ANNUAL REPORT

For the year ended 30 June 2020

Terragen Holdings Limited and Controlled Entity
ABN 36 073 892 636

www.terragen.com.au

CHAIRMAN'S LETTER TO SHAREHOLDERS

DEAR SHAREHOLDER

On behalf of the Directors of Terragen Holdings Limited, I am pleased to present your company's annual report for the financial year ended 30 June 2020.

The past year has been a very significant one for the Company, with Terragen's shares listing on the Australian Stock Exchange on 11 December 2019 following a successful Initial Public Offering to raise $20 million.

Terragen develops and markets biological products for agricultural applications. Each product uses a unique combination of naturally-occurring live microbe strains selected to address soil health or help boost the productivity, welfare and resilience of farm production animals.

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*®. Sales growth of 56% during the year was driven by the sales of *Mylo*® to the dairy industry where it is used to supplement feed for milking cows as well as calves.

Terragen's aim is to increase farm productivity through the use of its products, whilst providing improved environmental sustainability that will be attractive to consumers. Biological products are now becoming accepted in mainstream agriculture and Terragen is continuing to undertake research and development activities, including initiating preliminary studies into the potential of *Mylo*® to reduce greenhouse gas emissions.

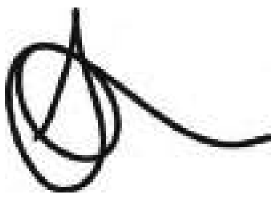
Terragen's success has been due to the considerable efforts, collaboration and achievements of our employees, customers, suppliers, partners and advisors. On behalf of Terragen's Board of Directors, I would like to express our appreciation to each to you for your hard work, support and achievements throughout the year.

I would also like to express my thanks to my fellow Directors for their efforts in successfully guiding Terragen through its Initial Public Offering.

Finally, thank you to my fellow Terragen shareholders who have recognised the strategic growth opportunities ahead for Terragen and who have invested to help us execute on our plans.

With a strong cash position, excellent sales momentum for Terragen's products in Australia and New Zealand, and a highly skilled and committed team, Terragen is well placed to pursue further sales growth of its key products in Australia and New Zealand.

I am excited about the year ahead and look forward to keeping you updated on our progress.



Travis Dillon
Chair of the Board of Directors

FINANCIAL REPORT CONTENTS

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 2020 (collectively "Group"). To comply with the provisions of the Corporations Act 2001, the directors report as follows.

DIRECTORS

The following persons were directors of Terragen Holdings Limited during the whole of the year under review and up to the date of this report, unless otherwise stated:

- **Travis Dillon** Non-Executive Chair (appointed director 1 May 2020 and Chair 27 July 2020)
- **Paul Schober** Non-Executive Director
- **Sam Brougham** Non-Executive Director
- **Ingrid van Dijken** Non-Executive Director (appointed 11 December 2019)
- **Jim Cooper** Managing Director (appointed 25 June 2020)
- **Gregory Robinson** Non-Executive Director (resigned 27 July 2020)
- **John Ryals** Non-Executive Director (appointed 11 December 2019, resigned 27 July 2020)
- **Justus Homburg** Managing Director (resigned 25 June 2020)
- **David Ryan** Non-Executive Director (resigned 31 July 2019)

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

Name and Position	Qualifications and Experience	Particulars of interests in shares and options of Terragen Holdings Limited	
		Shares#	Options
Travis Dillon *Non-Executive Chair* Appointed Director on 1 May 2020. Appointed Non-Executive Chair on 27 July 2020	Mr Dillon holds extensive commercial and strategic expertise in the agricultural distribution channel. Mr Dillon was the CEO and Managing Director of Ruralco Holdings Limited until its acquisition by Nutrien in September 2019. Prior to becoming Ruralco's Managing Director in 2015, he was the Executive General Manager of Ruralco's Operations. Over a career in Agriservices, spanning nearly three decades, Travis has held many positions including Branch Manager, Agronomist, and numerous Category Manager roles. Travis is a Non-Executive Director of Lifeline Australia. **Other directorships in past three years:** Ruralco Holdings Limited	219,000 held indirectly	Nil
Paul Schober *Non-Executive Director* Appointed Non-Executive Chair 11 December 2019 until 27 July 2020	Paul has had a 30-year career in the animal health industry, including senior executive positions in which he established global distribution agreements and implemented commercial rigour for biotechnology research companies including Peptech Animal Health, Anatara Lifesciences and Apex Laboratories. Paul attained PhD and MBA degrees at the University of Sydney. **Other directorships in past three years:** Nil	152,000 held indirectly	80,000 (investment options) held indirectly

Name and Position	Qualifications and Experience	Particulars of interests in shares and options of Terragen Holdings Limited	
		Shares#	Options
Sam Brougham *Non-Executive Director* Appointed Non-Executive Chair 1 July 2019 until 11 December 2019	Sam Brougham has an economics degree from the University of Adelaide. Sam 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 co-founded in 1999. Sam also co-founded Structured Asset Management in 1993. After receiving an economics degree from the University of Adelaide, he spent his early career with Price Waterhouse, and as a partner at JB Were. Sam is a director of Ellerston Asian Investments Limited. **Other directorships in past three years:** Ellerston Global Investments Limited.	14,721,616 held indirectly	1,600,000 (investment options) held indirectly
Ingrid van Dijken *Non-Executive Director* Appointed 11 December 2019	Ingrid holds a Masters' degree in International Relations from the Graduate Institute in Geneva and an undergraduate degree from the Universiteit Utrecht, in the Netherlands. Ingrid 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. She currently works at a privately held funds management firm. From early 2014 until September 2018 she worked at the Impact Investment Group (IIG) in Melbourne, an Australian impact investment funds manager. She joined as the General Manager and became the Chief Operating Officer & Head of Investor Relations. She was instrumental in driving the transformation from a start-up in 2014 to a medium sized funds management business four years later. During her tenure with IIG it was involved in transactions in excess of $1 billion across commercial real estate, large scale renewable energy infrastructure and venture capital. Ingrid 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 directorships in past three years:** Nil	1,290,000 held indirectly	100,000 (investment options) held indirectly
Gregory Robinson *Non-Executive Director* Resigned 27 July 2020	Greg Robinson holds a BSc (Hons) and PhD in Physics, is a fellow of the Financial Services Institute of Company Directors and a Member of the Australian Institute of Company Directors. Greg has undertaken business development in many parts of the globe, and has also managed businesses domiciled in Hong Kong, Singapore, Japan, and the United States. **Other directorships in past three years:** Nil	563,000 held directly 3,195,000 held indirectly	Nil

Name and Position	Qualifications and Experience	Particulars of interests in shares and options of Terragen Holdings Limited	
		Shares#	Options
John Ryals *Non-Executive Director* Appointed 11 December 2019 Resigned 27 July 2020	Dr. Ryals has a Bachelor of Arts in biology and chemistry from the University of North Texas and masters and doctorate degrees from the University of Texas at Dallas. Dr. Ryals served as president and CEO at Metabolon from 2002 until 2018. Dr Ryals has 30 years of experience in the biotechnology industry, including senior research positions at Novartis and Ciba-Geigy. He currently serves on the Board of Directors of AgBiome, a provider of early-stage research and development for agriculture, and the advisory board of the College of Agriculture and Life Sciences at North Carolina State University. **Other directorships in past three years:** Nil	Nil	Nil
Jim Cooper *Managing Director and Chief Executive Officer* Appointed 25 June 2020	Jim is an experienced agribusiness, infrastructure, and supply chain CEO with expertise in business development, stakeholders, sustainability, and strategy. Jim's experience in infrastructure and supply chain comes from 13 years managing privatised shipping ports in Portland and Melbourne. He has policy experience with 6 years as a Board member of Ports Australia, and he has been a member of numerous Government committees and advisory boards. **Other directorships in past three years:** Ports Australia Limited – Director and Deputy Chairman	200,000 held indirectly	Nil
Justus Homburg *Managing Director and Chief Executive Officer* Resigned 25 June 2020	Justus holds an MBA from the University of Washington, graduate degrees from the University of Utrecht and Southern Illinois University, and is a Fulbright Scholar. Justus was appointed to the Board in June 2017 and assumed the role of CEO in July 2017. Justus' thirty-year business career focused on commercialisation of new technologies in agriculture and human life sciences. **Other directorships in past three years:** Progen Pharmaceuticals Limited	275,000 held directly	2,000,000 (incentive A options) held directly 200,000 (investment options) held directly
Mr Stephen Kelly *Company Secretary and Chief Financial Officer* Appointed 2 August 2019	Mr Kelly was appointed as the Company Secretary and Chief Financial Officer of the Company on 2 August 2019. A qualified Chartered Accountant, Mr Kelly has more than 30 years' international experience in the areas of external and internal audit, risk management and compliance, treasury, and corporate finance across a range of industry sectors including mining, infrastructure, property development and banking and finance.	60,000	Nil

COMPANY SECRETARY

Stephen Kelly (appointed 2 August 2019)

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

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 2020, and the numbers of meetings attended by each director were as follows:

	BOARD MEETINGS: 8	
	Number of meetings eligible to attend	Number of meetings attended
Paul Schober	8	8
Sam Brougham	8	8
Gregory Robinson	8	5
Justus Homburg Resigned 25 June 2020	8	8
John Ryals Appointed 11 December 2019	5	5
Ingrid van Dijken Appointed 11 December 2019	5	5
Travis Dillon Appointed 1 May 2020	1	1
Jim Cooper Appointed 25 June 2020	-	-
David Ryan Resigned 31 July 2019	1	1

On 11 December 2019 Terragen established an Audit and Risk Committee and a Nomination and Remuneration Committee. The members of those Committees during the financial year were:

» Audit and Risk Committee: Gregory Robinson (Chairperson), Sam Brougham and Paul Schober. The Audit and Risk Committee met once during the year with all members in attendance.
» Remuneration and Nomination Committee: Gregory Robinson (Chairperson), Ingrid van Dijken and Sam Brougham. The Remuneration and Nomination Committee did not meet during the year as remuneration matters were considered by the full Board.

PRINCIPAL ACTIVITIES

The consolidated entity's principal activities during the financial year were research, development, 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:

» Commenced trading on the Australian Stock Exchange (ASX) on 11 December 2019 after the Group raised $20 million through the issue of 80 million fully paid ordinary shares.
» Issued 4,214,043 options in July 2019 to shareholders who participated in a prior capital raising. The options are exercisable at $0.25 and have an expiry date of 11 December 2022. No consideration was received by the Group in relation to those options.
» Made the following Board and Management Changes:
    - Appointed Mr Stephen Kelly as the Company Secretary and Chief Financial Officer on 2 August 2019.
    - Appointed Dr John Ryals and Ingrid van Dijken as Non-Executive Directors on 11 December 2019.
    - Appointed Mr Travis Dillon as Non-Executive Director on 1 May 2020.
    - Appointed Mr Jim Cooper as Managing Director and Chief Executive Officer on 25 June 2020 following the resignation on that same date of Mr Justus Homburg.
    - On 27 July 2020 Mr Travis Dillon was appointed Non-Executive Chair and Mr Gregory Robinson and Dr John Ryals resigned from the board.

OPERATING AND FINANCIAL REVIEW

The Group reported a loss after tax for the year of $4,925,615 (2019: loss of $3,210,741). The significant items affecting the operating result were:

» Revenues, net of rebates, of $1,530,853 from the sale of the Company's Mylo® and Great Land® products in Australia and New Zealand. This represents growth of 56% over sales revenue of $981,007 in the year ended 30 June 2019.
» Australian sales growth has been underpinned by the expansion of the Retail Agency Partner network. In total, 73 individual retail outlets are involved in the distribution of Great Land® and Mylo®, with each having been accredited by Terragen Biotech Pty Ltd through a product training program.
» Sales in Australia and New Zealand also reflect the rollout of the 'Mylo®' microbial feed supplement. The strong growth of Mylo® sales has been accompanied by positive feedback from farmers who have been trialing

Mylo®, reinforcing the results of the studies that have been undertaken in conjunction with the University of Queensland. Numerous farmers have committed to expanding the application of Mylo® to their herds.

» Grant income of $315,655 (2019: $234,390) was received under a Commonwealth of Australia CRC Funding program for a specific research project being undertaken in relation to banana crops.

» Operating expenses of $7,469,456 in the year have increased from the prior year operating expenses of $5,083,337 due to the following:
  - Initial public offering costs of $428,691 (2019: $Nil) expensed during the year. These costs include legal fees, printing and publishing costs and a portion of the costs of managing the initial public offer process.
  - An increase in employee benefits expense to $3,188,241 (2019: $2,639,643) as a consequence of the appointment of additional members of the Board of Directors, and additional sales and manufacturing personnel in line with the implementation of the Company's commercialisation and development strategy.
  - ASX listing fees and share registry fees of $79,665 (2019: $Nil) incurred in the year in connection with the initial public offering and listing of the Company's shares on the ASX.
  - Advertising and marketing expenses of $260,568 (2019: $70,074) in line with the implementation of the Company's commercialisation and development strategy including the "Pumps for Mylo program".
  - Depreciation and amortisation costs of $443,427, an increase of $170,417 compared with the prior year, as a result of additions to Property, Plant and Equipment as well as the application of AASB 16 effective 1 July 2019 in which right-of-use assets are now capitalised for property and equipment leases, and subsequently amortised over the life of the lease.

IMPACT OF COVID-19 PANDEMIC ON OPERATIONS

The outbreak of COVID-19 and the subsequent quarantine measures imposed by the Australian and other governments as well as the travel and trade restrictions imposed by Australia and other countries in early 2020 have caused disruption to businesses and economic activity. The COVID-19 pandemic has had a negligible impact on the Group's operation and results. The Group achieved significant sales growth over the prior financial year with sales and production activity in Australia continuing throughout the COVID-19 pandemic. Sales in New Zealand were adversely impacted in April and May 2020 due to COVID-19 restrictions effectively stopping sales related activity in New Zealand which recommenced in late May 2020.

In response to COVID-19, both the Federal Government and the State Government of Victoria have implemented policies and measures with the aim of containing the virus. In an effort to contain the spread of the virus, the Victorian Government, on 2 August 2020, implemented Stage 4 restrictions in Melbourne and Stage 3 restrictions in regional Victoria with quarantine restrictions, travel restrictions, closure of businesses and other restrictive movement measures. Given the principal operating location is in Queensland, these measures have only had a negligible impact on the business.

The Group received a $50,000 cash boost grant from the Australian government during the financial year.

Earnings per share	2020	2019
Basic loss per share from continuing operations	3.27 cents	3.38 cents
Basic diluted loss per shares from continuing operations	3.27 cents	3.38 cents

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Terragen is focused on sales growth of its key products in Australia and New Zealand and is pursuing continued sales growth in the coming year.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

The outbreak of COVID-19 and the subsequent quarantine measures imposed by the Australian and other governments as well as the travel and trade restrictions imposed by Australia and other countries in early 2020 have caused disruption to businesses and economic activity. The impact of the COVID-19 pandemic is ongoing, and the Group will continue to adjust to the varying restrictions and progress its sales growth initiatives accordingly. To the date of this report, the COVID-19 pandemic has not had a material impact on the Group's operations or results. As the situation remains fluid (due to evolving changes in government policy and evolving business and customer reactions thereto) as at the date these financial statements are authorised for issue, the directors of the Company considered that the financial effects of COVID-19 on the Group's consolidated financial statements cannot be reasonably estimated for future financial periods.

In response to COVID-19, both the Federal Government and the State Government of Victoria have implemented policies and measures with the aim of containing the virus. In an effort to contain the spread of the virus, the Victorian Government, on 2 August 2020, implemented Stage 4 restrictions in Melbourne and Stage 3 restrictions in regional Victoria with quarantine restrictions, travel restrictions, closure of businesses and other restrictive movement measures. Given the principal operating location is in Queensland, these measures have only had a negligible impact on the business.

There has been no other 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.

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 2	28/10/2016	31/10/2020	$0.05	400,000
Tranche 3	28/10/2016	18/01/2022	$0.05	350,000
Tranche 4	24/01/2017	24/01/2021	$0.05	75,000
Tranche 5	01/02/2017	01/02/2021	$0.05	450,000
Tranche 6	16/08/2017	16/08/2021	$0.05	600,000
Tranche 7	01/09/2017	01/09/2021	$0.05	2,000,000
Tranche 8	17/01/2018	17/01/2022	$0.05	1,990,000
Tranche 9	01/07/2018	01/07/2022	$0.075	1,030,000
Tranche 10	13/06/2019	31/12/2022	$0.25	8,100,000
Tranche 11	10/07/2019	11/12/2022	$0.25	3,000,000
Tranche 12	17/07/2019	11/12/2022	$0.25	1,214,043
				19,209,043

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, and up to the date of this report, 1,257,000 shares were issued as a result of the exercise of options.

REMUNERATION REPORT (AUDITED)

This remuneration report, which forms part of the Directors' Report, sets out information about the remuneration of Terragen Holdings Limited's key management personnel for the financial year ended 30 June 2020. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing, and controlling the activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the consolidated entity. 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
» Key terms of employment contracts.

A) KEY MANAGEMENT PERSONNEL

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

Non-executive directors	Position
Travis Dillon	Chair (since 27 July 2020), Non-Executive Director (appointed 1 May 2020)
Paul Schober	Non-Executive Director (Chair 11 December 2019 to 27 July 2020)
Sam Brougham	Non-Executive Director (Chair 1 July 2019 to 11 December 2019)
Gregory Robinson	Non-Executive Director (resigned 27 July 2020)
John Ryals	Non-Executive Director (appointed 11 December 2019, resigned 27 July 2020)
Ingrid van Dijken	Non-Executive Director (appointed 11 December 2019)
David Ryan	Non-Executive Director (resigned 31 July 2019)
Executive Directors	**Position**
Jim Cooper	Executive Director, Managing Director (appointed Managing Director 25 June 2020[a]
Justus Homburg	Executive Director, Managing Director (resigned 25 June 2020)

Other Key Management Personnel	
Stephen Kelly	Company Secretary and Chief Financial Officer

[a] Prior to his appointment to Managing Director on 25 June 2020, Jim Cooper was employed by the Group to provide consulting services commencing 5 March 2020.

Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year.

B) REMUNERATION POLICY

The Board of Terragen Holdings Limited 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 their base emolument 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.

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 as disclosed in the Prospectus dated 18 October 2019).

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 $48,000, all other non-executive directors receive an annual fee of $36,000. In addition, non-executive directors receive an annual fee of $4,000 for each board sub-committee of which they are a member. 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.

The following fees were paid to non- executive directors for additional services during the year ended 30 June 2020 (2019: $Nil):

» $12,333 to Travis Dillon in relation to consulting services provided to the Sales and Marketing Team since commencing his role with the Group on 1 May 2020.

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 incentives 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
» 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 share, 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 and options. 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 year 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 (cents)
2020	766,416	(3.27)	-	17.5
2019	488,211	(3.38)	-	n/a[1]

[1] The Company commenced trading on the ASX on 11 December 2019.

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.

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:

JIM COOPER, MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

» Term of Agreement – Commencing from 25 June 2020 and ongoing unless terminated in accordance with its terms.
» Base Remuneration – Effective 25 June 2020 $301,125 per annum, including superannuation contributions, on a full-time basis, subject to annual increases at the discretion of the Board of Directors.
» Termination – By four months' notice from either party.
» Incentive benefits – Under the Employee Incentive Plan, to be determined by the Board of Directors after review of the annual company result for the relevant calendar year, and Management's performance
» Equity – The Director shall be entitled to participate in the Employee Incentive Plan of the Company.

STEPHEN KELLY, CHIEF FINANCIAL OFFICER AND COMPANY SECRETARIAL SERVICES

The Company entered into a Consultancy Agreement with KCG Advisors Pty Limited pursuant to which Mr. Kelly was engaged to provide Chief Financial Officer and Company Secretarial services to the Company effective from 2 August 2019.

The key terms of the Agreement are:
» KCG Advisors Pty Limited to receive $10,000 per month, exclusive of GST, for services provided by Mr. Kelly.
» Additional fee of $225 per hour for each additional hour of services provided over 60 hours in a calendar month. No additional hours were billed during the period.
» The Agreement is subject to a mutual 3-month notice period (but which may be immediately terminated by Terragen in the event of serious misconduct).

JUSTUS HOMBURG, MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

» Base Remuneration – Effective 29 August 2019 $301,125 per annum, including superannuation contributions, on a full-time basis, subject to annual increases at the discretion of the Board of Directors.
» Termination – By six months' notice from either party.
» Incentive benefits – Under the Employee Incentive Plan, to be determined by the Board of Directors after review of the annual company result for the relevant calendar year, and Management's performance
» Equity – The Director shall be entitled to participate in the Employee Incentive Plan of the Company.

2020

	Salary and fees	Super-annuation	Employee entitlements	Other (termination benefits)	Total remuneration	Proportion of remuneration that is performance based
	$	$		$	$	%
NON-EXECUTIVE DIRECTORS						
Paul Schober	44,665	-	-	-	44,665	0%
Sam Brougham [f]	45,833	-	-	-	45,833	0%
Gregory Robinson	40,169	-	-	-	40,169	0%
David Ryan [a]	3,000	-	-	-	3,000	0%
John Ryals [b]	19,500	-	-	-	19,500	0%
Ingrid van Dijken [b]	21,665	-	-	-	21,665	0%
Travis Dillon [c, g]	19,000	-	-	-	19,000	0%
Total Non-Executive Directors	**193,832**	**-**	**-**	**-**	**193,832**	**0%**
EXECUTIVE DIRECTORS						
Justus Homburg [d]	290,785	21,048	6,717	140,000	458,550	0%
Jim Cooper [e]	3,466	301	267	-	4,034	0%
Total Executive Directors	**294,251**	**21,349**	**6,984**	**140,000**	**462,584**	**0%**
OTHER KEY MANAGEMENT PERSONNEL						
Stephen Kelly	110,000	-	-	-	110,000	0%
Total Key Management Personnel	**110,000**	**-**	**-**	**-**	**110,000**	**0%**
Total Director and KMP Compensation	**598,083**	**21,349**	**6,984**	**140,000**	**766,416**	**0%**

[a] Resigned 31 July 2019
[b] Appointed 11 December 2019
[c] Appointed 1 May 2020
[d] Resigned 25 June 2020
[e] Appointed 25 June 2020
[f] Sam Brougham invoices director fees via Crofton Park Developments Pty Ltd atf Sam Brougham Family Trust.
[g] Travis Dillon invoices director fees via Dillon Consulting Company Pty Ltd.

2019

	Salary and fees	Super-annuation	Employee entitlements	Other	Total remuneration	Proportion of remuneration that is performance based
	$	$		$	$	%
NON-EXECUTIVE DIRECTORS						
Paul Schober	36,000	-	-	-	36,000	0%
Sam Brougham	48,000	-	-	-	48,000	0%
Gregory Robinson	36,000	-	-	-	36,000	0%
Wayne Finlayson	12,000	-	-	-	12,000	0%
David Ryan	36,000	-	-	-	36,000	0%
Total Non-Executive Directors	**168,000**	**-**	**-**	**-**	**168,000**	**0%**
EXECUTIVE DIRECTORS						
Justus Homburg	291,486	21,048	7,677	-	320,211	0%
Total Executive Directors	**291,486**	**21,048**	**7,677**	**-**	**320,211**	**0%**
Total Director and KMP Compensation	**459,486**	**21,048**	**7,677**	**-**	**488,211**	**0%**

SHARE-BASED COMPENSATION

On 17 July 2019, 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; or
- » a contractor or consultant who provides services to a Group Company.

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

- » the position in the Terragen Group held or to be held by the Eligible Employee;
- » the Eligible Employee's length of service with the Terragen Group;
- » the contribution made by the Eligible Employee to the Terragen Group;
- » the potential contribution to be made by the Eligible Employee to the Terragen 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 incentives were issued under the Employee Incentive Plan.

There are no options affecting remuneration in the current reporting period.

At 30 June 2020 there are no options that have not yet been exercised, over ordinary shares in the Group, which were provided as remuneration to directors and key management personnel in prior years.

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 the options. 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 as a result of the exercise of options during the year.

UNLISTED OPTION HOLDINGS

The numbers of options over ordinary shares in the Group held during the financial year by each director and each key management person of the Group, including their personally related parties, are set out below:

2020 Name	Balance at start of year	Granted as remuneration	Acquired other than as remuneration	Exercised	Held at time of ceasing to be KMP	Balance at end of year	Vested and exercisable
Paul Schober	-	-	80,000	-	-	80,000	80,000
Sam Brougham	800,000	-	800,000	-	-	1,600,000	1,600,000
Gregory Robinson	-	-	320,000	(320,000)	-	-	-
John Ryals	-	-	-	-	-	-	-
Ingrid van Dijken	-	-	100,000	-	-	100,000	100,000
Travis Dillon	-	-	-	-	-	-	-
Justus Homburg	2,000,000	-	200,000	-	(2,200,000)	-	-
Jim Cooper	-	-	-	-	-	-	-
Stephen Kelly	-	-	-	-	-	-	-
Total	**2,800,000**	**-**	**1,500,000**	**(320,000)**	**(2,200,000)**	**1,780,000**	**1,780,000**

2019 Name	Balance at start of year	Granted as remuneration	Acquired other than as remuneration	Exercised	Held at time of ceasing to be KMP	Balance at end of year	Vested and exercisable
Paul Schober	-	-		-	-	-	-
Sam Brougham	-	-	800,000	-	-	800,000	800,000
Gregory Robinson	-	-	-	-	-	-	-
Wayne Finlayson	400,000	-	-	-	(400,000)	-	-
David Ryan	-	-	-	-	-	-	-
Justus Homburg	2,000,000	-	-	-	-	2,000,000	2,000,000
Total	**2,400,000**	**-**	**800,000**	**-**	**(400,000)**	**2,800,000**	**2,800,000**

E) SHARE HOLDINGS

The number of shares in the Group held during the financial year by each director of Terragen Holdings Limited 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 (2019: nil).

2020	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
Key Management Personnel of Terragen Holdings Limited Ordinary shares						
Paul Schober	152,000	-	-	-	-	152,000
Sam Brougham	10,371,616	-	4,350,000	-	-	14,721,616
Gregory Robinson	3,363,000	-	75,000	320,000	-	3,758,000
David Ryan	741,032	-	-	-	(741,032)	-
John Ryals	-	-	-	-	-	-
Ingrid van Dijken	-	1,290,000	-	-	-	1,290,000
Travis Dillon	-	-	219,000	-	-	219,000
Justus Homburg	200,000	-	75,000	-	(275,000)	-
Jim Cooper	-	200,000	-	-	-	200,000
Stephen Kelly	-	-	60,000	-	-	60,000
	14,827,648	1,490,000	4,779,000	320,000	(1,016,032)	20,400,616

2019	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
Key Management Personnel of Terragen Holdings Limited Ordinary shares						
Paul Schober	-	-	152,000	-	-	152,000
Sam Brougham	8,627,616	-	1,744,000	-	-	10,371,616
Gregory Robinson	3,120,000	-	243,000	-	-	3,363,000
Wayne Finlayson	480,000	-	-	-	(480,000)	-
David Ryan	741,032	-	-	-	-	741,032
Justus Homburg	-	-	200,000	-	-	200,000
	12,968,648	-	2,339,000	-	(480,000)	14,827,648

F) LOANS TO KEY MANAGEMENT PERSONNEL

There were no loans to key management personnel at any time during the financial year however unpaid director and other fees amounted to $126,091.

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 willful 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. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

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 below:

Other services	$
Advice on taxation and other matters and review and lodgement of corporate tax returns	67,510
Investigating accountants report for the IPO Prospectus	84,735
	152,245

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 2 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 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, Deloitte for audit services provided during the year are set out in note 2 to the financial 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.

AUDITOR

Deloitte continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the Directors,

Jim Cooper
Managing Director

Melbourne, 28 August 2020

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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The Board of Directors
Terragen Holdings Limited
Unit 6, 39 Access Street
COOLUM BEACH QLD 4573

28 August 2020

Dear Board Members,

Terragen Holdings Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Terragen Holdings Limited.

As lead audit partner for the audit of the financial statements of Terragen Holdings Limited for the financial year ended 30 June 2020, I declare to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Peter Glynn
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
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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 subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2020, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

(ii) 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 and 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

We have determined that there are no key audit matters to communicate in our report.

Other Information

The directors are responsible for the other information. The other information comprises the Operating and Financial Overview, 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): Corporate Directory, Corporate Governance Report and Shareholder Information, which is expected to be made available to us after that date.

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Our opinion on the financial report does not cover the other information and we do not and will 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 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.

The Directors' Responsibilities for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group'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 Group 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 the 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.

Deloitte.

- 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.

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, related safeguards.

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 on pages 10 to 20 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Terragen Holdings Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of Terragen Holdings Limited 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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Peter Glynn

Peter Glynn
Partner
Chartered Accountants
Melbourne, 28 August 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2020 $	2019 $
Revenue	*3*	1,530,853	981,007
Other income	*3*	495,050	254,205
Accounting and audit expenses		(231,324)	(120,236)
Advertising and marketing expenses		(260,568)	(70,074)
ASX and share registry expenses		(79,665)	-
Computer costs		(88,292)	(59,447)
Consulting costs		(361,740)	(345,426)
Depreciation and amortisation expense	*4*	(443,427)	(273,010)
Direct research expenses		(584,309)	(235,808)
Employee benefits expense	*5*	(3,188,241)	(2,639,643)
Finance costs	*7*	(29,824)	(19,581)
Insurance costs		(98,583)	(72,184)
Initial public offering costs		(428,691)	-
Legal costs		(112,736)	(15,943)
Motor vehicle costs		(94,164)	(130,083)
Occupancy costs		(141,843)	(137,475)
Raw materials and consumables used		(444,225)	(338,023)
Transport costs		(190,561)	(145,402)
Travel and accommodation		(152,165)	(44,653)
Other expenses		(539,098)	(436,349)
Loss before income tax expense from continuing operations		**(5,443,553)**	(3,848,125)
Income tax benefit	*9*	517,938	637,384
Loss for the year after income tax benefit		**(4,925,615)**	(3,210,741)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Gain on translation of foreign operations		**40**	-
Total comprehensive loss for the year		**(4,925,575)**	(3,210,741)
Basic and diluted loss per share (cents per share)	*10*	(3.27)	(3.38)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2020 $	2019 $
Current assets			
Cash and cash equivalents	*22*	16,378,408	1,837,241
Trade and other receivables	*11*	391,882	410,315
Inventories		64,155	35,836
Other current assets	*12*	185,448	-
Current tax asset	*13*	517,938	645,321
Total current assets		**17,537,831**	**2,928,713**
Non-current assets			
Right of use assets	*14*	397,837	-
Property, plant, and equipment	*15*	776,779	824,955
Intangible assets	*16*	132,290	72,685
Other assets		122,256	122,256
Total non-current assets		**1,429,162**	**1,019,896**
TOTAL ASSETS		**18,966,993**	**3,948,609**
Current liabilities			
Trade and other payables	*17*	1,173,764	653,901
Borrowings	*18*	221,321	125,430
Employee provisions	*19*	219,825	185,212
Total current liabilities		**1,614,910**	**964,543**
Non-current liabilities			
Borrowings	*18*	254,985	102,345
Employee provisions	*19*	54,543	45,457
Total non-current liabilities		**309,528**	**147,802**
TOTAL LIABILITIES		**1,924,438**	**1,112,345**
NET ASSETS		**17,042,555**	**2,836,264**
Equity			
Issued capital	*20*	41,560,581	22,222,619
Reserves	*21*	1,636,894	1,877,793
Accumulated losses		(26,154,920)	(21,264,148)
TOTAL EQUITY		**17,042,555**	**2,836,264**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2020

	Issued Capital $	Reserves $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2019	**22,222,619**	**1,877,793**	**(21,264,148)**	**2,836,264**
Loss for the year	-	-	(4,925,615)	(4,925,615)
Other comprehensive income	-	40	-	40
Total comprehensive loss for the year	**-**	**40**	**(4,925,615)**	**(4,925,575)**
Transactions with owners in their capacity as owners:				
Issue of share capital	20,050,000	-	-	20,050,000
Capital raising costs	(918,134)	-	-	(918,134)
Options exercised or lapsed in relation to employee incentive arrangements	206,096	(240,939)	34,843	-
Total transactions with owners in their capacity as owners	**19,337,962**	**(240,939)**	**34,843**	**19,131,866**
Balance as at 30 June 2020	**41,560,581**	**1,636,894**	**(26,154,920)**	**17,042,555**

2019

	Issued Capital $	Reserves $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2018	**19,718,579**	**1,129,170**	**(18,053,407)**	**2,794,342**
Loss for the year	-	-	(3,210,741)	(3,210,741)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	**-**	**-**	**(3,210,741)**	**(3,210,741)**
Transactions with owners in their capacity as owners:				
Issue of share capital	2,650,968	-	-	2,650,968
Capital raising costs	(146,928)	-	-	(146,928)
Fair value of share options issued	-	748,623	-	748,623
Total transactions with owners in their capacity as owners	**2,504,040**	**748,623**	**-**	**3,252,663**
Balance as at 30 June 2019	**22,222,619**	1,877,793	**(21,264,148)**	**2,836,264**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

		2020 $	2019 $
Cash flow from operating activities			
Receipts from customers		1,550,056	975,380
Payments to suppliers and employees		(6,472,549)	(4,550,902)
Interest and other costs of finance paid		(29,824)	(19,581)
Interest received		98,455	10,992
Government grants received		315,655	234,390
Research and development tax concessions received		645,321	1,213,534
Net cash flows used in operating activities	*22(b)*	**(3,892,886)**	**(2,136,187)**
Cash flow from investing activities			
Payments for property, plant, and equipment		(376,581)	(637,032)
Proceeds from sale of property, plant & equipment		-	54,083
Payments for intangible assets		(64,868)	-
Net cash used in investing activities		**(441,449)**	**(582,949)**
Cash flow from financing activities			
Proceeds from share issue	*20*	20,050,000	2,882,832
Costs of issuing equity securities	*20*	(918,134)	-
Repayments of borrowings		(93,207)	-
Repayment of lease liabilities (refer note 1(e))		(163,239)	(4,323)
Net cash provided by financing activities		**18,875,420**	**2,878,509**
Cash and cash equivalents at the beginning of the year		**1,837,241**	**1,677,868**
Net increase in cash and cash equivalents		14,541,085	159,373
Foreign exchange difference on cash and cash equivalents		82	-
Cash and cash equivalents at the end of the year	*22(a)*	**16,378,408**	**1,837,241**

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

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

The financial report covers Terragen Holdings Limited (the "Company" or "Terragen") and the entity it controlled for the year ended 30 June 2020 (collectively "Group").

Terragen Holdings Limited 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 in the agriculture sector.

The Registered office and principal place of business address of the Company is Unit 6, 39 Access Crescent, Coolum 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

A. 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).

B. BASIS OF PREPARATION

The financial report has been prepared on historical cost basis. 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.

The accounting policies have been consistently applied and, except where there is a change in accounting policy, are consistent with those of the previous year.

C. GOING CONCERN

The financial statements have been prepared in accordance with generally accepted accounting standards, which are based on the Company continuing as a going concern.

D. EARNINGS PER SHARE

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.

E. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

The Group has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current year. New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

» AASB 16 Leases
» Interpretation 23 Uncertainty over Income Tax Treatments and AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatment.

AASB 16 LEASES

The Group has adopted the new lease accounting standard AASB 16 Lease from 1 July 2019. AASB 16 introduces significant changes to lessee accounting by removing the classification of leases as either operating or finance leases as required by AASB 117 and instead introduces a single lessee accounting model.

Applying that model, a lessee is required to:

» Recognise assets and liabilities for all leases with a term of more than 12 months in the Consolidated Statement of Financial Position initially measured at the present value of the future lease payments, unless the underlying asset is of low value or the leasing arrangement is short term.
» Recognise amortisation of lease assets separately from interest on lease liabilities in the Statement of Profit or Loss.
» Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the Consolidated Cash Flow Statement.

The Group has elected to apply the modified retrospective approach for leases. For leases, which were classified as operating leases under AASB 117, the Group has recognised right-of-use assets and lease liabilities as at the transition date (1 July 2019). The Group has reclassified assets previously classified as finance leases on the adoption date which were previously classified as property, plant & equipment.

The effect as at 1 July 2019 of the recognition of the new right-of-use assets and lease liabilities is disclosed below:

	1 July 2019 ($)
Increase in right of use assets	421,386
Decrease in assets from property, plant & equipment (transferred to right-of-use assets)	(143,215)
Increase in lease liabilities – current	(57,563)
Increase in lease liabilities – non-current	(212,719)
Impact on retained earnings	-

The effect for the year ended 30 June 2020 was to:	
Increase in depreciation and amortisation expense	(65,452)
Increase in finance costs	(8,138)
Decrease in occupancy costs (lease rentals)	65,701

The application of AASB 16 has an impact on the consolidated statement of cash flows of the Group. Under AASB 16, lessees must present:

» short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities;
» cash paid for the interest portion of a lease liability as either operating activities or financing activities, as permitted by AASB 107 (the Group has opted to include interest paid as part of financing activities); and
» cash payments for the principal portion for a lease liability, as part of financing activities.

Under AASB 117, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, the net cash used by operating activities has decreased by $85,807, being the lease payments net of the interest expense component, and net cash used in financing activities has increased by the same amount.

The adoption of AASB 16 did not have an impact on net cash flows.

INTERPRETATION 23 UNCERTAINTY OVER INCOME TAX TREATMENTS AND AASB 2017-4 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS – UNCERTAINTY OVER INCOME TAX TREATMENT

The Group has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Group to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
  - If yes, the Group should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings; and
  - if no, the Group should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

As there were no uncertain tax positions, the adoption of this Standard did not have any material impact on the financial statements.

NEW AND REVISED IFRS STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

The Directors do not consider that the adoption of any 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.

F. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described below, 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.

CRITICAL JUDGEMENTS AND ESTIMATES IN APPLYING THE GROUP'S ACCOUNTING POLICIES

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

IMPACT OF COVID-19

The outbreak of COVID-19 and the subsequent quarantine measures imposed by the Australian and other governments as well as the travel and trade restrictions imposed by Australia and other countries in early 2020 have caused disruption to businesses and economic activity. However, as noted in the 'Impact of COVID-19 pandemic on operations' section of the Directors' Report, the Board and Management have considered the impact of COVID-19 on the consolidated entity's operations and financial performance and have noted that the Group has not been materially impacted. The COVID-19 pandemic has had a negligible impact on the Group's operation or results. The Group achieved significant sales growth over the prior financial year with sales and production activity in Australia continuing throughout the COVID-19 pandemic. Sales in New Zealand were adversely impacted in April and May 2020 due to COVID-19 restrictions effectively stopping sales related activity in New Zealand and which recommenced in late May 2020.

In response to COVID-19, both Federal and the State Government of Victoria have implemented policies and measured with the aim of containing the virus. In an effort to contain the spread of the virus, the Victorian Government, on 2 August 2020, implemented Stage 4 restrictions in Melbourne and Stage 3 restrictions in regional Victoria with quarantine restrictions, travel restrictions, closure of businesses and other restrictive movement measures. Given the principal operating location is in Queensland, these measures have only had a negligible impact of the business.

The Group received a $50,000 cash boost grant from the Australian government related to COVID-19 during the financial year.

In preparing the consolidated financial report, Management has considered the impact of COVID-19 on the various balances in the financial report, including the carrying values of trade receivables and finite life non-current assets. Management determined that there was no significant impact of Covid-19 on the abovementioned balances and accounting estimates.

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 as outlined in Note 1(v) as the ability to successfully commercialise Terragen's products is dependent on broadening the range of uses which is unlikely to occur until Terragen has data to validate the benefits of its products in those wider applications. The research and development expenditure incurred by the Group during the financial year was primarily designed to provide this additional evidence.

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

Management 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. Refer also to Note 1(p).

II. RECOVERABILITY OF DEFERRED TAX ASSET

Deferred tax assets have not been recognised as Management does not believe that the members of the Group satisfy the recognition criteria set out in paragraph 35 of AASB12 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".

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.

G. PRINCIPLES OF CONSOLIDATION

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.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet, respectively.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture, or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

H. FOREIGN CURRENCY TRANSLATION

In preparing the financial statements of the Group, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other expenses.

I. BORROWINGS

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

J. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

K. EMPLOYEE BENEFITS

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date. Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

L. 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.

All recognised financial assets are measured subsequently in their entirety at amortised cost.

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.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). In the preparation of these financial statements, all financial assets are measured at amortised cost.

INITIAL MEASUREMENT OF FINANCIAL ASSETS

Financial assets are classified according to their business model and the characteristics of their contractual cash flows.

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.

FINANCIAL LIABILITIES

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

M. TRADE PAYABLES

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

N. GOODS AND SERVICES TAX (GST)

Revenues, expenses, and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a net basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

O. IMPAIRMENT OF ASSETS

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

P. INCOME TAX

CURRENT TAX

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

DEFERRED TAX

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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 amount of Research and Development tax offsets 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 Holdings Limited 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.

Q. INVENTORIES

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.

R. LEASES

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 re-measurements 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. The weighted average incremental borrowing rate used to calculate the lease liabilities as of 1 July 2019 was 3.3%. Lease liabilities are disclosed as borrowings in the Statement of Financial Position.

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 presented as a separate line in the consolidated statement of financial position.

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 residue 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 zero. The Group did not make any such adjustment during the period presented.

POLICIES APPLICABLE PRIOR TO 1 JULY 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

GROUP AS LESSEE

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

S. PROPERTY, PLANT, AND EQUIPMENT

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss during the financial period in which they are incurred.

The depreciable amounts of all fixed assets including buildings, but excluding freehold land, are depreciated over their estimated useful lives to the Group commencing from the time the asset is held ready for use.

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

Class of Fixed Assets	Depreciation Rate	Basis
Plant and equipment	10 – 40%	Straight line
Furniture & fittings	10 – 50%	Straight line
Motor vehicles	25%	Straight line
Plant and Equipment R&D	20 – 33%	Straight line
Leasehold improvements	25%	Straight line

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

T. PROVISIONS

Provisions are recognised when the Group has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, considering the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

U. REVENUE RECOGNITION

SALE OF GOODS

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.

Gross revenue is reduced for sale rebates at the point of sale. Rebates are granted to agents who are members of the Retail Agency Partner Network (having signed Retail Agency Partner Agreements).

GRANT REVENUE

Grant revenue is recognised at fair value when there is reasonable assurance that the grants will be received.

Grant revenue is recognised in profit or loss in the same period as the relevant expenses.

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.

V. INTANGIBLE ASSETS

INTERNALLY-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 of the following have been demonstrated:

» 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. Subsequent to 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.

W. COMPARATIVE FIGURES

Where necessary, the comparative figures have been adjusted to conform to changes in presentation in the current financial year.

2. 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:

Deloitte Touche Tohmatsu	2020 $	2019 $
i. Audit and assurance services		
Audit and review of financial reports	97,325	28,500
Investigating accountants report for the IPO Prospectus	84,735	-
Total remuneration for audit and assurance services	**182,060**	**28,500**
ii. Other services		
Advice on taxation and other matters and review and lodgement of corporate tax returns	67,510	40,000
Total Remuneration	**249,570**	**68,500**

3. REVENUE AND OTHER INCOME

	2020 $	2019 $
Sale of goods	1,530,853	981,007
Other income		
Grant income	315,655	234,390
Interest received	98,455	10,992
COVID-19 grant received	50,000	-
Other income	30,940	8,823
Total Other Income	**495,050**	**254,205**
Total revenue and other income	**2,025,903**	**1,235,212**

The COVID-19 grant received is the ATO cash flow boost of $50,000. The Group did not receive any other COVID-19 related grants.

4. DEPRECIATION AND AMORTISATION EXPENSE

	2020 $	2019 $
Amortisation of Right-of-use assets (refer to note 1(e) and note 14)	156,622	-
Amortisation of property, plant, and equipment (refer to note 15)	281,542	267,747
Amortisation of intangible assets (refer to note 16)	5,263	5,263
Total depreciation and amortisation expense	**443,427**	**273,010**

5. EMPLOYEE BENEFIT EXPENSE

	2020 $	2019 $
Salaries and wages	2,647,098	2,279,993
Post-employment benefits	191,595	180,739
Termination benefits	206,000	-
Employee on-costs	143,548	178,911
Total employee benefit expense	**3,188,241**	**2,639,643**

6. RESEARCH AND DEVELOPMENT EXPENSE

	2020 $	2019 $
Direct research and development expenses	584,309	235,808
Employee benefits expense	536,369	988,411
Depreciation and amortisation expense	36,437	39,465
Other expenses	104,103	219,603
Total research and development expense	**1,261,218**	**1,483,287**

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.

7. FINANCE COSTS

	2020 $	2019 $
Interest on bank overdrafts and loans	-	5,861
Interest on lease liabilities	19,286	11,487
Other finance costs	10,538	2,233
	29,824	**19,581**

8. 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 (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 recognized at the point in time that the Group satisfies its performance obligations by transferring the promised goods to its customers. Gross revenue is subsequently reduced for sale rebates. Rebates 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 2020 and 30 June 2019, respectively.

III. SEGMENT PERFORMANCE

30 June 2020	Australia $	New Zealand $	TOTAL $
Total segment revenue	1,295,149	235,704	**1,530,853**
Segment other income	98,455	-	**98,455**
Segment expenditure	(6,615,419)	(330,440)	**(6,945,859)**
Segment result	**(5,221,815)**	**(94,736)**	**(5,316,551)**

Reconciliation of segment result to Group loss before tax:

Depreciation expense	(443,427)
Provision for expected credit losses	(80,171)
Other income	396,596
Net loss before tax	**(5,443,553)**

MAJOR CUSTOMERS

Included in revenues arising from the Australian segment, are the following revenues which arose from sales to the Group's three largest customers.

- Customer A - $349,300
- Customer B - $163,484
- Customer C - $161,280

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

30 June 2019	Australia $	New Zealand $	TOTAL $
Total segment revenue	878,108	102,899	**981,007**
Segment other income	10,992	-	**10,992**
Segment expenditure	(4,637,507)	(105,873)	**(4,743,380)**
Segment result	**(3,748,407)**	**(2,974)**	**(3,751,381)**

Reconciliation of segment result to Group loss before tax:

Depreciation expense	(273,010)
Provision for expected credit losses	(66,947)
Other income	243,213
Net loss before tax	**(3,848,125)**

IV. SEGMENT ASSETS

The following tables present assets and liabilities information for the Group's operating segments as at 30 June 2020 and 30 June 2019, respectively.

30 June 2020	Australia $	New Zealand $	TOTAL $
Segment assets	18,713,496	253,497	**18,966,993**

30 June 2019	Australia $	New Zealand $	TOTAL $
Segment assets	3,829,708	118,901	**3,948,609**

9. INCOME TAX EXPENSE

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

	2020 $	2019 $
a. Components of tax benefit		
Current tax	1,458,174	1,079,544
Deferred tax	(940,236)	(442,160)
	517,938	**637,384**
b. Prima facie tax benefit		
Loss from continuing operations	(5,443,553)	(3,848,125)
Non-deductible expenditure	1,566,994	1,729,453
	(3,876,559)	(2,118,672)
Income tax benefit calculated at 27.5%	1,066,054	582,635
Non-recognition of current year taxable loss	(1,066,054)	(582,635)
Over provision of prior year R&D offset	-	(7,937)
Research and Development tax offset	517,938	645,321
	517,938	**637,384**
c. Current tax asset		
Opening balance	645,321	1,221,471
R&D Tax concession received	(645,321)	(1,213,534)
Over provision of prior year R&D offset	-	(7,937)
Research and Development tax offset accrual	517,938	645,321
Closing balance	**517,938**	**645,321**

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 27.5% tax rate is $3,353,232 as at 30 June 2020 (2019: $2,287,178).

10. 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:

	2020 $	2019 $
Loss attributable to the owners of the Group	(4,925,615)	(3,210,741)

	2020 Number	2019 Number
Weighted average number of shares used in basic loss per share	150,749,667	94,783,088
Weighted average number of shares used in diluted loss per share (i)	150,749,667	94,783,088

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 2020.

11. TRADE AND OTHER RECEIVABLES

	2020 $	2019 $
Trade receivables	410,585	469,140
Loss allowance	(147,118)	(66,947)
	263,467	402,193
Other receivables	128,415	8,122
	391,882	**410,315**

The average credit period on sales of goods is 47 days. No interest is charged on outstanding trade receivables. The Group has provided 100% for trade receivables overdue by more than 3 months at year-end.

12. OTHER CURRENT ASSETS

	2020 $	2019 $
Deposits and guarantees	109,398	-
Prepayments	76,050	-
	185,448	**-**

Prepayments relate principally to prepaid insurance premiums. Security deposits relate to leased properties as disclosed in Note 14 and deposits held as security against a corporate credit card facility.

13. CURRENT TAX ASSETS

	2020 $	2019 $
Tax incentive on research and development	517,938	645,321

Movements in the tax incentive due during the year are set out below:

Opening balance at 1 July	645,321	1,221,471
Tax incentive on research and development received	(645,321)	(1,213,534)
Over provision of prior year research and development offset	-	(7,937)
Accrual of tax incentive for the year	517,938	645,321
Closing balance at 30 June	**517,938**	**645,321**

14. RIGHT-OF-USE ASSETS

	Buildings $	Motor vehicles $	Research equipment $	Total $
Cost				
Balance at 30 June 2019	-	-	-	-
Initial application of AASB 16 (refer note 1(e))	278,171	217,543	109,289	605,003
Additions	133,073	-	-	133,073
At 30 June 2020	411,244	217,543	109,289	738,076
Accumulated amortisation				
Balance at 30 June 2019	-	-	-	-
Initial application of AASB 16 (refer note 1(e))	-	109,467	74,150	183,617
Amortisation for the year	85,272	39,990	31,360	156,622
At 30 June 2020	85,272	149,457	105,510	340,239
Carrying amount at 30 June 2020	**325,972**	**68,086**	**3,779**	**397,837**

The consolidated entity leases several assets including buildings, motor vehicles and plant and equipment used in manufacturing and research and development activities. Refer note 1 for further information on the consolidated entity's accounting policy for leases as a lessee.

A new lease contract was entered into for an additional building space in the Group's operating premises, to expand the original production and administration facility. This resulted in additions to right-of-use assets of $133,073.

The maturity analysis of lease liabilities is presented in note 23.

The following amounts were recognised in the loss for the year in relation to right-of-use assets:

	2020 $
Amortisation expense on right of use assets	156,622
Interest expense on lease liabilities	19,286

The Group does not sub-lease any right-of-use assets.

The total cash outflow, inclusive of interest, for leases amounted to $182,523 (2019: $74,116).

15. PROPERTY, PLANT, AND EQUIPMENT

CARRYING AMOUNTS OF

	2020 $	2019 $
Plant and equipment	59,654	25,915
Office equipment	3,044	6,210
Motor Vehicles	78,987	108,076
Research equipment	288,371	454,088
Leasehold improvements	346,723	230,666
Written down value	**776,779**	**824,955**

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:

	Plant & equipment $	Office equipment $	Motor vehicles $	Research equipment $	Leasehold improve-ments $	Total $
Cost						
Balance 1 July 2019	186,200	66,146	217,543	669,445	246,048	1,385,382
Transfer to right of use assets on initial adoption of AASB 16 (refer note 1(e))	-	-	(217,543)	(109,289)	-	(326,832)
Additions	56,250	791	88,471	30,819	200,250	376,581
Disposals	-	-	-	-	-	-
Balance 30 June 2020	**242,450**	**66,937**	**88,471**	**590,975**	**446,298**	**1,435,131**
Accumulated depreciation						
Balance 1 July 2019	(160,285)	(59,936)	(109,467)	(215,357)	(15,382)	(560,427)
Transfer to right of use assets on initial adoption of AASB 16 (refer note 1(e))	-	-	109,467	74,150	-	183,617
Depreciation	(22,511)	(3,957)	(9,484)	(161,397)	(84,193)	(281,542)
Disposals	-	-	-	-	-	-
Balance 30 June 2020	**(182,796)**	**(63,893)**	**(9,484)**	**(302,604)**	**(99,575)**	**(658,352)**
Written down value	**59,654**	**3,044**	**78,987**	**288,371**	**346,723**	**776,779**

16. INTANGIBLE ASSETS

	2020 $	2019 $
Patents & trademarks	168,704	103,836
Accumulated amortisation	(36,414)	(31,151)
Total intangible assets	**132,290**	**72,685**

	2020 $	2019 $
Balance at the beginning of the year	72,685	77,666
Additions from separate acquisitions	64,868	282
Amortisation charge for the year	(5,263)	(5,263)
Balance at the end of the year	**132,290**	**72,685**

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

17. TRADE AND OTHER PAYABLES

	2020 $	2019 $
Trade payables	289,461	107,026
Accrued expenses	774,733	420,126
Other payables	109,570	126,749
	1,173,764	**653,901**

Trade payables have an average credit period of 37 days from invoice date. The carrying values of the trade and other payables are considered to be a reasonable approximation of fair value.

18. BORROWINGS

	2020 $	2019 $
Current – at amortised cost		
Insurance premium funding	38,021	37,495
Lease liabilities (refer note 1(e))	183,300	87,935
	221,321	**125,430**

	2020 $	2019 $
Non-current – at amortised cost		
Lease liabilities (refer note 1(e))	254,985	102,345

MOVEMENTS IN LEASE LIABILITIES

Movement in the lease liabilities between the beginning and the end of the current financial year:

	2020 $	2019 $
Balance at the beginning of the year	190,280	232,097
Lease liabilities recognised on initial adoption of AASB 16 (i) (refer to note 1(e))	278,171	20,812
New leases entered into during the period	133,073	-
Lease payments made	(182,525)	(74,116)
Portion of lease payments recognised as finance cost	19,286	11,487
Balance at the end of the year	**438,285**	**190,280**
Recognised as:		
Current	183,300	87,935
Non-current	254,985	102,345
	438,285	**190,280**

i. The lease liabilities recognised on initial adoption of AASB 16 reconciles to operating lease commitments disclosed in the financial statements for the year ended 30 June 2019 as follows:

	2020 $
Operating lease commitments at 30 June 2019	284,183
Less: Interest component of lease payments	(6,012)
Lease liability recognised on initial adoption of AASB 16	**278,171**

19. PROVISIONS

	2020 $	2019 $
Current		
Employee benefits	**219,825**	**185,212**

	2020 $	2019 $
Non-current		
Employee benefits	**54,543**	**45,457**

The provision for employee benefits relates to the Group's liability for accumulated long service and annual leave entitlements.

20. ISSUED CAPITAL

	2020 $	2019 $
Ordinary shares (a)	41,560,581	22,200,119
'B' Class shares (b)	-	22,500
Total	**41,560,581**	**22,222,619**

(A) ORDINARY SHARES

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.

Ordinary shares -issued and fully paid	2020 shares	2019 shares	2020 $	2019 $
Beginning of the year	104,508,902	91,754,859	22,200,119	19,696,079
Issue of shares	80,200,000	12,214,043	20,050,000	2,515,968
Shares issued on the exercise of options (refer note 21(a))	1,112,000	-	206,096	-
Shares issued as remuneration	-	540,000	-	135,000
Shares issued on conversion of "B" Class shares (refer note (b))	1,000,000	-	22,500	-
Capital raising costs	-	-	(918,134)	(146,928)
Balance at 30 June	**186,820,902**	**104,508,902**	**41,560,581**	**22,200,119**

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.

(B) FULLY PAID CLASS B SHARES

During the year, the holders of "B" Class Shares converted their shares into fully paid ordinary shares. No consideration was payable on the conversion as the holders had previous paid consideration for the "B" Class Shares. There were no class B Shares on issue as at 30 June 2020 (2019: 1,000,000)

21. RESERVES

	2020 $	2019 $
Share based payments reserve (a)	1,123,062	1,364,001
Equity options reserve (b)	513,792	513,792
Foreign currency translation reserve	40	-
Total reserves	**1,636,894**	**1,877,793**

A) SHARE BASED PAYMENT RESERVE

	2020 options	2019 options	2020 $	2019 $
Options issued:				
Outstanding at the beginning of the year	8,195,000	7,165,000	1,364,001	1,129,170
Issued during the year	-	1,030,000	-	234,831
Exercised during the year	(1,112,000)	-	(206,096)	-
Lapsed during the year	(188,000)	-	(34,843)	-
Outstanding at the end of the year	**6,895,000**	**8,195,000**	**1,123,062**	**1,364,001**

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, disclosed in the Prospectus dated 18 October 2019, 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.

In July 2019, 1,112,000 Tranche 1 options were exercised which had previously been valued at $206,096, reducing Tranche 1 options outstanding to nil.

EMPLOYEE SHARES OPTIONS ON ISSUE

The following share-based payment arrangements were in existence as at 30 June 2020.

Option series	Number	Grant date	Vesting date	Expiry date	Exercise price	Fair Value at grant date
Tranche 2	400,000	28/10/2016	28/10/2016	31/10/2020	$0.05	$0.1500
Tranche 3	350,000	28/10/2016	28/10/2016	18/01/2022	$0.05	$0.1554
Tranche 4	75,000	24/01/2017	24/01/2017	24/01/2021	$0.05	$0.1559
Tranche 5	450,000	01/02/2017	01/02/2017	01/02/2021	$0.05	$0.1559
Tranche 6	600,000	16/08/2017	16/08/2017	16/08/2021	$0.05	$0.1563
Tranche 7	2,000,000	01/09/2017	01/09/2017	01/09/2021	$0.05	$0.1581
Tranche 8	1,990,000	17/01/2018	17/01/2018	17/01/2022	$0.05	$0.1562
Tranche 9	1,030,000	01/07/2018	01/07/2018	01/07/2022	$0.075	$0.1854

B) EQUITY OPTIONS RESERVE

	2020 options	2019 options	2020 $	2019 $
Options issued:				
Outstanding at the beginning of the year	8,100,000	-	513,792	-
Fair value of equity options issued during the year	4,214,043	8,100,000	-	513,792
Outstanding at the end of the year	**12,314,043**	**8,100,000**	**513,792**	**513,792**

DETAILS OF OTHER SHARE OPTIONS ISSUED BY THE GROUP

In July 2019, the Group issued 4,214,043 options over ordinary shares to shareholders who had participated in a prior capital raising. The options are exercisable at $0.25 and have an expiry date of 11 December 2022. No consideration was received by the Group in relation to those options.

The following equity options were in existence as at 30 June 2020:

Option series	Number	Grant date	Vesting date	Expiry date	Exercise price
Tranche 10	8,100,000	13/06/2019	13/06/2019	31/12/2022	$0.25
Tranche 11	3,000,000	10/07/2019	10/07/2019	11/12/2022	$0.25
Tranche 12	1,214,043	17/07/2019	17/07/2019	11/12/2022	$0.25

22. 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:

	2020 $	2019 $
Cash on hand	98	600
Cash at bank	16,378,310	1,836,641
Cash and bank balances	**16,378,408**	**1,837,241**

(B) RECONCILIATION OF PROFIT FOR THE YEAR TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2020 $	2019 $
Loss for the year	(4,925,615)	(3,210,741)
Adjustment for non-cash items		
Depreciation and amortisation	443,427	273,010
Movement in loss allowance	80,171	66,947
Loss on sale of fixed assets	-	18,132
Share based payments – shares issued	-	135,000
Share based payments – expense	-	234,831
	(4,402,017)	**(2,482,821)**
Changes in net assets and liabilities		
(Increase)/decrease in assets:		
Trade and other receivables	(61,738)	(191,376)
Inventories	(28,321)	2,129
Other assets	(91,716)	(2,842)
Current tax assets	127,384	576,150
Increase/(decrease) in liabilities:		
Trade and other payables	519,823	(114,892)
Provisions	43,699	77,465
Net cash used in operating activities	**(3,892,886)**	**(2,136,187)**

23. FINANCIAL INSTRUMENTS

A) FINANCIAL ASSETS AND LIABILITIES BY CATEGORIES

The following table combines information about:

» classes of financial instruments based on their nature and characteristics;
» the carrying amounts of financial instruments (except where carrying amount approximates their fair value);
» fair values of financial instruments (where applicable); and
» fair value hierarchy levels of financial assets and financial liabilities for which fair value was disclosed.

All of the Group's financial assets and financial liabilities are measured at amortised cost at 30 June 2020.

At 30 June 2020	Note	TOTAL $	Amortised cost $
Financial assets			
Cash & cash equivalents		16,378,408	16,378,408
Trade and other receivables		391,882	391,882
Total other financial assets		307,704	307,704
Total financial assets		**17,077,994**	**17,077,994**
Financial liabilities			
Trade and other payables		1,173,764	1,173,764
Total borrowings		476,306	476,306
Total financial liabilities		**1,650,070**	**1,650,070**

At 30 June 2019	Note	TOTAL $	Amortised cost $
Financial assets			
Cash & cash equivalents		1,837,241	1,837,241
Trade and other receivables		410,315	410,315
Total other financial assets		-	-
Total financial assets		**2,247,556**	**2,247,556**
Financial liabilities			
Trade and other payables		653,901	653,901
Total borrowings		227,775	227,775
Total financial liabilities		**881,676**	**881,676**

B) FINANCIAL RISK MANAGEMENT

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.

C) CREDIT RISK

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to financial statements.

The Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Group.

The Group minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers.

I. CASH DEPOSITS

Credit risk for cash deposits is managed by holding all cash deposits with major Australian banks.

II. TRADE RECEIVABLES

Credit risk for trade receivables is managed by setting credit limits and completing credit checks for new customers. Outstanding receivables are regularly monitored for payment in accordance with credit terms.
As the Group undertakes transactions with a range of customers and regularly monitors payment in accordance with credit terms, the financial assets that are neither past due nor impaired, are expected to be received in accordance with the credit risk.

At 30 June 2020, we had 46 customers with outstanding invoices, of which 5 customers account for approximately 71% of all trade receivables.

D) LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is managed by forecasting and monitoring cash inflows and outflows on a continuing basis.

MATURITY ANALYSIS

The table below represents the undiscounted contractual settlement terms for financial instruments and Management's expectation for settlement of undiscounted maturities.

Year ended 30 June 2020	← 6 months $	6-12 months $	1-5 years $	Total contractual cash flows $	Carrying amount $
Payables	1,173,764	-	-	1,173,764	1,173,764
Borrowings	148,292	88,823	266,622	503,737	476,306
Net maturities	**1,322,056**	**88,823**	**266,622**	**1,677,501**	**1,650,070**

Year ended 30 June 2019	← 6 months $	6-12 months $	1-5 years $	Total contractual cash flows $	Carrying amount $
Payables	653,901	-	-	653,901	653,901
Borrowings	81,729	55,019	108,192	244,940	227,775
Net maturities	**735,630**	**55,019**	**108,192**	**898,841**	**881,676**

E) 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:

At 30 June 2020	AUD Denominated Balances in $AUD	NZ Denominated Balances converted to $AUD	TOTAL $AUD
Cash and cash equivalents	16,226,781	151,627	16,378,408
Trade and other receivables	319,833	72,049	391,882
Total other financial assets	304,901	2,803	307,704
Total assets	**16,851,515**	**226,479**	**17,077,994**
Trade and other payables	1,171,905	1,859	1,173,764
Total borrowings	476,306	-	476,306
Net exposure	**15,203,304**	**224,620**	**15,427,924**

At 30 June 2019	AUD Denominated Balances in $AUD	NZ Denominated Balances converted to $AUD	TOTAL $AUD
Cash and cash equivalents	1,822,846	14,395	1,837,241
Trade and other receivables	291,414	118,901	410,315
Total other financial assets	-	-	-
Total assets	**2,114,260**	**133,296**	**2,247,556**
Trade and other payables	633,962	19,939	653,901
Total borrowings	227,775	-	227,775
Net exposure	**1,252,523**	**113,357**	**1,365,880**

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. A negative number in the table represents a decrease in the operating profit before tax and reduction in equity where the Australian dollar strengthens against the relevant currency. For a 10% strengthening of the Australian dollar against the relevant currency, there would be a comparable impact on the loss or equity, and the balances below would be positive.

	2020 $	2019 $
Profit / (loss) before tax and equity – 10% increase	22,462	11,336
Profit / (loss) before tax and equity – 10% decrease	(22,462)	(11,336)

F) 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 2020		30 June 2019	
	Weighted average interest rate %	Balance $	Weighted average interest rate %	Balance $
Cash and cash equivalents	0.5%	16,378,408	0.5%	1,837,241

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)	
	2020 $	2019 $	2020 $	2019 $
+0.5% (50bp)	81,892	9,186	81,892	9,186
-0.5% (50bp)	(81,892)	(9,186)	(81,892)	(9,186)

24. RELATED PARTY TRANSACTIONS

The Group's related parties include key management, post-employment benefit plans for the Group's employees and others as described below. 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:

	2020 $	2019 $
Salary	404,251	291,486
Superannuation	21,349	21,048
Director fees	193,832	168,000
Termination benefits	140,000	-
Other	6,984	7,677
Total	**766,416**	**488,211**

Director fees for Sam Brougham are invoiced via Crofton Park Developments Pty Ltd atf Sam Brougham Family Trust. Sam Brougham is a director of the trustee and beneficiary of the trust. Fees in 2020 were 45,833 (2019: $48,000).

Director fees for Travis Dillon are invoiced via Dillon Consulting Company Pty Ltd. Fees in 2020 were $19,000 comprising $6,666 in directors' fees and $12,234 in other fees (2019: nil).

OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

» Termination benefits in the amount of $140,000 accrued for Justus Homburg following his resignation on 25 June 2020. These termination benefits will be paid as consulting services to be provided to the Group over his notice period although can be terminated with payment without notice by either party.
» $12,333 (2019: $Nil) was paid to Travis Dillon in relation to consulting services provided to the Sales and Marketing Team since commencing his role with the Group on 1 May 2020.
» Two sales were made to Crofton Park Developments Pty Ltd during the year, totalling $7,409 (2019: $3,780).
» Jim Cooper was employed by the Company to provide consulting services commencing 5 March 2020, before his appointment to Managing Director on 25 June 2020. During this time, Mr Cooper was not a key management person.

25. COMMITMENTS

Significant expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2020 $	2019 $
RESEARCH AND DEVELOPMENT PROJECTS		
Within one year	115,894	-
Later than one year but not later than five years	19,962	-
	135,856	**-**

Committed expenditure is for contracted research projects with The University of Queensland.
There were no capital expenditure commitments at 30 June 2020 (2019: $nil).

26. CONTINGENT LIABILITIES

There are no contingent liabilities as at 30 June 2020 (2019: nil).

27. SUBSEQUENT EVENTS

The outbreak of COVID-19 and the subsequent quarantine measures imposed by the Australian and other governments as well as the travel and trade restrictions imposed by Australia and other countries in early 2020 have caused disruption to businesses and economic activity. The impact of the COVID-19 pandemic is ongoing, and the Group will continue to adjust to the varying restrictions and progress its sales growth initiatives accordingly. To the date of this report, the COVID-19 pandemic has had a negligible impact on the Group's operations or results. As the situation remains fluid (due to evolving changes in government policy and evolving business and customer reactions thereto) as at the date these financial statements are authorised for issue, the directors of the Company considered that the financial effects of COVID-19 on the Group's consolidated financial statements cannot be reasonably estimated for future financial periods.

In response to COVID-19, both the Federal Government and the State Government of Victoria have implemented policies and measured with the aim of containing the virus. In an effort to contain the spread of the virus, the Victorian Government, on 2 August 2020, implemented Stage 4 restrictions in Melbourne and Stage 3 restrictions in regional Victoria with quarantine restrictions, travel restrictions, closure of businesses and other restrictive movement measures. Given the principal operating location is in Queensland, these measures have only had a negligible impact on the business.

There has been no other 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.

28. 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(g).

			Equity holding	
Name of Subsidiary	Country of incorporation	Principal activity	2020 %	2019 %
Terragen Biotech Pty Limited (i)	Australia	Agricultural biotech	100	100

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

29. PARENT ENTITY

	2020 $	2019 $
Information relating to Terragen Holdings Limited ('the Parent Entity'):		
Statement of financial position		
Current assets	15,693,959	2,388,552
Total assets	17,507,693	2,461,207
Current liabilities	465,098	-
Total liabilities	465,098	-
Net assets	**17,042,595**	**2,461,207**
Issued capital	41,560,581	22,222,619
Reserves	1,636,894	1,877,793
Accumulated losses	(26,154,880)	(21,639,205)
Total equity	**17,042,595**	**2,461,207**
Statement of profit or loss and other comprehensive income		
Loss for the year	(4,515,675)	(3,643,495)
Other comprehensive income	-	-
Total comprehensive income	**(4,515,675)**	**(3,643,495)**

The Parent Entity has no capital commitments at 30 June 2020 (2019: $Nil).
The Parent Entity had no contingent liabilities at 30 June 2020 (2019: $Nil).

DIRECTORS' DECLARATION

In the directors' opinion:

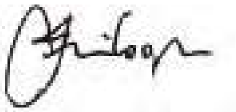
a. the attached financial statements and notes are in accordance with the Corporations Act 2001, including:
   i. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
   ii. giving a true and fair view of the Group's financial position as at 30 June 2020 and of its 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 Reporting Standards as disclosed in note 1 (a); and

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.

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



Jim Cooper
Managing Director

Melbourne, 28 August 2020

SHAREHOLDER INFORMATION

In accordance with ASX Listing Rule 4.10, Terragen Holdings Limited ("Terragen") provides the following information to shareholders not elsewhere disclosed in the Annual Report. The shareholder information set out below was applicable as of 18 September 2020.

A. CORPORATE GOVERNANCE STATEMENT

The Company has prepared a Corporate Governance Statement which sets out the corporate governance practices that were in operation in the year ended 30 June 2020.

In accordance with ASX Listing Rule 4.10.3, the Corporate Governance Statement will be available for review on Terragen's website www.terragen.com.au and will be lodged with the ASX at the same time that this Annual Report is lodged with the ASX.

B. DISTRIBUTION AND NUMBER OF HOLDERS OF EQUITY SECURITIES

The distribution and number of holders of equity securities on issue in the Company as at 18 September 2020, and the number of holders holding less than a marketable parcel of the company's ordinary shares based on the closing market price as at 18 September 2020 is as follows:

	Listed fully paid ordinary shares		Unlisted Options		Unlisted Employee Options	
Range	Number of holders	% of securities	Number of holders	% of securities	Number of holders	% of securities
1 – 1,000	16	0.00	-	0.00	-	0.00
1,001 – 5,000	67	0.12	1	0.02	-	0.00
5,001 – 10,000	94	0.39	1	0.05	-	0.00
10,001 – 100,000	214	5.43	11	4.95	2	1.40
100,001 and over	220	94.05	11	94.98	9	98.60
Total	**611**	**100.00**	**24**	**100.00**	**11**	**100.00**

There were no holders of less than a marketable parcel of fully paid ordinary shares as of 18 September 2020.

The total securities on issue in each class of equity securities as at 18 September 2020 are:

	Listed fully paid ordinary shares	Unlisted Options	Unlisted Employee Options
Total securities on issue	**187,215,902**	**12,314,043**	**6,300,000**

As of 18 September 2020, the total equity securities on issue as presented above included the following equity securities that were subject to restrictions:

	Number of securities
Fully paid ordinary shares restricted until 11 December 2020 (quoted)	32,376,248
Fully paid ordinary shares restricted until 11 December 2021 (unquoted)	7,930,189
Total fully paid ordinary shares subject to restrictions	**40,306,437**
Unlisted options restricted until 11 December 2020	10,134,043
Unlisted options restricted until 11 December 2021	3,980,000
Total unlisted options subject to restrictions	**14,114,043**

C. TWENTY LARGEST QUOTED EQUITY SECURITY HOLDERS

Terragen has only one class of quoted equity securities, being fully paid ordinary shares (ASX:TGH). The names of the twenty largest holders of fully paid ordinary shares, the number of fully paid ordinary shares and the percentage of fully paid ordinary shares on issue as of 18 September 2020 was as follows:

Name	Units	% of Units
HSBC Custody Nominees (Australia) Limited	21,887,919	11.69
Citicorp Nominees Pty Limited	12,777,694	6.83
J P Morgan Nominees Australia Pty Limited	9,677,078	5.17
Stamina Pty Ltd	6,626,616	3.54
Rubi Holdings Pty Ltd	4,200,000	2.24
Crofton Park Developments Pty Ltd	4,100,000	2.19
Mr Scobie Dickinson Ward	4,000,000	2.14
Action Always Pty Ltd	3,795,690	2.03
P M Desmond Pty Ltd	3,195,000	1.71
East Mt Ada Pty Ltd	2,920,000	1.56
Stephen Mahken	2,662,500	1.42
Gardiole Pty Ltd	2,600,002	1.39
Mr Rodney John Loone & Mrs Diane Gaye Loone	2,520,000	1.35
Vautex Pty Ltd	2,500,000	1.34
HSBC Custody Nominees (Australia) Limited – A/C 2	2,500,000	1.34
Netwealth Investments Limited	2,347,151	1.25
Milnar Pty ltd	2,300,000	1.23
Crofton Park Developments Pty Ltd	2,250,000	1.20
Dempsey Capital Pty Ltd	2,000,000	1.07
Utopia Land Co Pty Ltd	2,000,000	1.07
Total for top twenty holders	96,860,650	51.74
Balance of register	90,355,252	48.26
Total	**187,215,902**	**100.00**

D. HOLDERS OF MORE THAN TWENTY PERCENT OF EACH CLASS OF UNQUOTED SECURITIES

Each unlisted option entitles the holder to acquire one fully paid ordinary share subject to the holder paying the exercise price on or before the expiry date.

The names of the holders of more than 20% of each class of options or performance shares, other than under an Employee Incentive Scheme, is set out below:

	Unlisted $0.25 options expiring 11 December 2022	
Holder	Units	% of units
Rubi Holdings Pty Ltd	4,200,000	34.11

E. VOTING RIGHTS

At a general meeting of the Company, every holder of ordinary shares present in person or by proxy, attorney or representative has one vote on a show of hands, and on a poll, one vote for each ordinary share held.

Options do not carry any voting rights.

F. SUBSTANTIAL SHAREHOLDERS

As of 18 September 2020, the names of the substantial shareholders of the Company and the number of equity securities in which those substantial shareholders and their associates have a relevant interest, as disclosed in substantial shareholding notices given to the Company were as follows:

Name	Number held	% of issued capital
Scobie Dickinson Ward	16,347,114	8.75%
Sam Brougham	13,721,616	7.75%
One Funds Management Ltd atf Saville Capital Emerging Companies Fund	12,566,000	6.73%

G. ON-MARKET BUY-BACK

The Company is not currently conduction an on-market buy-back.

H. ON-MARKET BUY-BACK

The Company did not purchase securities on market during the reporting period.

I. USE OF INITIAL PUBLIC OFFERING PROCEEDS

The Company confirms that in the period since its listing on the Australian Stock Exchange on 11 December 2019 it has used its cash and assets in a form readily convertible into cash that it had at the time of its admission to the ASX in a manner consistent with its business objectives as set out in the Prospectus dated 18 October 2019.

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Mr Travis Dillon	*Non-Executive Chairman*
Mr Sam Brougham	*Non-Executive Director*
Mr Paul Schober	*Non-Executive Director*
Ms Ingrid van Dijken	*Non-Executive Director*
Mr Jim Cooper	*Managing Director*

COMPANY SECRETARY
Ms Kara King

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1 300 554 474

STOCK EXCHANGE
Australian Securities Exchange 20 Bridge Street
Sydney, NSW 2000

ASX CODE
TGH

AUDITORS
Deloitte

Terragen