

26 July 2021

Terragen

ASX Announcement

Quarterly Activities Report and Appendix 4C

for the three months ended 30 June 2021

Terragen Holdings Limited (ASX:TGH) 26 July 2021 – Australian agriculture company Terragen Holdings Limited (“Terragen”) is pleased to provide an update on its activities in the three month period ended 30 June 2021.

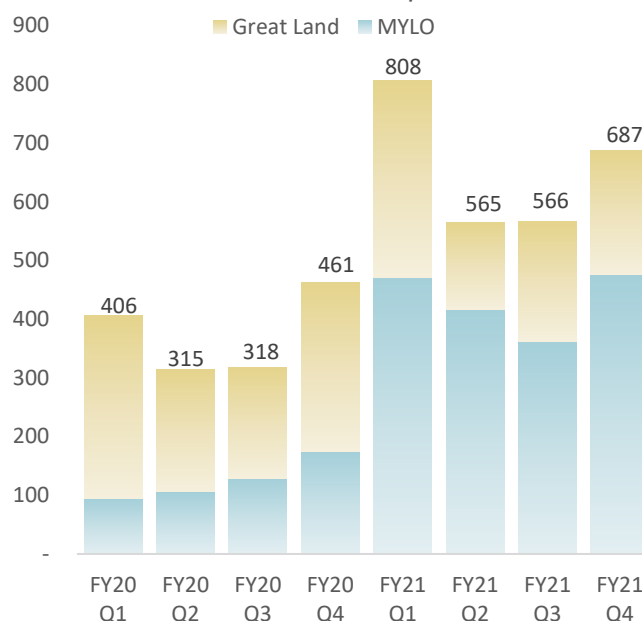
Highlights

- Total **mature dairy cows on Mylo®** at 30 June 2021 of 60.5k, representing 4.3% of the Australian dairy cow market.
- **Annual recurring revenue (ARR¹)** of \$1.6m, representing net sales of Mylo® for mature cows. Does not include sales of Mylo® to the seasonal calf market.
- A **churn rate** of 4.6% of the customers contributing the ARR.
- **Sales** for the quarter up 49% compared with the same quarter last year.
- **Cash** reserves of \$11.6 million at 30 June 2021 positioning Terragen well for growth.
- **New Chief Financial Officer and Company Secretary**, Miles Brennan, engaged to commence 30 August 2021.

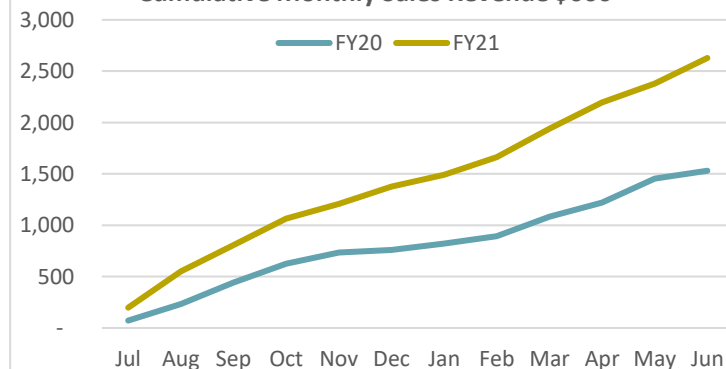
Cumulative sales results

The following graph contains cumulative monthly sales in FY21 compared with FY20, showing sales growth over the past two years.

Total Sales Revenue \$000's



Cumulative Monthly Sales Revenue \$000



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 \$0.687 million.

This was a 49% increase on the prior comparative period (PCP).

Sales of *Mylo*® were up 63% compared with the PCP, and 32% up quarter on quarter. This reflects an uptake of 12k mature dairy cows on *Mylo*® for the quarter.

Sales of *Great Land*® were down by 17% PCP recognising the increased focus on *Mylo*® sales and the introduction of *Great Land Plus*® from 1 July 2021 and the consequent running down of inventories of *Great Land*®. *Great Land Plus*® will replace the old version of *Great Land*® in the market.

Operating expenditure for the June 2021 quarter of \$2.01 million was slightly higher than the \$1.85 million spent in the March 2021 quarter. Expenditure remained similar to the previous quarter, with research and development projects ongoing and staff costs slightly higher due to the appointments of the General Manager New Zealand and General Manager Sales.

The Company made payments totaling \$0.125 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 June 2021 in relation to the proposed Use of Funds disclosed in Terragen's Prospectus.

Chief Financial Officer and Company Secretary engaged

Miles Brennan has been appointed as the Chief Financial Officer and Company Secretary of Terragen Holdings Limited. Miles will commence in the role on 30 August 2021.

Miles Brennan was most recently Financial Controller of the Seafood Division of Simplot Australia and spent eight years with Fosters Group and then Treasury Wine Estates, where he rose to become Financial Controller APAC.

Operational Highlights

General Manager Sales appointed

Warren Ramsey commenced as the General Manager Sales on 25 May 2021. Warren worked for Nufarm Limited for twenty years and rose to become the National Sales Manager for Nufarm Australia. Warren also held senior roles at Incitec Pivot, Proagrica (which produces digital software for agriculture) and he was National Sales Manager of Boomaroo Nurseries, one of Australia's leading vegetable seedling suppliers. Warren brings deep expertise to drive Terragen's sales growth.

Sales

Sales of *Mylo*® for mature dairy herds continues to be Management's focus for sustainable growth. Twenty-five new dairy herds joined the *Mylo*® pump program during the June 2021 quarter, bringing the total number of mature dairy cows on *Mylo*® daily to 60.5k. This corresponds to an annual recurring revenue (ARR) of \$1.6 million and is a solid platform for Terragen's growth.

Only three herds withdrew from the *Mylo*® pump program during the quarter, resulting in a churn rate of 4.6%.

Terragen introduces dairy farmers to *Mylo*® initially by supplying *Mylo*® as a feed supplement for dairy calves. In Australia, spring is the major season for dairy calving, followed by autumn calving as a secondary season. Terragen has been preparing for an expected increase in *Mylo*® sales in spring 2021 by implementing a new social media advertising campaign aimed at dairy farmers, creating point of sale advertising materials for agent stores and increasing the contact with agricultural agents.

Terragen has implemented a new CRM (customer relationship management) system to underpin its sales strategy.

On 1 July 2021 Terragen launched *Great Land Plus*® which is an enhanced version of *Great Land*® for soil health and plant growth. The new product has revised labelling, new dosage rates and pricing. *Great Land Plus*® will replace the original version of *Great Land*® in the marketplace.

New Zealand sales

The General Manager New Zealand is developing the strategy for sales of Terragen products there, including exploring the best agents to represent Terragen and the different market drivers for New Zealand dairy farmers. There are 4.96 million dairy cows in New Zealand, compared with 1.41 million dairy cows in Australia, so there is significant market potential.

Marketing

The marketing campaign for *Mylo*® continued through the June 2021 quarter to raise product awareness and drive demand during autumn calving and throughout the year in mature dairy cows.

Social media, digital and print advertisements were deployed to target dairy farmers and industry influencers in the key dairy regions.

The marketing campaign will increase from now and through spring 2021, with a refreshed social media campaign, targeting *Mylo*® sales for dairy calves.

Ongoing research and development projects

Terragen has commenced a study on the benefits of *Mylo*® in dairy cows and calves, including the potential of *Mylo*® to reduce greenhouse gas emissions. The study involves more than 150 cows on an operating dairy farm. Any material findings from the study will be reported to the market when they become available.

Impact of COVID-19

COVID-19 has had a negligible impact on Terragen's production and distribution activities during the June 2021 quarter.

About Terragen Holdings Limited

Terragen develops and markets probiotics 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 called *Great Land Plus*®.

For further information, please contact:

Terragen Holdings Limited	Authorisation and Additional Information
Travis Dillon Chairman media@terrigen.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@terrigen.com.au	

Appendix 4C

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

Name of entity

TERRAGEN HOLDINGS LIMITED

ABN

36 073 892 636

Quarter ended ("current quarter")

30 June 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	823	2,901
1.2 Payments for		
(a) research and development (direct and indirect)	(232)	(723)
(b) product manufacturing and operating costs	(81)	(461)
(c) advertising and marketing	(136)	(560)
(d) leased assets		
(e) staff costs	(1,124)	(3,752)
(f) administration and corporate costs	(506)	(2,157)
1.3 Dividends received (see note 3)		
1.4 Interest received	27	123
1.5 Interest and other costs of finance paid	(4)	(10)
1.6 Income taxes paid		
1.7 Government grants and tax incentives (Including \$14.3k NSW Department of Industry grant)		157
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(1,233)	(4,482)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(77)	(381)
	(d) investments	-	-
	(e) intellectual property	(10)	(54)
	(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	(87)	(435)

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	43	416
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(48)	(233)
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	(5)	183

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
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4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	12,968	16,377
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,233)	(4,482)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(87)	(435)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(5)	183
4.5	Effect of movement in exchange rates on cash held	(1)	(1)
4.6	Cash and cash equivalents at end of period	11,642	11,642

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	11,642	12,968
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)	11,642	12,968

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
125
-

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.

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
-	-
358	358
358	358

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 \$0.355m as at 30 June 2021. All leases have a maturity date of less than 5 years.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,233)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	11,642
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	11,642
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	9

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: **26 July 2021**

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.

Attachment 2

Comparison of expenditure in the period 11 December 2019 to 30 June 2021 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	3,611	4,300	84.0
Market Development and Support - Animal Nutrition	548	4,100	13.4
Market Development and Support - Animal Health	598	3,900	15.3
Market entry and commercialisation - USA	6	1,100	0.5
Market entry and commercialisation - Europe	-	900	0.0
Formulations and technology development support	736	1,900	38.7
Administration costs and working capital	1,591	2,500	63.7
Payment of costs of the offer	1,468	1,500	97.9
	8,558	20,200	42.4

Note 1 – Represents expenditure incurred in the period from 11 December 2019 (being the date the Company's listing on the ASX) to 30 June 2021 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 previous reports and 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.