

Terragen

ASX Announcement

Quarterly Activities Report and Appendix 4C for the three months ended 31 December 2022

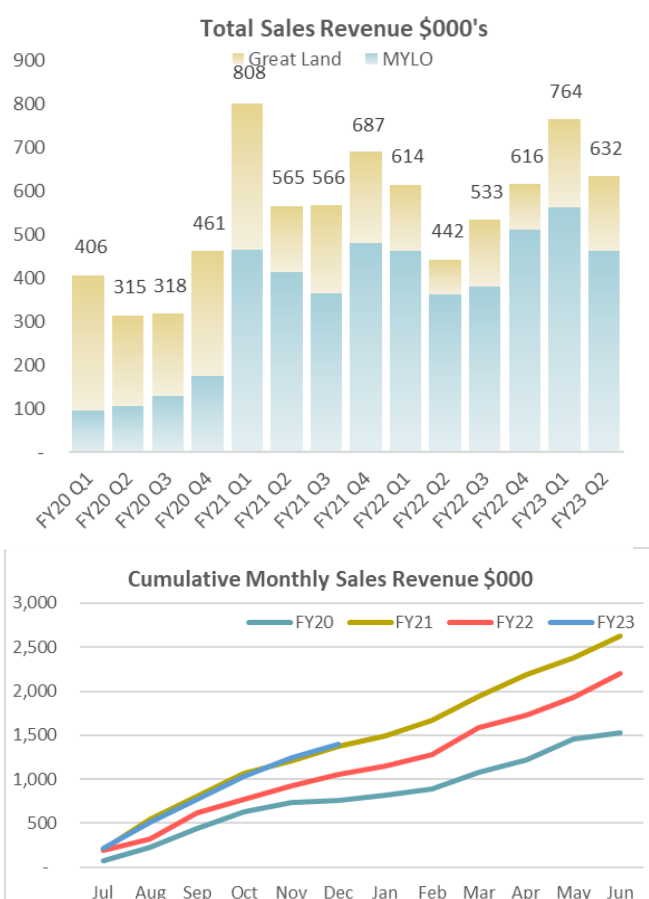
Terragen Holdings Limited (ASX:TGH) 30 January 2023 – Australian biological agriculture company Terragen Holdings Limited (“Terragen”) provides an activities update for the three month period ended 31 December 2022.

Highlights

- **Total Annual Recurring Revenue (ARR)** of \$2.45m, flat vs previous quarter ARR of \$2.44m.
- **Mature Cow ARR** of \$1.91m, representing net sales of MYLO® for mature cows.¹
- **Calf ARR** of \$0.54m, representing net sales of MYLO® for calves.
- Total **mature dairy cows on MYLO®** at 31 December 2022 of 71,820, a 1.8% increase vs prior quarter.
- **Market penetration of 4.8%** of the Australian dairy cow market (1 in 21 Australian dairy cows), an increase in the quarter from 4.7% previously.
- **MYLO® sales** for mature dairy cows up +53% compared to the same quarter last year, largely in the core Australia market.
- **Quarterly churn rate** of nil contributing to the ARR, showing support for MYLO® from customers.
- **Cash** reserve of \$4.4 million at 31 December 2022, with cash burn on par vs prior quarter.

Cumulative sales results

The graph opposite contains cumulative monthly net sales of all products in FY23 compared with prior financial years.



¹ Annual recurring revenue represents the net revenue of a mature cow taking MYLO® for 300 days per year.

Financial Highlights

Net sales of all products for the quarter were \$0.632 million, up 42% vs prior comparative period (PCP).

Q2 sales of MYLO® were \$0.461 million, up \$98k (+27%) vs the PCP.

MYLO® sales increase was driven by +53% gain in net revenue for sales into mature cow markets. This \$127k net revenue gain in mature cows reflects the gains made in this market.

In the dairy calf segment the spring calving campaign maintained Terragen's position relative to prior year with the H1 sales consistent with prior year.

Sales of GREAT LAND PLUS® were \$0.171 million, a marked improvement of \$88k (+105%) vs the PCP, with 78% growth in the core Australian business and a further 27% growth in New Zealand.

Operating expenditure for the December 2022 quarter was \$1.75 million, representing savings of \$0.209 million (10.6%) from the September 2022 quarter.

As detailed in item 6 of the Appendix 4C at attachment 2 of this announcement, the Company made payments totalling \$0.094 million to related parties during the quarter for Directors' remuneration.

Strategic review commenced

At the Annual General Meeting in November 2022 the Company announced the appointment of MA Moelis Australia to provide support in the search for a new distribution partner for Terragen's products in overseas markets. This search is progressing and any developments will be reported to the market in due course.

The Board has requested MA Moelis Australia to also assist with a strategic review of Terragen's future funding and the most appropriate corporate structure to enable growth in the business and financial viability.

Research and development

As previously announced on 24 October 2022, a \$615,000 MERiL grant (from the Federal Government) was awarded for research into Terragen's product MYLO®.

The grant was awarded to the Victorian Government in partnership with Terragen and Fonterra Co-operative Group to evaluate automated feeding of a methane-mitigating probiotic.

This new study of MYLO® at higher doses in grazing animals will commence in March 2023 at the Victorian Government's Hamilton research farm and Ellinbank Smart Farm. This Victorian Government study will be seeking a higher reduction of methane emissions (currently 7.5% reduction of methane at the standard dosage level). It will focus on showing that MYLO® can be delivered to grazing animals (cattle and sheep) successfully and reduce methane production in those animals. The study will be complete by end February 2024 and results should be available to announce around the end of March 2024.

Terragen's major 18-month study on an operating dairy farm at Harrisville, Queensland is drawing to a close with final data being collected by February 2023. This study is generating data on the benefits of MYLO® for dairy cows and calves, including the potential of MYLO® to reduce methane emissions, the benefits for fertility of dairy cows, the health of calves and the impact of MYLO® to improve productivity through different phases of lactation. Terragen will announce the results of this study to the market when they have been fully analysed and interpreted.

Terragen Holdings Limited

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

Dry MYLO® development

As previously announced at the AGM on 16 November 2022, Terragen is committed to developing a dry form of MYLO®. The dry formulation will have a much longer shelf life and will enable the product to be sold to markets that are currently not open to a liquid feed supplement.

Terragen's customers, distributors and international partners have observed that the development of dry MYLO® is important for the expansion of sales domestically and overseas. In particular, dry MYLO® would open up the beef feedlot market in Australia and New Zealand, and distribution markets in the United States.

Terragen continues to prioritise the development of dry MYLO®, and further announcements of progress will be made to the market at the appropriate time.

New Zealand

As part of a general review of Terragen's overhead costs, a decision was made to restructure the New Zealand business, and as a result the position of General Manager New Zealand was made redundant during the quarter. The New Zealand sales process is now being managed by the Australian Sales Manager.

About Terragen Holdings Limited

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

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

For further information, please contact:

Terragen Holdings Limited	Authorisation and Additional Information
Travis Dillon Chairman media@terragen.com.au	This announcement was authorised by the Board of Directors of Terragen Holdings Limited
Jim Cooper Managing Director and CEO + 61 417 321 145 jimc@terragen.com.au	

Attachment 1

Appendix 4C

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

Name of entity

TERRAGEN HOLDINGS LIMITED

ABN

36 073 892 636

Quarter ended ("current quarter")

31 December 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	855	1,653
1.2 Payments for		
(a) research and development (direct and indirect)	(125)	(250)
(b) product manufacturing and operating costs	(179)	(499)
(c) advertising and marketing	(57)	(167)
(d) leased assets		
(e) staff costs	(1,078)	(2,094)
(f) administration and corporate costs	(397)	(683)
1.3 Dividends received (see note 3)		
1.4 Interest received	13	23
1.5 Interest and other costs of finance paid	(4)	(8)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives (FY21 R&D tax benefits)	-	-
1.8 Other (annual commissions paid to customers for FY21)	(73)	(73)
1.9 Net cash from / (used in) operating activities	(1,045)	(2,098)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(11)	(11)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(11)	(11)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	30
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(121)	(243)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(121)	(213)

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

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,525	6,688
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,045)	(2,098)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(11)	(11)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(121)	(213)
4.5	Effect of movement in exchange rates on cash held	18	-
4.6	Cash and cash equivalents at end of period	4,366	4,366

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	4,366	5,525
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,366	5,525

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

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

Current quarter \$A'000
94
-

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

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

7. Financing facilities

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

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

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other – finance lease liabilities

7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
264	264
264	264

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

-

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

\$0.243m of financing facilities represent liabilities under leasing arrangements determined in accordance with the requirements of AASB16. These leasing facilities are secured against assets with a written down book value of approximately \$0.247m as at 31 December 2022. During the quarter no new lease agreements were entered into.

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

Other financing facilities relates to a funding agreement for the payment of the annual insurance premiums over 10 months, concluding in March 2023. The written down book value of this facility was \$0.021m as at 31 December 2022.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,045)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	4,366
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	4,366
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	4

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

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

Answer:

Not applicable

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

Answer:

Not applicable

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

Answer:

Not applicable

Compliance statement

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

Date: **30 January 2023**

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

Notes

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