798,059
Financial liabilities	17	318,074	219,328
Employee provisions		223,806	187,158
Total current liabilities		1,374,448	1,204,545
Non-current liabilities			
Financial liabilities	17	224,153	20,045
Employee provisions		32,282	45,986
Total non-current liabilities		256,435	66,031
TOTAL LIABILITIES		1,630,883	1,270,576
NET ASSETS		5,316,251	5,076,183
Equity			
Issued capital	18	46,903,663	43,649,618
Reserves	19	1,680,842	1,680,741
Accumulated losses		(43,268,254)	(40,254,176)
TOTAL EQUITY		5,316,251	5,076,183

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Changes in Equity**For the year ended 30 June 2024**

2024		Issued Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
Balance as at 1 July 2023		<u>43,649,618</u>	<u>1,680,741</u>	<u>(40,254,176)</u>	<u>5,076,183</u>
Loss for the year		-	-	(3,014,078)	(3,014,078)
Translation of foreign operations		-	101	-	101
Total comprehensive deficit for the year		<u>-</u>	<u>101</u>	<u>(3,014,078)</u>	<u>(3,013,977)</u>
Transactions with owners in their capacity as owners:					
Issue of share capital	18	3,503,017	-	-	3,503,017
Capital raising costs	18	(248,972)	-	-	(248,972)
Balance at 30 June 2024		<u>46,903,663</u>	<u>1,680,842</u>	<u>(43,268,254)</u>	<u>5,316,251</u>
2023		Issued Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
Balance as at 1 July 2022		<u>43,004,870</u>	<u>2,290,440</u>	<u>(37,534,049)</u>	<u>7,761,261</u>
Loss for the year		-	-	(3,233,919)	(3,233,919)
Translation of foreign operations		-	(2,143)	-	(2,143)
Total comprehensive deficit for the year		<u>-</u>	<u>(2,143)</u>	<u>(3,233,919)</u>	<u>(3,236,062)</u>
Transactions with owners in their capacity as owners:					
Issue of share capital		698,469	-	-	698,469
Capital raising costs		(177,485)	-	-	(177,485)
Options exercised		123,764	(93,764)	-	30,000
Options lapsed		-	(513,792)	513,792	-
Balance at 30 June 2023		<u>43,649,618</u>	<u>1,680,741</u>	<u>(40,254,176)</u>	<u>5,076,183</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Cash Flows**For the year ended 30 June 2024**

		2024 \$	2023 \$
Cash flow from operating activities			
Receipts from customers		1,829,629	2,426,631
Payments to suppliers and employees		(4,968,723)	(6,164,952)
Interest and other costs of finance paid		(27,840)	(17,532)
Interest received		106,780	53,400
Research and development tax concessions received		738,748	893,428
Net cash used in operating activities	20(b)	<u>(2,321,406)</u>	<u>(2,809,025)</u>
Cash flow from investing activities			
Payments for plant and equipment		(24,053)	(52,038)
Proceeds from sale of plant, and equipment		-	67,955
Payments for intangible assets		(108,877)	(51,114)
Net cash used in investing activities		<u>(132,930)</u>	<u>(35,197)</u>
Cash flow from financing activities			
Proceeds from issue of shares	18	3,503,017	728,469
Cost of issuing equity securities		(248,972)	(109,558)
Repayment of other financial liabilities		(225,318)	(79,828)
Repayment of lease liabilities		(205,834)	(188,083)
Net cash provided by financing activities		<u>2,822,893</u>	<u>351,000</u>
Cash and cash equivalents at the beginning of the year		4,174,116	6,669,478
Net increase/(decrease) in cash and cash equivalents		368,557	(2,493,222)
Foreign exchange difference on cash and cash equivalents		340	(2,140)
Cash and cash equivalents at the end of the year	20(a)	<u>4,543,013</u>	<u>4,174,116</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the financial statements

For the year ended 30 June 2024

Introduction

The financial report covers Terragen Holdings Limited (the "Company" or "Terragen") and the entity it controlled for the year ended 30 June 2024 (collectively "Group"). For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

The Company is a listed public company limited by shares, incorporated, and domiciled in Australia. The presentation currency and functional currency of the Company is Australian dollars.

The principal activities of the Company during the financial year were research, development, and early market development of biological products.

The Registered office and principal place of business address of the Company is Unit 6, 39 Access Crescent, Coolumb Beach, QLD, Australia, 4573.

The financial report was authorised for issue by the Board of Directors of Terragen on the date shown on the Declaration by Directors attached to the Financial Statements.

Statement of compliance

The financial report is a general-purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations, and complies with other requirements of the law.

These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

Adoption of new and revised Australian Accounting Standards

The Group has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2023. Set out below are the new and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group:

Notes to the financial statements

For the year ended 30 June 2024

Adoption of new and revised Australian Accounting Standards (continued)

Pronouncement	Impact
AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	<p>Requires the disclosure of material accounting policy information and clarifies how entities should distinguish changes in accounting policies and changes in accounting estimates.</p> <p>The application of the amendments did not have a material impact on the Group's consolidated financial statements but has changed the disclosure of accounting policy information in the financial statements.</p>
AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	<p>Clarifies that deferred taxes must be recognised where, on initial recognition of an asset or liability, the transaction gives rise to equal taxable and deductible temporary differences.</p> <p>The application of this amendment has not had any impact on the Group's financial statements.</p>
AASB 2023-2 Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules	<p>Prohibits the recognition and disclosure of deferred taxes arising from OECD Pillar Two income taxes and requires certain disclosures related to those taxes.</p> <p>The application of this amendment has not had any impact on the Group's financial statements.</p>

Notes to the financial statements**For the year ended 30 June 2024****Adoption of new and revised Australian Accounting Standards (continued)****New and revised IFRS Standards in issue but not yet effective**

The Directors do not consider that the adoption of any of the following new Standards and Interpretations in issue but not yet effective at the date of these financial statements will have a material impact on the financial statements of the Group.

Standard / amendment	Effective for annual reporting periods beginning on or after	Nature of the change
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (as amended)	1 January 2025	Limits the recognition of gain or loss arising from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or joint venture to the extent of the unrelated investors' interest in that associate or joint venture. Similar limitations apply to remeasurements of retained interests in former subsidiaries.
AASB 2022-6 Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants	1 January 2024	Clarifies when liabilities should be presented as current or non-current in the statement of financial position, including the impact of covenants on that classification.
AASB 2022-5 Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback	1 January 2024	Requires a seller-lessee to subsequently measure lease liabilities arising from a sale and leaseback transaction in a way that does not result in recognition of a gain or loss that relates to the right of use it retains.
AASB 2023-1 Amendments to Australian Accounting Standards – Supplier Finance Arrangements	1 January 2024	Requires the disclosure of information about an entity's supplier finance arrangements.
AASB 2023-5 Amendments to Australian Accounting Standards – Lack of Exchangeability	1 January 2025	Specifies how to assess whether a currency is exchangeable and how to determine the exchange rate when it is not.

Notes to the financial statements

For the year ended 30 June 2024

1. Statement of material accounting policies

The material accounting policies which have been adopted in the preparation of these financial statements are set out below.

a) Basis of preparation

The financial report has been prepared on a historical cost basis unless stated otherwise. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars unless otherwise noted. All values are rounded to the nearest dollar.

b) Ongoing Losses

The Group incurred a loss from continuing operations of \$3,014,078 (2023: \$3,233,919) and net operating cash outflows of \$2,321,406 (2023: \$2,809,025) for the year ended 30 June 2024.

In June 2023 the Group commenced a two-tranche institutional placement and a share purchase plan. Tranche 1 completed on 15 June 2023, raising \$698,469. The Share Purchase Plan (SPP), offered to retail investors raised \$466,000 on 6 July 2023. Tranche 2 completed on 7 September 2023 and raised equity of \$3,037,017 before capital raising costs.

The Directors have ensured that the Group has sufficient cash flows through:

- the adaptation of management's sales strategy, including the focus on strengthening relationships with feedlots to inspire commitment from smaller buyers.
- reduction of indirect expenses in line with the stated objective of extending the Company's cash runway.
- receipts from the Federal Government R&D tax incentive programme continue on the basis that the Group continues to qualify for these receipts, and,
- the ability to raise additional capital should it be required.

Taking into account the operating losses incurred by the Group and the above factors, the Directors have prepared the financial report on a going concern basis which assumes the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business for a period of at least 12 months from the date of authorisation of the financial report for issue.

c) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

d) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 June each year.

Control is achieved when the Company:

- Has the power over the investee
- Is exposed, or has rights, to variable returns from its involvement with the investee, and
- Has the ability to use its power to affect its returns.

Notes to the financial statements

For the year ended 30 June 2024

1. Statement of material accounting policies (continued)

d) Basis of consolidation (continued)

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

e) Financial instruments

Recognition and Derecognition

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Classification of Financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the financial statements

For the year ended 30 June 2024

1. Statement of material accounting policies (continued)

e) Financial instruments (continued)

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). Financial assets are classified according to their business model and the characteristics of their contractual cash flows. In the preparation of these financial statements, all financial assets are measured at amortised cost.

Impairment of financial assets

The Group makes use of a simplified approach for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators, and forward-looking information to calculate the expected credit losses.

f) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies Management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of accounting judgements

The directors have made the following critical judgements and estimations in the process of applying the Group's accounting policies.

Judgements

- i) Research & development – refer to *Note 15 Intangible Assets*

Key sources of estimation uncertainty

In the following notes are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income, and expenses is provided in the following notes:

- i) Tax receivables – refer to *Note 8 Income Tax Expense*
- ii) Recoverability of deferred tax asset – refer to *Note 8 Income Tax Expense*

There have been no other significant estimates and judgements made in applying accounting policies that the Directors consider would have a significant effect on the amounts recognised in the financial statements. There have been no key assumptions made concerning the future, and there are no other key sources of estimation uncertainty at the reporting date, that the Directors consider would have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Notes to the financial statements

For the year ended 30 June 2024

2. Operating segments

The Group has identified its operating segments based on the internal reports that were reviewed and used by the Group's Chief Executive Officer (the Chief Operating Decision Maker (CODM)) in assessing performance and determining the allocation of resources during the year.

The Group is managed primarily on a geographic basis, that is, the countries in which products are sold. Operating segments are therefore determined on the same basis. The CODM assesses the performance of the operating segments based on revenue and expenditure that is recognised in the statement of profit or loss in these financial statements. The measurement of gross expenditure does not include non-cash items such as depreciation expense and share based payments expense.

Geographic locations from which reportable segments derive their revenues:

- Australia
- New Zealand

Both operating segments generated revenue during the year. Revenue is recognised at the point in time that the Group satisfies its performance obligations by transferring the promised goods to its customers. Commissions are granted to agents who are members of the Retail Agency Partner Network (having signed Retail Agency Partner Agreements).

Assets, liabilities, and cash flows are not allocated to segments in the internal reports that are prepared for the CODM.

The following tables present revenue and loss information for the Group's operating segments for year ended 30 June 2024 and 30 June 2023, respectively.

a) Segment performance

	Australia	New Zealand	Total
30 June 2024	\$	\$	\$
Total segment revenue	2,086,092	50,996	2,137,088
Segment other income	113,494	832	114,326
Segment expenditure	(5,671,686)	(106,498)	(5,778,184)
Segment depreciation and amortisation	(354,549)	(2,115)	(356,664)
Segment result	(3,826,649)	(56,785)	(3,883,434)

The Group's income tax benefit of \$869,356 (2023: \$741,791) relates to the Australian segment.

Major customers

Included in revenues arising from the Australian segment, are the following customers where greater than 10% of revenues are generated.

- Customer A - \$350,648
- Customer B - \$189,063
- Customer C - \$175,271

No other single customer contributed 10 per cent or more to the Group's revenue.

Notes to the financial statements**For the year ended 30 June 2024****a) Segment performance (continued)**

	Australia	New Zealand	Total
30 June 2023	\$	\$	\$
Total segment revenue	2,976,182	299,537	3,275,719
Segment other income	112,919	367	113,285
Segment expenditure	(6,091,140)	(780,211)	(6,871,351)
Segment depreciation and amortisation	(466,773)	(26,591)	(493,364)
Segment result	(3,468,812)	(506,898)	(3,975,710)

b) Segment assets

The following tables present assets, liabilities, and other segment information for the Group's operating segments as at 30 June 2024 and 30 June 2023, respectively.

30 June 2024

Segment assets	6,888,034	59,100	6,947,134
----------------	-----------	--------	------------------

30 June 2023

Segment assets	6,258,814	87,945	6,346,759
----------------	-----------	--------	------------------

c) Other segment information**30 June 2024**

Additions to non-current assets	95,671	-	95,671
---------------------------------	--------	---	---------------

30 June 2023

Additions to non-current assets	103,151	-	103,151
---------------------------------	---------	---	----------------

Additions include right-of-use assets, plant and equipment and intangible assets.

Notes to the financial statements**For the year ended 30 June 2024**

3. Revenue and other income	2024 \$	2023 \$
Sales by product at a point in time:		
o Mylo®	1,714,571	2,521,778
o Great Land Plus®	422,517	753,941
	2,137,088	3,275,719
Other income		
Interest received	114,326	53,400
Other income	-	59,885
Total other income	114,326	113,285
Total revenue and other income	2,251,414	3,389,004

Material accounting policy**Sale of goods and agent commission**

Revenue is recognised at the time goods are delivered to the customer as this is the point in time that the Group satisfies its performance obligations.

Sales are generally made via Retail Agents who are engaged to sell Terragen product as agent for Terragen. Retail Agents are eligible for sales commissions which are recognised at the point of sale, as an expense. Where sales are made via a Retail Agent, the sales consideration from the customer is paid to the Retail Agent and then paid to Terragen, net of a Base Sales Commission. Performance-based Sales Commissions are paid by Terragen to the Retail Agent subsequent to year end, subject to the Retail Agent meeting certain criteria. Accordingly, included in the Consolidated Statement of Cash Flows, Base Commissions are deducted in determining the net cash included within *Receipts from Customers* and Bonus Sales Commissions are included in *Payment to Suppliers*. Included in the Consolidated Statement of Financial Position, the Base Sales Commission is offset against their respective *Trade Receivables* and Performance-based Sales Commissions are included in *Trade & Other Payables*.

Interest revenue

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Notes to the financial statements**For the year ended 30 June 2024**

4. Research	2024 \$	2023 \$
Direct research	402,288	314,196
Employee benefits	1,386,644	976,092
Depreciation and amortisation	86,790	160,035
Other expenses	122,797	159,561
Total research	1,998,519	1,609,884

The above note shows total expenditure for the research and development by function contrasting with the Consolidated Statement of Profit or Loss and Other Comprehensive Income which details expenses by nature.

5. Employee benefits

Salaries and wages	2,573,264	2,915,334
Post-employment benefits	272,255	278,183
Termination benefits	184,149	217,127
Employee on-costs	101,536	205,865
Total employee benefits	3,131,204	3,616,509

6. Finance Costs

Interest on lease liabilities	17,379	7,573
Other finance costs	11,255	9,959
Total finance costs	28,634	17,532

7. Depreciation and amortisation

Amortisation of right-of-use assets (refer to note 13)	186,048	186,142
Depreciation of plant and equipment (refer to note 14)	142,014	285,985
Amortisation of intangible assets (refer to note 15)	28,602	21,237
Total depreciation and amortisation	356,664	493,364

Notes to the financial statements**For the year ended 30 June 2024****8. Income tax expense**

The income tax benefit can be reconciled to the accounting loss as follows:

	2024	2023
	\$	\$
(a) Components of tax benefit		
Current tax	(869,356)	(741,791)
	(869,356)	(741,791)
(b) Prima facie tax benefit		
Loss from continuing operations	(3,883,434)	(3,975,710)
Income tax benefit calculated at 25%	(970,858)	(993,928)
Non-deductible expenditure	514,890	670,565
Non-recognition of tax losses and temporary differences	455,968	323,363
Research and Development tax offset	(869,356)	(741,791)
Income tax benefit	(869,356)	(741,791)
(c) Current tax asset		
Opening balance	738,586	890,223
R&D Tax concession received	(738,748)	(893,428)
Over provision of prior year R&D benefit	162	-
Research and Development tax offset accrual	869,192	741,791
Closing balance	869,192	738,586

Other information

Deferred tax assets associated with income tax losses have not been recognised due to uncertainty as to the timing of their recoupment from sufficient future taxable income. Deferred tax assets relating to unused tax losses that may potentially be available to the Group, subject to meeting the requirements under tax legislation, at 25% tax rate is \$6,121,407 as at 30 June 2024.

Notes to the financial statements

For the year ended 30 June 2024

8. Income tax expense (continued)

Material accounting policies

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Management estimates the Research and Development tax refund based on application of the rules and requirements of the legislation. The Group recognises the benefit in the determination of income tax expense/benefit.

Tax Consolidation

The Company and its wholly owned Australian resident entity are members of a tax-consolidated group under Australian tax law. Terragen is the head entity within the tax-consolidated group. In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group.

Amounts payable or receivable under the tax-funding arrangement between the Company and the entities in the tax consolidated group are determined using a 'separate taxpayer within group' approach to determine the tax contribution amounts payable or receivable by each member of the tax-consolidated group. This approach results in the tax effect of transactions being recognised in the legal entity where that transaction occurred and does not tax effect transactions that have no tax consequences to the group. The same basis is used for tax allocation within the tax-consolidated group.

Key sources of estimation uncertainty

Tax receivables

Management has estimated the amount receivable that can be claimed in respect of Research and Development tax offsets based on application of the rules and requirements of the relevant tax legislation. There may be differences between the initial estimate and actual amounts received which will be accounted for in subsequent periods.

Recoverability of deferred tax asset

Deferred tax assets have not been recognised as Management and the Directors do not believe that the members of the Group satisfy the recognition criteria set out in paragraph 35 of AASB 112 i.e., "that the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilised by the entity".

Notes to the financial statements**For the year ended 30 June 2024**

9. Loss per share

Both the basic and diluted loss per share have been calculated using the loss for the year. The reconciliation of the weighted average number of shares for the purpose of diluted loss per share to the weighted average number of ordinary shares used in the calculation of basic loss per share is as follows:

	2024 \$	2023 \$
Loss attributable to the owners of the Group	(3,014,078)	(3,233,919)
	2024 No.	2023 No.
Weighted average number of shares used in basic loss per share	345,240,129	195,149,299
Weighted average number of shares used in diluted loss per share (i)	345,240,129	195,149,299

- (i) There were no potential ordinary shares that are considered dilutive as they did not meet the requirements for inclusion as per *AASB 133 Earnings per share* since the Group generated losses for the year ended 30 June 2024 and the prior year.

Material Accounting Policy*Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Notes to the financial statements**For the year ended 30 June 2024**

10. Trade and other receivables	2024 \$	2023 \$
Trade receivables	200,610	271,389
Loss allowance for expected credit loss	(25,567)	(25,567)
	175,043	245,822
Other receivables	14,890	8,833
	189,933	254,655

The average credit period on sales of goods is 32 days (2023: 33 days). No interest is charged on outstanding trade receivables. The Group measures the loss allowance for trade receivables using the lifetime expected credit loss ("ECL") simplified approach. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The ageing of the Group's trade receivables at 30 June 2024 and 30 June 2023 was:

	2024 \$	2023 \$
Not past due	175,552	192,539
Past due 1 – 30 days	20,438	70,631
Past due 31 - 150 days	4,620	8,219
Past due 151 - 330 days	-	-
TOTAL	201,610	271,389

11. Inventories

	2024 \$	2023 \$
Raw materials	56,688	65,631
Finished goods	131,321	137,323
	188,009	202,954

Other Information

The amount of inventory recognised through the statement of profit or loss for the year was \$414,198 (2023: \$263,849). Inventory of \$78,351 was written off throughout the year (2023: \$91,233).

Notes to the financial statements**For the year ended 30 June 2024****11. Inventories (continued)****Material accounting policy**

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each class of inventory, with the majority being valued on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

	2024 \$	2023 \$
12. Other current assets		
Deposits and guarantees	116,847	131,610
Prepayments	149,662	165,408
	266,509	297,018

Deposits and guarantees relate principally to Term Deposits held as security against credit card facilities.

13. Right-of-use assets

	Buildings \$	Motor vehicles \$	Research equipment \$	Total \$
Cost				
At 1 July 2022	411,244	320,657	109,289	841,190
Disposals	-	(79,596)	-	(79,596)
Foreign exchange	-	2,749	-	2,749
Transferred to PPE	-	(49,470)	(109,289)	(158,759)
Balance at 30 June 2023	411,244	194,340	-	605,584
Additions	394,647	77,463	-	472,110
At 30 June 2024	805,891	271,803	-	1,077,694

Notes to the financial statements**For the year ended 30 June 2024****13. Right-of-use assets (continued)****Accumulated Depreciation**

At 1 July 2022	(284,128)	(111,693)	(109,289)	(505,110)
Depreciation for the year	(99,428)	(86,714)	-	(186,142)
Disposals	-	33,480	-	33,480
Foreign exchange difference	-	(787)	-	(787)
Transferred to PPE	-	49,470	109,289	158,759
Balance at 30 June 2023	(383,556)	(116,244)	-	(499,800)
Depreciation for the year	(126,349)	(59,699)	-	(186,048)
At 30 June 2024	(509,905)	(175,943)	-	(685,848)
Carrying amount at 30 June 2024	295,986	95,860	-	391,846

Other Information

The Group leases several assets including buildings, motor vehicles and previously plant and equipment used in manufacturing and research and development activities.

Right of use assets on which title transferred to the Company, were transferred to PPE.

The maturity analysis of lease liabilities is presented in Note 21. The Group does not sub-lease any right-of-use assets.

Material Accounting Policy**Group as lessee**

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant, and equipment with the exception that they factor in lease renewals where relevant. In addition, the right-of-use assets are periodically reduced by impairment losses in accordance with AASB 136 *Impairment of Assets*, if any, and adjusted for certain remeasurements of the lease liability.

Lease liabilities

The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate as the discount rate. The discount rate is generally calculated using incremental borrowing rates for the specific lease terms and currencies. Lease liabilities are disclosed in the Consolidated Statement of Financial Position.

Notes to the financial statements**For the year ended 30 June 2024****13. Right-of-use assets (continued)**

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in substance fixed payments less any lease incentives receivables;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement rate;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- payment of penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It will be remeasured when there is a change in index rate for future lease payments, a change in the Group's estimated amount payable under a residual value guarantee or changes in the Group's assessment of probabilities of exercising a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to nil. The Group did not make any such adjustment during the period presented.

14. Plant and equipment	2024	2023
	\$	\$
<u>Carrying amounts of:</u>		
Plant and equipment	155,564	195,866
Office equipment	214	6,783
Research equipment	83,267	106,489
Leasehold improvements	24,046	66,655
Written down value	263,091	375,793

Impairment

In accordance with policy, the Group undertook a formal impairment review for the year ended 30 June 2024. The review was performed at the cash generating unit (CGU) level to which all assets belong.

Based on impairment testing performed, the recoverable amount of the CGU exceeds the carrying amount at 30 June 2024. Accordingly, there is no impairment of property, plant and equipment, right-of-use assets or intangible assets. (30 June 2023: \$nil).

Notes to the financial statements**For the year ended 30 June 2024****14. Plant and equipment (continued)**Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

2024	Plant & equipment \$	Office equipment \$	Research equipment \$	Leasehold improvements \$	Total \$
Cost					
Balance 1 July 2023	508,417	98,347	995,837	527,125	2,129,726
Additions	7,491	-	21,890	-	29,381
Balance 30 June 2024	515,908	98,347	1,017,727	527,125	2,159,107
Accumulated depreciation					
Balance 1 July 2023	(312,551)	(91,564)	(889,348)	(460,470)	(1,753,933)
Depreciation	(47,793)	(6,500)	(45,112)	(42,609)	(142,014)
Foreign exchange	-	(69)	-	-	(69)
Balance 30 June 2024	(360,344)	(98,133)	(934,460)	(503,079)	(1,896,016)
Written down value	155,564	214	83,267	24,046	263,091

2023	Plant & equipment \$	Office equipment \$	Motor vehicles \$	Research equipment \$	Leasehold improvements \$	Total \$
Cost						
Balance 1 July 2022	467,930	98,289	90,939	882,088	527,125	2,066,371
Additions	47,578	-	-	4,460	-	52,038
Disposals	(7,091)	-	(140,409)	-	-	(147,500)
Transfers	-	-	49,470	109,289	-	158,759
Foreign exchange	-	58	-	-	-	58
Balance 30 June 2023	508,417	98,347	-	995,837	527,125	2,129,726
Accumulated depreciation						
Balance 1 July 2022	(270,072)	(79,702)	(56,248)	(685,476)	(348,945)	(1,440,443)
Depreciation	(49,570)	(11,878)	(18,429)	(94,583)	(111,525)	(285,985)
Disposals	7,091	-	124,147	-	-	131,238
Transfers	-	-	(49,470)	(109,289)	-	(158,759)
Foreign exchange	-	16	-	-	-	16
Balance 30 June 2023	(312,551)	(91,564)	-	(889,348)	(460,470)	(1,753,933)
Written down value	195,866	6,783	-	106,489	66,655	375,793

Notes to the financial statements**For the year ended 30 June 2024****14. Plant and equipment (continued)****Material Accounting Policies**

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and any impairment in value.

The following depreciation rates are used in the calculation of depreciation:

<i>Class of Fixed Assets</i>	<i>Depreciation Rate</i>	<i>Basis</i>
Plant and equipment	10 – 40%	Straight line
Furniture & fittings	10 – 50%	Straight line
Motor vehicles	25%	Straight line
Plant and Equipment R&D	10 – 33%	Straight line
Leasehold improvements	10 – 33%	Straight line

15. Intangible assets	2024 \$	2023 \$
<u>Carrying amounts of:</u>		
Patents and trademarks	233,941	196,253
Written down value	233,941	196,253

Movements in carrying amounts

Movement in the carrying amounts for each class of intangible asset between the beginning and the end of the current financial year:

Cost

Balance 1 July	275,221	224,107
Additions from separate acquisitions	66,289	51,114
Balance 30 June	341,510	275,221

Accumulated amortisation

Balance 1 July	(78,968)	(57,731)
Charge for the year	(28,601)	(21,237)
Balance 30 June	(107,569)	(78,968)
Written down value at year-end	233,941	196,253

Material Accounting PoliciesInternally generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all the following has been demonstrated:

Notes to the financial statements**For the year ended 30 June 2024**

15. Intangible assets (continued)

- 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.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. After initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Patents and trademarks

Patents and trademarks are amortised over their estimated useful lives, which is on average 20 years.

Critical accounting judgements

With regard to research and development costs incurred during the financial year it has been determined that the Group has not met the criteria for capitalisation as an asset, as outlined above in the material accounting policy. The ability to successfully commercialise Terragen's products is dependent on further scientific research as Terragen works to further improve the efficacy, and therefore the market attractiveness of its products.

	2024	2023
	\$	\$
16. Trade and other payables		
<i>At amortised cost</i>		
Trade payables	339,229	304,427
Accrued expenses	413,714	414,450
Other payables	79,625	79,182
	832,568	798,059

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 32 days (2023: 21 days) from invoice date. The carrying values of the trade and other payables are considered to be a reasonable approximation of fair value.

Notes to the financial statements**For the year ended 30 June 2024****17. Financial liabilities***Current at amortised cost*

Insurance premium funding	147,738	132,314
Lease liabilities	170,336	87,014
	318,074	219,328

Non-current at amortised cost

Lease liabilities	224,153	20,045
-------------------	----------------	---------------

Maturity analysis on lease liabilities

< 1 year	189,220	59,406
1-2 years	177,358	29,237
>2 years	58,709	21,079
Less: unearned interest	(30,798)	(2,667)
Total lease liabilities	394,489	107,059

18. Issued capital

2024	2023
\$	\$

Ordinary shares - issued and fully paid	46,903,663	43,649,618
---	-------------------	-------------------

At shareholder meetings, each ordinary share has the right to attend and vote, one vote for every share held. Each ordinary share has the right to participate in the dividends (if any) declared on that class of share.

	2024 shares	2023 shares	2024 \$	2023 \$
Beginning of the year	223,122,115	193,419,235	43,649,618	43,004,870
Issue of shares	145,959,011	29,102,880	3,503,017	698,469
Shares issued on the exercise of options (refer note 19)	-	600,000	-	123,764
Capital raising costs	-	-	(248,972)	(177,485)
Balance at 30 June	369,081,126	223,122,115	46,903,663	43,649,618

At shareholder meetings, each ordinary share is entitled to attend and vote, one vote for every share held. Shares issued as remuneration are issued at the market value of the shares with reference to recent capital raisings.

Notes to the financial statements**For the year ended 30 June 2024****18. Issued capital (continued)**

During the year the Group completed Tranche 2 of a two-tranche institutional placement and the share purchase plan as announced in June 2023. The following ordinary shares were issued:

- Under the Share Purchase Plan (SPP) 19,416,651 shares were issued at \$0.024 per share on 6 July 2023, raising \$466,000.
- 126,542,360 fully paid ordinary shares were issued under Tranche 2 on 7 September 2023. The shares were issued at \$0.024 per share raising \$3,037,017 before capital raising costs.

No shares were issued on the exercise of options (2023: 600,000).

19. Reserves

	2024	2023
	\$	\$
Share-based payments reserve	1,679,050	1,679,050
Foreign currency translation reserve	1,792	1,691
Total reserves	1,680,842	1,680,741

Share-based payment reserve

	2024 Options	2023 Options	2024 \$	2023 \$
Outstanding at the beginning of the year	8,000,000	8,600,000	1,679,050	1,772,814
Exercised during the year (i)	-	(600,000)	-	(93,764)
Outstanding at the end of the year	8,000,000	8,000,000	1,679,050	1,679,050

Details of the Employee Incentive Plan (EIP) of the Group

The Group has an EIP for directors, executives, employees, contractors and consultants of the Group and its subsidiaries (Eligible Participants). As approved by the Board, and in accordance with the terms of the EIP, Eligible Participants may be granted options or performance rights to purchase ordinary shares (Awards). Each Award converts into one ordinary share of the Group on exercise. No amounts are paid or payable by the recipient on receipt of the Award. The Awards carry neither rights to dividends nor voting rights. Awards may be exercised at any time from the date of vesting to the date of their expiry.

The number of Awards granted is calculated in accordance with service and performance-based criteria approved by the Group and is subject to approval by the Board.

Notes to the financial statements**For the year ended 30 June 2024****19. Reserves (continued)**Employee share options on issue

The following share-based payment arrangements were in existence as at 30 June 2024:

<u>Option series</u>	<u>Number</u>	<u>Grant date</u>	<u>Vesting date</u>	<u>Expiry date</u>	<u>Exercise price</u>	<u>Fair Value at grant date</u>
Tranche 13	1,000,000	04/12/2020	04/12/2020	04/12/2025	\$0.25	\$0.2771
Tranche 14	2,000,000	04/12/2020	04/12/2020	04/12/2025	\$0.50	\$0.2332
Tranche 15	5,000,000	04/12/2020	04/12/2020	04/12/2025	\$1.00	\$0.1842

20. Cash and cash equivalents**(a) Reconciliation of cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	2024	2023
	\$	\$
Cash and bank balances	4,543,013	4,174,116

At 30 June 2024, the Group holds term deposits of \$107,448 (2023: \$122,212) with financial institutions that roll over beyond 90 days of year-end, which are restricted for the use of bank guarantees. These have been classified within other assets on the Statement of Financial Position at 30 June 2024.

(b) Reconciliation of loss for the year to net cash flows from operating activities:

	2024	2023
	\$	\$
Loss for the year	(3,014,078)	(3,233,919)
Adjustment for non-cash items		
Depreciation and amortisation	356,664	493,364
Profit on sale of property, plant, and equipment	-	(51,693)
	(2,657,414)	(2,792,248)

Changes in net assets and liabilities:

Trade and other receivables	64,722	23,863
Inventories	14,945	58,450
Other current assets	38,270	(29,556)
Current tax assets	(130,606)	(151,639)
Other non-current assets	-	(120)

Notes to the financial statements**For the year ended 30 June 2024**

Trade and other payables	(286,691)	(11,977)
Provisions	(36,648)	127,756
Net cash used in operating activities	<u>2,321,406</u>	<u>2,809,025</u>

21. Financial risk management

The Group is exposed to credit risk, liquidity risk and market risk. Overall financial risk management focuses on mitigating the potential financial effects to the Group's financial performance.

The Group manages its capital to ensure that the entity will be able to continue as a going concern whilst maximising the return to shareholders through the optimisation of the debt and equity balances.

The Group's capital includes issued capital less any accumulated losses. The Group policy is to maintain a capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The Group is not subject to any externally imposed capital requirements.

a) Credit risk

In order to minimise credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties. For all new customers, credit checks are performed, using publicly available financial information and the Group's own trading records to rate its major customers.

Credit approvals and other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the Group reviews the recoverable amount of each trade debt on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Trade receivables consist of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

Of the trade receivables balance at the end of the year, \$44,000 (2023: \$33,352) is due from Company A, \$11,484 (2023: \$nil) is due from Company B and \$20,768 (2023: \$61,512) is due from Company C, the Group's three largest customers disclosed in note 2.

Apart from this, the Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk related to Companies A, B and C did not exceed 35 per cent of trade and other receivables assets at any time during the year.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Notes to the financial statements

For the year ended 30 June 2024

21. Financial risk management (continued)

Overview of the Group's exposure to credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 30 June 2024, the Group's maximum exposure to credit risk which will cause a financial loss to the Group, due to failure to discharge an obligation by the counterparties, arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The table below details the credit quality of the Group's financial assets, as well as the Group's maximum exposure to credit risk by credit risk rating grades:

	Note	Internal credit rating	12-month or lifetime ECL?	Gross carrying amount	Loss allowance	Net carrying amount
30 June 2024:						
Trade and other receivables	10	(i)	Lifetime ECL (simplified approach)	215,500	(25,567)	189,933
30 June 2023:						
Trade and other receivables	10	(i)	Lifetime ECL (simplified approach)	280,222	(25,567)	254,655

- (i) For trade receivables, the Group has applied the simplified approach in AASB 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 10 includes further details on the loss allowance for these assets respectively.

b) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Year ended 30 June 2024	< 6 months	6-12 months	1-5 years	Total contractual cash flows	Carrying amount
	\$	\$	\$	\$	\$
Payables	832,568	-	-	832,568	832,568
Lease liability	235,384	101,575	236,067	573,026	542,278*
Net maturities	1,065,980	101,575	236,067	1,141,383	1,374,846

Notes to the financial statements**For the year ended 30 June 2024****21. Financial risk management (continued)**

Year ended 30 June 2023	< 6 months	6-12 months	1-5 years	Total contractual cash flows	Carrying amount
	\$	\$	\$	\$	\$
Payables	798,059	-	-	798,059	798,059
Lease liability	191,723	29,238	21,079	242,040	239,373*
Net maturities	989,782	29,238	21,079	1,040,099	1,037,432

*The difference between total contractual cash flows and carrying amount is interest payable over the lives of the lease agreements.

c) Market risk

Market risk is the risk that the fair value of future cash flows will fluctuate because of changes in market prices. Market risk includes foreign currency risk and interest rate risk.

Foreign exchange risk

The Group operates a branch in New Zealand and is exposed to foreign exchange risk arising from currency exposure. The Group's policy is to convert its local currency to the foreign currency at the time of the transaction. Foreign exchange risk arises from future commercial transactions and recognised financial liabilities denominated in a currency that is not the Group's functional currency (which is the Australian dollar).

The Group manages foreign exchange risk on an as-needs basis. The risk is measured using sensitivity analysis and cash-flow forecasting. The Group's exposure to foreign currency risk, expressed in Australian dollars at the reporting date, was as follows:

	2024 \$	2023 \$
NZ Denominated Balances converted to AUD		
Cash and cash equivalents	45,485	46,544
Trade and other receivables	17,090	4,933
Total other financial assets	-	18,379
<i>Total assets</i>	62,575	69,856
Trade and other payables	33,170	33,383
<i>Net exposure</i>	29,405	36,473

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents an assessment of the reasonably possible change in foreign exchange rates.

Equity – 10% increase	(2,940)	(3,647)
Equity – 10% decrease	2,940	3,647

Notes to the financial statements**For the year ended 30 June 2024****21. Financial risk management (continued)****Interest rate risk**

The Group's exposure to interest rate risk arises predominantly from cash and cash equivalents bearing variable interest rates, as the Group intends to hold any fixed rate financial assets to maturity. At the end of the reporting period the Group maintained the following variable rate accounts:

	30 June 2024		30 June 2023	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
	%	\$	%	\$
Cash and cash equivalents	1.70%	4,543,013	1.08%	4,174,116

At the end of the reporting period, if the interest rates had changed, as illustrated in the table below, with all other variables remaining constant, after-tax profit and equity would have been affected as follows:

	After-tax loss higher / (lower)		Equity higher / (lower)	
	2024	2023	2024	2023
	\$	\$	\$	\$
+1% (100bp)	20,430	44,872	20,430	44,872
-1% (100bp)	(20,430)	(44,872)	(20,430)	(44,872)

22. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Related parties within the Group encompass key management including the Executive Management team and Non-Executive Directors. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

The aggregate compensation made to key management personnel of the Group is set out below:

	2024	2023
	\$	\$
Salary and Fees	803,697	780,226
Superannuation	83,798	63,975
Total	911,945	1,002,172

The Company paid \$12,818 during the year for services provided by Food Agility Consulting (FAC). Richard Norton is the Managing Director of FAC. FAC is a 100% owned subsidiary of Food Agility CRC of which Michele Allen is a Director. This transaction was on commercial terms.

Notes to the financial statements**For the year ended 30 June 2024****23. Remuneration of auditors**

During the year, the following fees were paid or payable for services provided by the auditor of the parent entity and its related practices:

<u>SW Audit and related network firms</u>	2024	2023
<i>Audit and assurance services</i>	\$	\$
Audit and review of financial report	100,000	93,500
Fee relating to prior period audit of financial report	15,000	-
<i>Other non-assurance services</i>		
Advice on taxation and other matters and review and lodgement of corporate tax returns	14,500	10,000
Total Remuneration	129,500	103,500

24. Commitments

There were no capital expenditure commitments at 30 June 2024 (2023: \$nil).

25. Contingent liabilities and assets

There are no contingent liabilities or assets as at 30 June 2024 (2023: nil).

26. Subsequent events

Since the end of the year, there has been two subsequent events that may significantly affect the Group's operations, results, or state of affairs, which are reported below:

- On July 8, 2024, Andrew Guthrie was appointed as a non-executive director of Terragen.
- On July 8, 2024, Matthew Whyte was appointed as the Chief Financial Officer (CFO) and Company Secretary of the company.

27. Interests in Subsidiaries

The consolidated financial statements incorporate the assets, liabilities, and results of the following subsidiaries in accordance with the accounting policy described in note 1(c).

Name of Subsidiary	Country of incorporation	Principal activity	Equity holding	
			2024	2023
			%	%
Terragen Biotech Pty Ltd (i)	Australia	Agricultural biotech	100	100

(i) Terragen Biotech Pty Ltd operates in Australia however also operates through a branch in New Zealand.

Notes to the financial statements**For the year ended 30 June 2024**

28. Parent entity	2024	2023
	\$	\$
Information relating to Terragen Holdings Limited ('the Parent Entity'):		
Statement of financial position		
Current assets	4,503,113	4,126,146
Total assets	4,884,601	4,322,499
Current liabilities	436,873	390,863
Total liabilities	436,873	390,863
Net assets	4,447,728	3,931,636
Issued capital	46,903,663	43,649,618
Reserves	1,679,050	1,679,050
Accumulated losses	(44,174,984)	(41,397,032)
Total equity	4,407,729	3,931,636
Statement of profit or loss and other comprehensive income		
	2024	2023
	\$	\$
Loss for the year	(2,777,953)	(2,801,696)
Other comprehensive income	-	-
Total comprehensive deficit	(2,777,953)	(2,801,696)

The Parent Entity has no capital commitments at 30 June 2024 (2023: \$Nil).

The Parent Entity had no contingent liabilities at 30 June 2024 (2023: \$Nil).

Terragen Holdings Limited and Controlled Entity

Consolidated Entity Disclosure Statement

As at 30 June 2024

Entity Name	Entity type	Country of incorporation	Ownership interest	Tax residency
Terragen Biotech Pty Ltd	Body Corporate	Australia	100%	Australia

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the attached financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (ii) giving a true and fair view of the Group's financial position as at 30 June 2024 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1 (a);
- (c) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable;
- (d) The Directors' have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*; and
- (e) The information disclosed in the attached consolidated entity statement is true and correct.

This declaration is made in accordance with a resolution of directors.



Richard Norton
Managing Director
22 August 2024

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TERRAGEN HOLDINGS LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Terragen Holdings Limited (the Company) and its subsidiary (the Group) which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the Group's financial position as at 30 June 2024 and of its financial performance for the year then ended, and
- b. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Brisbane
Level 15
240 Queen Street
Brisbane QLD 4000
T + 61 7 3085 0888

Melbourne
Level 10
530 Collins Street
Melbourne VIC 3000
T + 61 3 8635 1800

Perth
Level 18
197 St Georges Terrace
Perth WA 6000
T + 61 8 6184 5980

Sydney
Level 7, Aurora Place
88 Phillip Street
Sydney NSW 2000
T + 61 2 8059 6800



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Evidence associated with future cash flows

Key audit matter	How our audit procedures addressed the key audit matter
<p>Refer to Note 1(b) <i>Operating losses</i></p> <p>The Group continues to be in the Research & Development (R&D) phase of its strategic product development and is reliant on having sufficient funding to progress product development to a commercially viable phase.</p> <p>As the Group's operations are not providing positive cash flows, there is a finite cash resource to fund ongoing activities. The directors have determined whether there are sufficient cash resources in place and/or the ability to raise further capital to allow the Group to fund its R&D activities.</p> <p>Given the judgements by management associated with predicting future cash flows including the need to potentially raise additional capital to fund its R&D activities, we have determined this to be a key audit matter that our audit focussed on.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Obtaining the cash flow requirements of the Group for at least twelve months from the date of this report. • Assessed forecast expenditure committed to R&D to support the Group's strategy and what could be potentially deferred. • Considering potential downside/upside scenarios and the resultant impact on available funding. • Assessing the ability of the Group to successfully execute a future capital raising including support from significant shareholders. • Reviewing the financial statement disclosures.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the Directors' Report and ASX Announcement – Annual Results Announcement which we obtained prior to the date of our auditors report, and also includes the following information which will be included in the Group's annual report (but does not include the financial report and our auditor's report thereon): the Chairman and Managing Director's Report, Corporate Directory, Corporate Governance Report and Shareholder Information, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Chairman and Managing Director's Report, Corporate Directory, Corporate Governance Report and Shareholder Information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of:

- a) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- b) the consolidated entity disclosure statement for being true and correct in accordance with the requirements of the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

- i. the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error, and
- ii. the consolidated entity disclosure statement as true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them, all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the remuneration report included in pages 15 to 23 of the directors' report for the year ended 30 June 2024.

In our opinion, the remuneration report of Terragen Holdings Limited for the year ended 30 June 2024 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.



SW Audit

Chartered Accountants



R Blayney Morgan
Partner

Melbourne, 22 August 2024