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Terragen

ASX Announcement

For immediate release

19 October 2020

TERRAGEN HOLDINGS LIMITED

Quarterly Report for the three months ended 30 September 2020

Coolum, QLD, 19 October 2020 – Australian agricultural company Terragen Holdings Limited ("Terragen"), is pleased to provide an update on its activities in the three month period ended 30 September 2020.

Highlights

- **Sales for the quarter up 99% on the prior comparative period ("PCP") and 71% on the June 2020 quarter**
- **Sales growth driven by the increased use of *Mylo*® to supplement feed for milking cows**
- **Cash reserves of $15.32 million at 30 September 2020**

Terragen Holdings Limited
Unit 6, 41 Access Crescent, Coolum, QLD, 4573, Australia
+61 1300 837 724 | http://www.terragen.com.au/ |36 073 892 636

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Financial Highlights

Sales of $0.81 million for the September 2020 quarter increased 99% on the PCP and 71% over the June 2020 quarter, reflecting continued uptake of *Mylo*® and *Great Land*®. Of particular note is the growth in *Mylo*® sales in the dairy industry where the product is used to supplement feed for milking cows as well as calves. The growth in sales also reflected the early success of the *Mylo*® pump program.

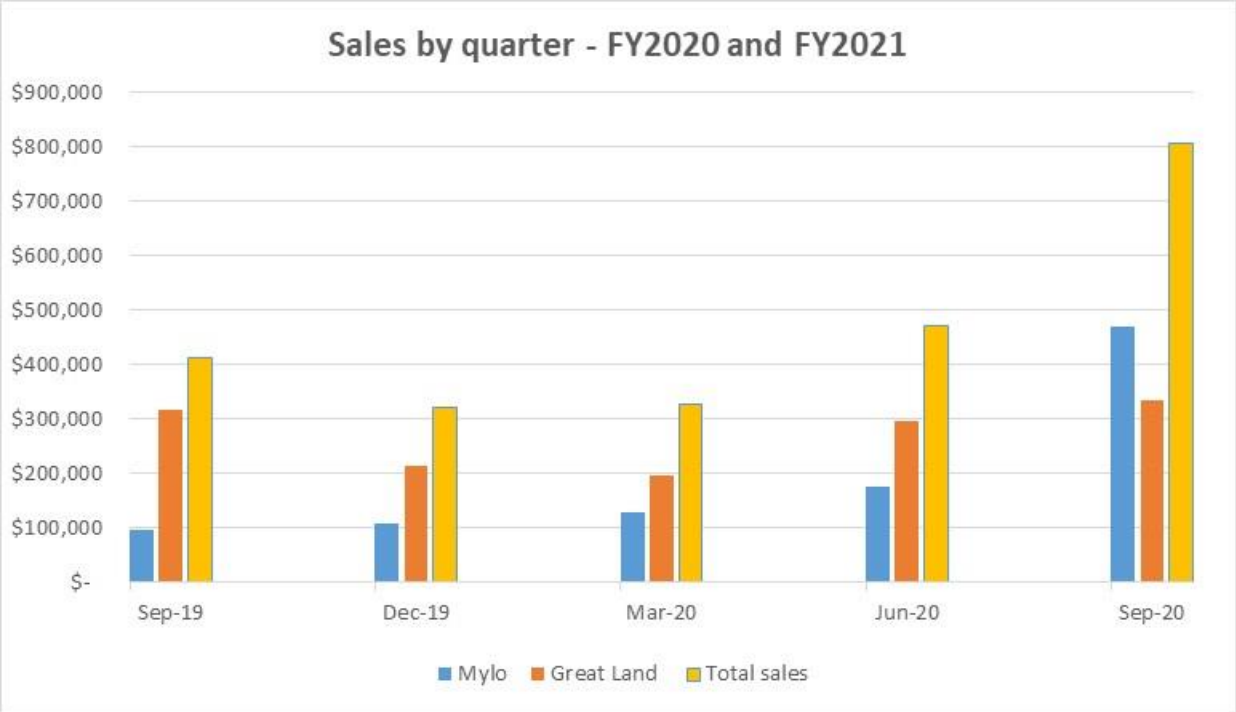


Figure 1 – net sales revenue by quarter for FY2020 and FY2021

Cash receipts from sales of $0.74 million for the quarter (as shown in Appendix 4C) were slightly below sales of $0.81m reported above. This reflects the timing difference between cash and accrual accounting.

Operating expenditure for the September 2020 quarter of $1.712 million decreased slightly from the expenditure of $1.790 million in the June 2020 quarter.

The Company made payments totaling $0.16 million to related parties during the quarter for Directors' remuneration.

Attachment 2 provides a comparison of expenditure incurred in the period from 11 December 2019 (being the date the Company's securities commenced trading on the ASX) to 30 September 2020 of the proposed Use of Funds disclosed in Terragen's Prospectus.

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Operational Highlights

Production

Production increased during the September 2020 quarter to satisfy rising demand for Terragen's products. Notable was the increased volume of *Mylo*® produced for the spring season, attributable to good rainfall in south-eastern Australia and the early success of the *Mylo*® pump program.

COVID-19 has had a negligible impact on the manufacturing and distribution activities of Terragen.

University of Queensland pilot study of Mylo® in lactating cows

A pilot study conducted at the University of Queensland to examine the effect of *Mylo*® in lactating cows has provided promising results. The pilot study was conducted for 24 weeks and produced results that warrant moving into a study of *Mylo*® in a large cohort of lactating cows. These research activities are aimed at underpinning the marketing and sale of *Mylo*® for use in both young and mature dairy cattle.

Ongoing research and development projects

During the quarter the principal research and development activities were:

- developing the design for a study of the productivity benefits of *Mylo*® in a large cohort of mature cows and seeking the required approvals to proceed with that study;
- examining the changes in gut and soil microbiomes following the use of *Mylo*® and *Great Land*®; and
- completing the experimental phase of a study examining the potential of *Mylo*® to reduce greenhouse gas emissions.

Board and Management Changes

Terragen continued to strengthen its Board and management team as it transitions to growing sales of its products from research and development with the appointment of Mr Travis Dillon as Non-Executive Chairman effective 28 July 2020. To further streamline Terragen's Board Dr Gregory Robinson and Dr John Ryals retired from the Board effective 28 July 2020. Dr Ryals will continue to work closely with Terragen as a member of the Development Advisory Committee.

Terragen also announced that Kara King had been appointed Chief Financial Officer and Company Secretary effective 5 October 2020.

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Impact of COVID-19

COVID-19 has had a minor impact on Terragen's operations during the September 2020 quarter. Terragen received $0.04 million in cash flow boost payments from the Australian government and did not receive any other COVID-19 related financial support.

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 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 microbial feed supplement *Mylo*® for animals; and a soil conditioner *Great Land*®.

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	

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Attachment 1

Appendix 4C

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

Name of entity

TERRAGEN HOLDINGS LIMITED

ABN	**Quarter ended ("current quarter")**
36 073 892 636	30 September 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	739	739
1.2	Payments for		
	(a) research and development (direct and indirect)	(96)	(96)
	(b) product manufacturing and operating costs	(181)	(181)
	(c) advertising and marketing	(69)	(69)
	(d) leased assets	-	-
	(e) staff costs	(797)	(797)
	(f) administration and corporate costs	(569)	(569)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	36	36
1.5	Interest and other costs of finance paid	(3)	(3)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives (Comprising $79k CRC grant (relating to banana crops) and $37.5k cash flow boost)	116	116

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(824)**	**(824)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(197)	(197)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(g) entities	-	-
	(h) businesses	-	-
	(i) property, plant and equipment	-	-
	(j) investments	-	-
	(k) intellectual property	-	-
	(l) 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**	**(197)**	**(197)**

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	32	32

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings (lease payments)	(72)	(72)
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**	**(40)**	**(40)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	16,377	16,377
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(824)	(824)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(197)	(197)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(40)	(40)
4.5	Effect of movement in exchange rates on cash held	1	1
4.6	**Cash and cash equivalents at end of period**	**15,317**	**15,317**

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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	15,317	15,317
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)**	**15,317**	**15,317**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	159
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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

7.	Financing facilities *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	Total facility amount at quarter end $A'000	Amount drawn at quarter end $A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other – leasing facilities	399	399
7.4	**Total financing facilities**	399	399

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

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

Financing facilities represent liabilities under leasing arrangements determined in accordance with the requirements of AASB16. These leasing facilities are secured against assets with a written down book value of approximately $0.399m as at 30 September 2020. All leases have a maturity date of less than 5 years.

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8.	Estimated cash available for future operating activities	$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(824)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	15,317
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	15,317
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	19

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

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

Answer:

Not applicable

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

Answer:

Not applicable

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

Answer:

Not applicable

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: **19 October 2020**

Authorised by: **The Board of Directors of Terragen Holdings Limited**

(Name of body or officer authorising release – see note 4)

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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.

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Attachment 2

Comparison of expenditure in the period 11 December 2019 to 30 September 2020 to the Use of Funds in the Prospectus dated 18 October 2019

Use of Funds	Expenditure incurred since Listing $000s (Note 1)	Use of Funds per Prospectus $000s (Note 2)	Actual expenditure as a % of Proposed Use of Funds
Commercialisation - Australia and New Zealand	1,481	4,300	34.4
Market Development and Support - Animal Nutrition	335	4,100	8.2
Market Development and Support - Animal Health	247	3,900	6.3
Market entry and commercialisation - USA	6	1,100	0.6
Market entry and commercialisation - Europe	-	900	0.0
Formulations and technology development support	451	1,900	23.7
Administration costs and working capital	896	2,500	35.8
Payment of costs of the offer	1,468	1,500	97.9
	4,883	20,200	24.2

Note 1 – Represents expenditure incurred in the period from 11 December 2019 (being the date the Company's listing on the ASX) to 30 September 2020 analysed according to the categories of expenditure set out in the Use of Funds included at Section 7.3 of the Prospectus dated 18 October 2019.

Note 2 – Represents the Proposed Use of Funds for the 24-month period following listing as set out in Section 7.3 of the Prospectus dated 18 October 2019.

The Company confirms that its cash reserves are sufficient to implement its commercialisation and development objectives set out in the Prospectus. As noted in the quarterly report, taking into consideration current market conditions the Company is focusing on growing sales in Australia and New Zealand and has deferred the previously planned expansion into the USA and European markets.