

Prospectus

Terragen Holdings Limited

ACN 073 892 636

Fully underwritten Initial Public Offer

Prospectus for the issue of 80,000,000 fully paid ordinary shares at an Offer Price of \$0.25 per ordinary share to raise \$20,000,000.

Reserved ASX code: TGH



JOINT LEAD MANAGERS AND UNDERWRITERS:



Bell Potter Securities Limited
ACN 006 390 772



Evans Dixon Corporate Advisory Pty Limited
ACN 137 980 520

IMPORTANT INFORMATION

This Prospectus is an important document that should be read in its entirety before making an investment decision. You should seek professional advice if you have any questions about the New Shares being offered under this Prospectus, or any matter relating to an investment in the Company.

An investment in the New Shares offered by this Prospectus is considered to be speculative.

Important Information

This Prospectus is an important document and should be read in its entirety. You should seek professional advice if you have any questions about the New Shares being offered under this Prospectus, or any matter relating to an investment in the Company. An investment in the New Shares is considered to be speculative.

Offer

This Prospectus is issued by Terragen Holdings Limited ACN 073 892 636 (**Terragen** or the **Company**) for the purposes of Chapter 6D of the *Corporations Act 2001* (Cth) (**Corporations Act**).

The Offer contained in this Prospectus is an invitation to apply for 80,000,000 new fully paid ordinary shares (**New Shares**) in the Company (**Offer**).

No Shares will be issued under the Offer unless \$20 million has been raised.

Lodgement and listing

This Prospectus is dated 18 October 2019 (**Prospectus**) and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date (**Prospectus Date**).

Terragen will apply to ASX Limited (**ASX**) within seven days of the Prospectus Date for admission of the Company to the Official List and Quotation of its Shares on the ASX.

Neither ASIC nor ASX takes any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates. The Company, the Share Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their Holding Statements.

Expiry date

No New Shares will be issued on the basis of this Prospectus later than 13 months after the Prospectus Date.

Exposure Period

The Corporations Act prohibits the Company from processing Applications to subscribe for New Shares under this Prospectus (**Applications**) in the seven-day period after the Prospectus Date (the **Exposure Period**). The Exposure Period may be extended by ASIC by up to a further seven days.

The purpose of the Exposure Period is to enable the Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus, in which case any Applications may need to be dealt with in accordance with Section 724 of the Corporations Act. Applications received during the Exposure Period will not be processed until after the expiry of that period. No preference will be conferred on Applications received during the Exposure Period.

Not investment advice

The information contained in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs.

It is important that you read this Prospectus carefully and in its entirety and seek professional advice where necessary before deciding whether to invest in the Company.

In particular, you should consider the risk factors that could affect the performance of Terragen. You should carefully consider these risks in light of your personal circumstances (including financial and tax issues) and seek professional advice from your stockbroker, solicitor, accountant, tax advisor or other independent and qualified professional adviser before deciding whether to invest in Shares. Some of the key risk factors that should be considered by prospective investors are set out in Section 5. There may be risk factors in addition to these that should be considered in the light of your personal circumstances.

Except as required by law, and only to the extent required, no person named in this Prospectus, nor any other person, warrants or guarantees the performance of the Company or the repayment of capital or any return on investment made pursuant to this Prospectus. This Prospectus includes information regarding past performance of Terragen. Investors should be aware that past performance is not indicative of future performance.

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information not so contained may not be relied upon as having been authorised by the Company, the Joint Lead Managers or any other person in connection with the Offer. You should only rely on information contained in this Prospectus.

Disclosing entity

Once admitted to the Official List, the Company will be a disclosing entity for the purposes of the Corporations Act and as such will be subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. Refer to Section 12.16 for further information.

Financial information presentation

The financial information in this Prospectus should be read in conjunction with, and is qualified by reference to, the information contained in Section 4. Section 4 sets out in detail the financial information referred to in this Prospectus and the basis of preparation of that information. The basis of preparation of that information is set out in Section 4.

All financial amounts contained in this Prospectus are expressed in Australian dollars and rounded to the nearest \$1,000 unless otherwise stated. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

Unless otherwise stated or implied, all pro forma data in this Prospectus gives effect to the pro forma adjustments referred to in Section 4.

Investigating Accountant's Report on financial information and financial services guide

The provider of the Investigating Accountant's Report on the financial information is required to provide Australian retail investors with a financial services guide in relation to its independent limited review under the Corporations Act. The Investigating Accountant's Report and accompanying financial services guide are provided in Section 8 of this Prospectus.

Forward looking statements

This Prospectus may contain forward looking statements, which may be identified by words such as 'may', 'could', 'believes', 'estimates', 'expects' or 'intends' and other similar words that connote risks and uncertainties. Certain statements, beliefs, and opinions contained in this Prospectus, in particular those regarding the possible or assumed future financial or other performance, industry growth or other trend projections are only predictions and subject to inherent risks and uncertainties. No financial forecasts have been prepared.

Except as required by law, and only to the extent so required, neither the Company, its Directors nor any other person gives any assurance that the results, performance or achievements expressed or implied by the forward looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on such forward looking statements.

Any forward-looking statements are subject to various risk factors, many of which are beyond the control of the company and its Directors that could cause Terragen actual results to differ materially from the results expressed or anticipated in these statements.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the Prospectus date, are expected to take place.

Forward looking statements should be read in conjunction with risk factors set out in Section 5 and other information in this Prospectus.

The Company has no intention to update or revise forward-looking statements, or to publish prospective Financial Information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

This Prospectus, including the industry overview in Section 3, uses market data and third-party estimates and projections. There is no assurance that any of the third-party estimates or projections contained in this information will be achieved. The Company has not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the key risk factors set out in Section 5.

Foreign jurisdictions

This Prospectus does not constitute an offer or invitation to subscribe for New Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus. For further information see Section 7.20 of this Prospectus entitled "Foreign selling restrictions."

No action has been taken to register or qualify this Prospectus, the New Shares or the Offer or otherwise to permit a public offering of the New Shares in any jurisdiction outside Australia or New Zealand. In particular, the New Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended (the US Securities Act), or the securities laws of any

state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States, except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States. This Prospectus may not be distributed in the United States or Canada unless it is attached to, or constitutes part of, an Offering Circular for distribution to institutional and professional investors in accordance with the laws of those jurisdictions.

New Zealand

The Offer to New Zealand investors is a regulated Offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and Corporations Regulations. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

The Offer and the content of this Prospectus are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and Corporations Regulations set out how the Offer must be made.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime. The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial market regulators have enforcement responsibilities in relation to this Offer. If you need to make a complaint about the Offer, please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the New Shares is not New Zealand dollars. The value of the New Shares will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the New Shares to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the New Shares are able to be traded on a financial product market and you wish to trade the New Shares through that market, you will have to make arrangements for a participant

in that market to sell the New Shares on your behalf. If the financial products market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the New Shares and trading may differ from financial products markets that operate in New Zealand.

Any dispute resolution process described in this Prospectus is available only in Australia and is not available in New Zealand.

Applications

Applications may be made only during the Offer Period on the appropriate application form (**Application Form**) attached to, or accompanying, this Prospectus in its paper copy form, or in its electronic form. By making an application, you represent and warrant that you were given access to this Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing on to another person the Application Form unless it is attached to, or accompanied by, the complete and unaltered version of this Prospectus.

Electronic prospectus

The Company proposes to make this Prospectus available on its website at <http://www.terrigen.com.au/Corporate/ProspectusandApplicationForm-442/>.

The Offer constituted by this Prospectus in electronic form is available only to persons within Australia and New Zealand. It is not available to persons in other jurisdictions (including the United States or US Persons). Persons who access the Prospectus in electronic form should ensure that they download and read the entire Prospectus.

Persons having received a copy of this Prospectus in its electronic form may, before the Closing Date of the Offer, obtain a hard copy of this Prospectus free of charge by contacting the Terragen Offer Information Line on 1800 653 805 (within Australia) +61 1800 653 805 (from outside Australia) between 8:30am and 5:00pm Brisbane time. Applications for New Shares may only be made on an Application Form attached to, or accompanying, this Prospectus either in paper form or electronically.

The website and its contents do not form part of this Prospectus and are not to be interpreted as part of, nor incorporated into, this Prospectus, which should form the basis of your investment decision.

No cooling off rights

Cooling-off rights do not apply to an investment in New Shares issued under a Prospectus. This means that, in most circumstances, you cannot withdraw your application once it has been accepted.

Speculative investment

An investment in the New Shares offered under this Prospectus should be considered highly speculative. Refer to Section 5 for details of the key risks applicable to an investment in Terragen. Persons wishing to apply for New Shares offered under this Prospectus should read this Prospectus in its entirety in order to make an informed assessment of the assets and liabilities, financial position and performance, profits and losses and

prospects of Terragen and the rights and liabilities attaching to the New Shares offered pursuant to this Prospectus.

This Prospectus does not take into account the investment objectives, financial or taxation or particular needs of any Applicant. Before making an investment in Terragen, each Applicant should consider whether such an investment is appropriate to their particular needs and considering their individual risk profile for speculative investments, investment objectives and individual financial circumstances. If persons who are considering applying for New Shares offered pursuant to this Prospectus have any questions, they should consult their accountant, stockbroker, lawyer, or other professional adviser.

There is no guarantee that the New Shares offered under this Prospectus will make a return on capital invested, that dividends will be paid on the New Shares or that there will be an increase in the value of the New Shares in the future.

Privacy

By filling out and submitting an Application Form to apply for New Shares, you are providing personal information to Terragen through Terragen's service provider, the Share Registry, Terragen, and the Share Registry on its behalf, collect, hold and use that personal information in order to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

If you do not provide the information requested in the Application Form, Terragen and the Share Registry may not be able to process or accept your Application. Your personal information may also be used from time to time to inform you about other products and services offered by Terragen which it considers may be of interest to you.

Your personal information may also be provided to Terragen's agents and service providers on the basis that they deal with such information in accordance with Terragen's privacy policy and as authorised under the *Privacy Act 1988* (Cth). Terragen's agents and service providers may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the Shareholder register;
- the Joint Lead Managers and Underwriters in order to assess your Application;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing Terragen's shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the New Shares for associated actions.

Important Information continued

You may request access to your personal information held by (or on behalf of) Terragen. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information.

You can request access to your personal information by writing to or by telephoning the Share Registry as follows:

Link Market Services Limited
Level 12

680 George Street
Sydney NSW 2000

1300 554 474 (within Australia) or +61 1300 554 474 (outside Australia)

If any of your information is not correct or has changed, please contact the Share Registry or Terragen to update your information. In accordance with the requirements of the Corporations Act, information on the share register will be accessible to certain members of the public.

Photographs and diagrams

Photographs used in this Prospectus which do not have descriptions are for illustration purposes only and should not be interpreted to mean that any person shown endorses the Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

Offer management

The Offer is managed and fully underwritten by Bell Potter Securities Limited ABN 25 006 390 772 and Evans Dixon Corporate Advisory Pty Ltd ACN 137 980 520.

Currency

Unless otherwise specified, monetary amounts are expressed in Australian dollars. The Financial Information shown in this Prospectus is presented in Australian dollars.

Company website

Any references to documents included on the Company's website are provided for convenience only, and none of the documents or other information on the website is incorporated by reference into this Prospectus.

Defined terms and time

Some of the terms and abbreviations used in this Prospectus have defined meanings. These are capitalised and are defined in Section 15 of this Prospectus. Unless otherwise stated or implied, a reference to a time is a reference to Melbourne time.

Further queries

Call the Terragen Offer Information Line on 1800 653 805 (within Australia) or +61 1800 653 805 (from outside Australia) between 8:30am and 5:00pm Melbourne time if you require assistance to complete the Application Form, require additional copies of this Prospectus or have any questions in relation to the Offer.

All enquiries in relation to the Broker Firm Offer should be directed to your Broker.

If you are unclear in relation to any matter or are uncertain as to whether obtaining New Shares in Terragen is a suitable investment for you, you should seek professional advice from your solicitor, stock broker, accountant, tax adviser or other independent and qualified professional adviser before deciding whether or not to invest.

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Key Offer Information

Important dates

Prospectus Date	18 October 2019
Opening Date of Offer	5 November 2019
Closing Date of Offer	21 November 2019
Allotment and issue of New Shares (completion of Offers)	5 December 2019
Expected despatch of Holding Statements	6 December 2019
Shares expected to begin trading on ASX (on a normal settlement basis)	11 December 2019

Dates may change

The above dates are subject to change and are indicative only. The Company (in consultation with the Joint Lead Managers) reserves the right to vary the dates and times of the Offer, including to close the Offer early, extend the Offer or accept late Applications, without notifying any recipient of this Prospectus or any Applicants. Applicants are encouraged to submit their Applications as early as possible. If the Offer are cancelled before the issue of New Shares, then all Application Money will be refunded in full (without interest) as soon as practicable in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens.

Key Offer Information continued

Key Offer statistics

Total number of New Shares to be issued under the Offer	80,000,000
Offer Price per New Share	\$0.25
Number of Existing Shares on issue at the Prospectus Date	106,820,902
Total number of Options on issue at the Prospectus Date ¹	19,209,043
Total number of Shares on issue on completion of the Offer ²	186,820,902
Total number of Shares on issue on completion of the Offer and assuming all Options are exercised	206,029,945
Gross proceeds of the Underwritten Offer	\$20,000,000
Market capitalisation post Offer at the Offer Price ³	\$46,705,225
Enterprise value ⁴	\$25,095,225

1. Details of the Options on issue are set out in Section 12.5, 12.6 and 12.7.
2. The total number of Shares on issue on completion of the Offer includes approximately:
 - 40,075,194 Shares held by Existing Shareholders that will be subject to escrow arrangements for various periods as described further in Section 12.12; and
 - 146,745,708 Shares, including all New Shares issued under the Offer that are not the subject of any escrow agreements.
3. Calculated as the total number of Shares on issue following the Offer multiplied by the Offer Price.
4. Enterprise value calculated as the sum of market capitalisation of Terragen at the Offer Price and the net debt contained in the pro forma balance sheet (see Section 4.4 for further details).

How to invest

Applications for New Shares can only be made by completing and lodging an Application Form. Instructions on how to apply are set out in Sections 7. For the Broker Firm Offer, this is contained on the back of the Broker Application Form. Applications must be for at least 8,000 New Shares and in multiples of 2,000 New Shares thereafter.

Questions

If you have any questions in relation to the Offer or the Application Form, please contact the Offer Information Line on 1800 653 805 (within Australia) +61 1800 653 805 (from outside Australia) between 8:30am and 5:00pm Brisbane time, Monday to Friday.

All enquiries in relation to the Broker Firm Offer should be directed to your Broker.

If you are unclear in relation to any matter, or are uncertain as to whether Terragen is a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.

Chairman's Letter

18 October 2019

Dear Investor,

On behalf of the directors of Terragen Holdings Limited (**Company**, or **Terragen**), I am delighted to invite you to become a shareholder of the Company.

Terragen is an Australian developer of ag bio solutions whose core technology platform addresses soil health and productivity, animal health and animal nutrition without relying on chemical-based fertilisers, pesticides and antibiotics. Terragen develops, produces, and markets biological products for agriculture.

With a commitment to a science-based approach to microbiome research and development, the Company has successfully created natural, biological solutions to some of the problems facing farming. In particular, Terragen has commercialised two products, Great Land, a soil conditioner containing live microbes and Mylo[®], a live microbial probiotic feed supplement. It also has two additional products classified as veterinary medicines under development:

- (a) Lactolin, a teat conditioner to maintain and improve the udders of lactating production animals; and
- (b) Halo, an anti-inflammatory product to assist dairy cattle with mastitis and companion animals such as dogs with mobility impairments.

Terragen is ideally placed to aid in unlocking a new future for farming, providing a suite of biological products that form a foundation for farms using organic, chemical-free or conventional farming practices.

Under this Prospectus, Terragen is offering subscriptions for up to 80 million New Shares at \$0.25 each to raise \$20 million (before Offer costs). The Offer is fully underwritten by the Joint Lead Managers and Underwriters, subject to the terms and conditions of the Underwriting Agreement contained in Section 9.1. Funds raised under this Prospectus will provide the Company with the resources to further commercialise Great Land and Mylo[®] in Australia and New Zealand, further development and subsequent marketing of Lactolin and Halo in the United States and Europe and continued improvement of production efficiency and formulation of Terragen Products. Further information on the proposed use of funds are set out in Section 7.3.

This Prospectus contains detailed information about the Offer and the financial and operating performance of Terragen. It also includes a description of the key risks associated with an investment in Terragen. I encourage you to read the Prospectus carefully and in its entirety before making your investment decision. You should seek professional advice as necessary before making an investment decision. In particular, the risks of investing in an early stage company must be considered in full and the key risks for Terragen are set out in Section 5.2. Any investment in Terragen should be considered speculative.

Terragen provides an important alternative to chemical based fertilisers, pesticides and antibiotics and we believe it has growth potential through expansion into other geographic markets in the animal and crop industries. We therefore believe this is an exciting Offer for investors and on behalf of the Board, I commend the Offer to you and look forward to welcoming you as a Shareholder.

Yours sincerely,



Samuel K Brougham

Chairman

1.

Investment overview



1. Investment overview

The information set out in Section 1 is intended to be a summary only and should be read in conjunction with the more detailed information appearing elsewhere in this Prospectus. In deciding whether to apply for New Shares, you should read this Prospectus carefully and in its entirety. If you are in doubt as to the course you should follow, please consult your professional advisors.

1.1 Introduction

Topic	Summary	For more information
Who is the issuer of this Prospectus?	Terragen Holdings Limited ACN 073 892 636, a company incorporated in Australia.	Section 2.1 Section 2.3
What is Terragen's business?	<p>Terragen is a developer of ag bio solutions whose core technology platform addresses soil health and productivity, animal health and nutrition without relying on chemical-based fertilisers, pesticides and antibiotics.</p> <p>Terragen's business model is focused on utilising its portfolio of microbes in the development, production, and marketing of biological products for agriculture, both in the soil health and animal health and nutrition sectors.</p>	Section 2.4
What industry does Terragen operate in?	Terragen operates in the "biologicals" segment of the agricultural industry. Within the biological agriculture industry, Terragen operates in the soil health and productivity and animal nutrition and health industries.	Section 3
What are Terragen's Products?	<p>Terragen has created natural, biological solutions to assist farmers address soil health and animal productivity problems facing the farming sector. In particular, Terragen has commercialised the following two Terragen Products:</p> <ul style="list-style-type: none"> • Great Land, a soil conditioner containing live microbes; and • Mylo[®], a live microbial probiotic feed supplement. <p>It also has two additional animal health Terragen Products classified as veterinary medicines under development:</p> <ul style="list-style-type: none"> • Lactolin, a teat conditioner used to maintain and improve the udders of lactating production animals; and • Halo, an anti-inflammatory product to assist dairy cattle with mastitis and companion animals such as dogs with mobility impairment. 	Section 2.4.2
What is the offer?	<p>Terragen is offering to issue 80,000,000 New Shares at \$0.25 per New Share to raise gross proceeds of \$20 million (before costs and expenses) (the Offer).</p> <p>All New Shares issued under this Prospectus will, from the time they are issued, rank equally with all Existing Shares.</p> <p>The Offer is comprised of a fully underwritten:</p> <ul style="list-style-type: none"> • Broker Firm Offer; • Institutional Offer; and • Chairman's List Offer. 	Section 7
Why is the Offer being conducted?	<p>The Offer is being conducted to provide Terragen with:</p> <ul style="list-style-type: none"> • capital to be applied as detailed in the table in Section 7.3; • a liquid market for its Shares and an opportunity for others to invest in the Shares; and • additional financial flexibility and access to capital markets to pursue growth opportunities. 	Section 7.3 Section 7.4

1. Investment overview continued

1.2 Key Features of Terragen’s business model

Topic	Summary	For more information
What is Terragen’s corporate structure?	<p>Terragen Holdings Limited is the sole shareholder of Terragen Biotech Pty Ltd, together referred to as “Terragen Group”.</p> <p>Terragen Holdings Limited owns all intellectual property of the Terragen Group. Terragen Biotech Pty Ltd is the contracting party for all employees (other than Justus Homburg) and is the entity within which all of its commercial sales, production and research and development efforts are housed.</p> <p>Terragen Biotech Pty Ltd is registered as an Overseas ASIC Company in New Zealand for the Terragen Group’s New Zealand operations.</p>	Section 2.3
How does Terragen generate its revenue?	<p>In Australia, the Terragen Group generates revenues from the sale of Great Land and Mylo® through its retail agency distribution network.</p> <p>In New Zealand, Terragen generates revenues from the sale of Great Land and Mylo® to farmers.</p>	Section 2.4.3
What are Terragen’s key costs in generating its revenues?	<p>Terragen produces its Great Land and Mylo® products in its integrated manufacturing and research and development facility located in the Coolum Eco Industrial Park on Queensland’s Sunshine Coast.</p> <p>Terragen’s key cost drivers are microbe production, packaging, distribution, and sales and marketing.</p>	Section 2.4.4
What is Terragen’s technology?	<p>With a commitment to a rigorous science-based approach to microbiome research and development over the past few years, Terragen has created natural, biological solutions to assist farmers address soil health and animal productivity, some of the problems facing the farming sector.</p> <p>Terragen Products leverage the benefits certain microorganisms can provide. Terragen sources these microorganisms from different natural sources including certain soils, plants and animals.</p> <p>Terragen screens these microorganisms first by creating a genomic profile of each microorganism, a profile that helps identify the function of each gene. Further gene function is subsequently elaborated by in vitro (in the laboratory) testing of the microorganisms against specific targets. Terragen then combines specific microorganisms that work in concert to optimise efficacy against targets. These concert products are subject to in vitro testing to identify the optimal microorganism combination product. The last step involves in vivo (in real-life settings) testing.</p> <p>Terragen’s technology is therefore a combination of methods of collecting, characterising, screening, and combining microorganisms to achieve optimal efficacy against specific target applications.</p> <p>Terragen’s current core set of microorganisms is based in large part on a number of different microorganisms falling in the general lactobacillus group of microbes. Terragen’s current products are based on unique combinations of lactobacilli that are produced individually and blended under quality-controlled conditions.</p>	Section 2.4.1

Topic	Summary	For more information
<p>What intellectual property does Terragen own?</p>	<p>Terragen’s intellectual property strategy is based on the principle of patenting the use of uniquely defined combinations of microbes for specific applications.</p> <p>Terragen holds registered patents relating to microbial inoculants compositions comprising bacterial strains and antimicrobial activity of bacterial strains.</p> <p>Refer to the Intellectual Property Report in Section 10 for further details on the pending patent applications and granted patents.</p>	<p>Section 10 Section 2.6</p>
<p>Who are Terragen’s key competitors?</p>	<p>While Terragen competes with a range of businesses at various points of its business model, there is no distinct competitor that competes across all segments of Terragen’s operations at a production level (feed additives, veterinary pharmaceuticals and soil conditioner sectors) and distribution level.</p> <p>The plant and animal health and nutrition sector remains highly fragmented, and Terragen believes that there may be fast-moving, early stage companies that are developing comparable or competing products. Terragen maintains the view that its products are differentiated and have a competitive advantage.</p>	<p>Section 3.3 Section 2.5</p>
<p>What is Terragen’s business model?</p>	<p>Terragen’s aim is to develop products that improve sustainability and productivity in agriculture by using the Company’s core microbiome technologies. A number of these core microbiome technologies are protected by existing patents and pending patent applications.</p> <p>Terragen is placed to aid in unlocking a new future for farming, as it produces a suite of biological products that form a foundation for farms using organic, chemical-free or conventional farming practices that drive agricultural sustainability.</p> <p>Going forward, Terragen aims to leverage its core capabilities to maximise business opportunities. This may be realised from:</p> <ul style="list-style-type: none"> • leveraging Terragen’s existing suite of products with commercial validation in home markets enabling a basis for negotiating licensed distribution in larger international markets (North America, EU); • combining research and development with a direct working connection to end users in home markets – Australia and New Zealand (strengthening product development capability); and • scalable manufacturing capacity. 	<p>Section 2.4 Section 2.7</p>
<p>What are the key features of Terragen’s business that differentiate itself from its competitors?</p>	<p>Terragen’s key strengths lie in the combination of its existing and expanding portfolio of microbes, its scientific approach to the development of product consortia, its production approach and infrastructure, its product application development approach, its experience in the dairy sector, and its ability to effectively train and support its existing and future distribution network partners.</p>	<p>Section 2.5</p>
<p>Which geographic markets does Terragen operate in?</p>	<p>As at the Prospectus Date, Terragen operates in Australia and New Zealand.</p>	<p>Section 2.4.6</p>

1. Investment overview continued

Topic	Summary	For more information																				
<p>What is the regulatory environment in which Terragen operates?</p>	<p>Terragen’s products can be categorised broadly under three regulatory segments:</p> <ul style="list-style-type: none"> • Biological soil conditioners (Great Land); • Direct fed microbial products (Mylo®); and • Animal health pharmaceutical products (Lactolin and Halo). <p>Each segment is governed by regulations that are particular to the key market countries in which Terragen currently operates (Australia and New Zealand), or in which intends to commence operations (United States and Europe).</p> <p>A snapshot of the regulatory position in Australia and New Zealand is provided below:</p> <table border="1" data-bbox="454 853 1236 1637"> <thead> <tr> <th></th> <th>Great Land</th> <th>Mylo®</th> <th>Lactolin</th> <th>Halo</th> </tr> </thead> <tbody> <tr> <td></td> <td>Soil conditioner</td> <td>Direct-fed microbial product</td> <td>Udder wash</td> <td>Anti-inflammatory veterinary product</td> </tr> <tr> <td>Australia</td> <td>Exempt from registration using Australian Pesticides and Veterinary Medicines Authority (APVMA) self-assessment process.</td> <td>Exempt from registration using APVMA self-assessment process.</td> <td>Subject to APVMA regulatory approval.</td> <td>Subject to APVMA regulatory approval.</td> </tr> <tr> <td>New Zealand</td> <td>Exempt from Agricultural Compounds and Veterinary Medicines (ACVM) registration.</td> <td>Exempt from ACVM registration.</td> <td>Subject to ACVM regulatory approval.</td> <td>Subject to ACVM regulatory approval.</td> </tr> </tbody> </table> <p>In those jurisdictions where Terragen is yet to enter with a particular product, appropriate expert advice and necessary regulatory approvals will be sought as and when Terragen seeks to enter such jurisdictions. Refer to Section 3.4 for further detail.</p>		Great Land	Mylo®	Lactolin	Halo		Soil conditioner	Direct-fed microbial product	Udder wash	Anti-inflammatory veterinary product	Australia	Exempt from registration using Australian Pesticides and Veterinary Medicines Authority (APVMA) self-assessment process.	Exempt from registration using APVMA self-assessment process.	Subject to APVMA regulatory approval.	Subject to APVMA regulatory approval.	New Zealand	Exempt from Agricultural Compounds and Veterinary Medicines (ACVM) registration.	Exempt from ACVM registration.	Subject to ACVM regulatory approval.	Subject to ACVM regulatory approval.	Section 3.4
	Great Land	Mylo®	Lactolin	Halo																		
	Soil conditioner	Direct-fed microbial product	Udder wash	Anti-inflammatory veterinary product																		
Australia	Exempt from registration using Australian Pesticides and Veterinary Medicines Authority (APVMA) self-assessment process.	Exempt from registration using APVMA self-assessment process.	Subject to APVMA regulatory approval.	Subject to APVMA regulatory approval.																		
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Topic	Summary	For more information
Who are Terragen's customers?	<p>Terragen historically sold Great Land directly to farmers. These were predominantly dairy farmers, banana growers, macadamia growers, avocado growers, vegetable growers, and vineyards.</p> <p>In February 2019, Terragen rolled out a retail agency distribution strategy in Australia to incorporate sales of both Great Land and Mylo®, which allows Terragen to supply its products to farmers through select agricultural retailers.</p> <p>The retail agency distribution strategy leverages the network of farmers and growers serviced by these retail agents. Since it launched its retail agency distribution strategy in February 2019, Terragen has signed 16 retail agents comprised of 68 separate retail outlets, including the following national and regional distributors:</p> <ul style="list-style-type: none"> • Elders Rural Services Australia Limited; • EE Muir and Sons Pty Ltd; • RuralCo Holdings Ltd; • Murray Goulburn (MG Trading Pty Ltd); and • Locally focused independents retailers. 	Section 2.4.6 Section 9.2
What is Terragen's growth strategy and how is this to be funded?	<p>Terragen's growth strategy consists of the following key elements:</p> <ul style="list-style-type: none"> • Increase scale and distribution networks for Great Land and Mylo® in Australia and New Zealand; • The roll out of Terragen Products, in particular Mylo® and Great Land, is to be focused on key dairy cattle markets across Australia, New Zealand and USA (California); • Launch Mylo® and Lactolin in the United States through commercial development programs in the California dairy sector and US beef feedlot operations; • Commence market assessment studies of Mylo® and Lactolin in the key dairy countries of the EU; • Commencement of efficacy trials supporting the registration of Halo in companion animals; and • Improve production efficiency and formulations of the Terragen Products. <p>The capital raised under the Offer is expected to fund these efforts.</p>	Section 2.7.1

1. Investment overview continued

Topic	Summary	For more information																																												
What is Terragen's historical financial performance?	<p>A summary of the three year profit and loss of the Terragen Group is provided below.</p> <table border="1"> <thead> <tr> <th>\$'000</th> <th>FY2017</th> <th>FY2018</th> <th>FY2019</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td>656</td> <td>856</td> <td>981</td> </tr> <tr> <td>Other Income</td> <td>16</td> <td>359</td> <td>254</td> </tr> <tr> <td>Operating Expenses</td> <td>(4,806)</td> <td>(5,756)</td> <td>(4,790)</td> </tr> <tr> <td>EBITDA</td> <td>(4,134)</td> <td>(4,541)</td> <td>(3,555)</td> </tr> <tr> <td>Depreciation and amortisation expense</td> <td>(70)</td> <td>(78)</td> <td>(273)</td> </tr> <tr> <td>EBIT</td> <td>(4,204)</td> <td>(4,619)</td> <td>(3,828)</td> </tr> <tr> <td>Interest revenue/ (expense)</td> <td>(38)</td> <td>(44)</td> <td>(20)</td> </tr> <tr> <td>Loss before tax</td> <td>(4,242)</td> <td>(4,663)</td> <td>(3,848)</td> </tr> <tr> <td>Income tax benefit/ (expense)</td> <td>1,176</td> <td>1,221</td> <td>637</td> </tr> <tr> <td>Net loss after tax</td> <td>(3,066)</td> <td>(3,442)</td> <td>(3,211)</td> </tr> </tbody> </table> <p>The financial information presented in this table is intended as a summary only and should be read in conjunction with the more detailed discussion of the Financial Information disclosed in Section 4 as well as the key risk factors set out in Section 5.</p> <p>Investors should note that past performance is not a guide to future performance.</p>	\$'000	FY2017	FY2018	FY2019	Revenue	656	856	981	Other Income	16	359	254	Operating Expenses	(4,806)	(5,756)	(4,790)	EBITDA	(4,134)	(4,541)	(3,555)	Depreciation and amortisation expense	(70)	(78)	(273)	EBIT	(4,204)	(4,619)	(3,828)	Interest revenue/ (expense)	(38)	(44)	(20)	Loss before tax	(4,242)	(4,663)	(3,848)	Income tax benefit/ (expense)	1,176	1,221	637	Net loss after tax	(3,066)	(3,442)	(3,211)	Section 4
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Has Terragen provided prospective financial information in respect of the Terragen business?	<p>Terragen has been generating revenues for a number of years from direct-to-farmer Great Land sales through its farmer-focused technical customer service team. Terragen is in the early stages of generating revenues from its second commercialised product Mylo®.</p> <p>Considerable investment in research and development is required to commercialise these and other new products.</p> <p>Terragen will benefit from the contribution of significant capital raised under the Offer, from which it has not previously benefitted. Accordingly, Terragen does not have a track record with on which to rely in preparation of prospective financial information.</p> <p>Given the above, the predictability of the Terragen business following completion of the Offer and admission to the Official List, will be too unreliable for forecasts to be provided, and accordingly the Board considers that any prospective financial information would be misleading.</p>																																													
How does Terragen expect to fund its activities?	<p>Terragen intends to fund its activities by utilising the money raised under the Offer, existing cash reserves of the Company and from revenue generation.</p> <p>Terragen may, in the future, access capital markets through additional equity raisings to support its growth strategy.</p>	Section 7.3 Section 2.4.3																																												

Topic	Summary	For more information
What agreements are material to Terragen's business?	<p>Terragen's material contracts consist of the Retail Agency Agreements entered into between Terragen Biotech (the wholly owned Subsidiary of Terragen) and the agents listed in Section 9.2.</p> <p>The Retail Agency Agreements are the material agreements underpinning Terragen's capability to distribute the Terragen Products in Australia.</p>	Section 9.2

1.3 Key strengths and competitive advantage

Topic	Summary	For more information
Terragen provides a value proposition to both retailers and farmers	<p>Terragen provides retailers a differentiated product suite when compared with traditional chemical solutions.</p> <p>Terragen Products, supported by independent trial data provide a:</p> <ul style="list-style-type: none"> • solution for those retailers seeking to add value to their farmer client base. Refer to Section 2.8 for detail on the field studies; and • value proposition to farmers in reducing chemical usage and improving production capacity. 	Section 2.5
Terragen has a track record in its product development programs	<p>Terragen Products are commercialised on a foundation of independently executed field trials that provide positive results in terms of product efficacy and overall economic benefits to farmers.</p> <p>Through commercial trial execution, meetings with farmers and broad-based marketing, Terragen has established a relationship directly with its customers. The field studies are discussed in detail in Section 2.8.</p>	Section 2.5
Expanding technology program	<p>Terragen has an existing suite of core technology, protected by existing patents and pending patent applications. Terragen continues to focus research and development efforts through the integration of its technology into new product areas.</p>	Section 2.5
Application of robust production processes	<p>Terragen uses single-microbe production processes and applies quality control standards that aim to ensure purity, viability, and stability of its products. This has led to the development of Terragen's platform of Terragen Products which have formed the foundation for Terragen's ability to develop a competitive position in the biological agricultural sector.</p>	Section 2.5
Differentiated offering with the potential to capture large market opportunity	<p>Terragen participates in both the soil and animal health markets, to provide farmers with alternative, chemical-free, organic solutions to improve productivity.</p> <p>Terragen believes the Terragen Products offer a differentiated approach to agricultural production by providing greater productivity and a reduction in reliance on chemical based fertilisers, pesticides and antibiotics, particularly in the grazing and dairy industries.</p>	Section 2.5
Experienced and well credentialed management team	<p>Terragen's senior management team, led by Managing Director Justus Homburg, has significant experience in the agriculture and human life sciences sector.</p> <p>The Company's broader management team has been instrumental in the success of the business to date and is well placed to execute further on the business' growth strategy.</p>	Section 2.5, Section 6.1 Section 6.2

1. Investment overview continued

1.4 Summary of key risks

The business, assets and operations of Terragen are subject to certain risk factors that have the potential to influence operating and financial performance in the future. These risks can impact on the value of an investment in Terragen's Shares.

The Board aims to manage these risks by carefully planning its activities and implementing mitigating risk control measures. Some risks are unforeseen and so the extent to which these risks can be effectively managed is somewhat limited.

Set out below are specific key risks to which the Company is exposed. Further general risks associated with an investment in Terragen are outlined in Section 5.

Topic	Summary	For more information
Uncertainty of future revenue and profitability	<p>Terragen has only recently commenced generating revenue from the Retail Agency Agreements. Future sales of Great Land and Mylo[®] by Terragen and Terragen's future profitability are contingent on, amongst other things, Terragen's ability to enter into appropriate distribution arrangements (whether under Retail Agency Agreements, direct to farmers or another form of distribution or licensing arrangement), being able to maintain anticipated prices for products being sold as well as certainty of supply, being able to set favourable prices for products being sold, market demand for products being sold, general economic conditions, the results of further research and clinical trials in relation to agricultural science.</p> <p>Consequently, the level of any future sales of products by Terragen cannot be accurately determined and Terragen cannot provide any guarantee that future sales will be achieved. Even if future sales are achieved, they may not result in Terragen being profitable.</p>	Section 5.2(a)
Loss of key retail distribution relationships	<p>Terragen relies on its continued relationships with its current retail distribution partners under the terms of the Retail Agency Agreements. There can be no guarantee that these relationships will continue, or if they do continue, that they will continue to be successful.</p> <p>The Retail Agency Agreements are able to be terminated for convenience by either party on relatively short notice.</p> <p>There is a risk that retail distribution partners may unexpectedly terminate their Retail Agency Agreement leaving the Company temporarily without distribution coverage in certain regions.</p>	Section 5.2(b)
Commercial manufacturing and distribution capability	<p>Terragen's success is dependent on its ability to manufacture Great Land and Mylo[®], and in time, Lactolin and Halo, on a commercial scale with continuity of supply and in accordance with current Good Manufacturing Practices, prescribed by the APVMA and other regulatory authorities. In the event Terragen discontinues operations or has insufficient manufacturing and distribution capacity, for any reason, this may result in substantial cost and delay.</p>	Section 5.2(c)

Topic	Summary	For more information
Ownership and protection of intellectual property	<p>The business of Terragen depends on its ability to commercially exploit its intellectual property. Terragen relies on laws relating to trade secrets, copyright and trademarks to assist in protecting its proprietary rights. There is a risk that unauthorised use or copying of secure documentation (electronic laboratory books), business data or intellectual property will occur.</p> <p>There is a risk that Terragen may be unable to detect the unauthorised use of its intellectual property rights in all instances.</p> <p>A breach of Terragen’s intellectual property may result in the need to commence legal action, which could be costly and time consuming. A failure or inability to protect the Company’s intellectual property rights could have an adverse impact on operating and financial performance.</p> <p>In addition, parties making claims against Terragen for a breach of intellectual property may obtain injunctive or other relief to prevent the Company from further developing or commercialising its products. In the event a successful claim of infringement is made against the Company, it may be required to pay damages and obtain one or more licences from the prevailing third party. If it is not able to obtain these licenses at a reasonable cost, or at all, it may encounter delays and lose substantial resources while seeking to develop alternative products.</p>	Section 5.2(d)
Delay risk	<p>The potential for delay of any of Terragen’s key milestones presents a number of risks (including achieving revenue within anticipated timeframes and potential cost overruns). Delays may be caused by various factors, including delays in completing successful field trials and obtaining regulatory approvals.</p>	Section 5.2(e)
Loss of key management personnel	<p>The successful operation of Terragen in part relies on the Company’s ability to attract and retain experienced and high performing key management personnel. The loss of any key members of management or other personnel, or the inability to attract additional skilled individuals to key management roles, may adversely affect Terragen’s ability to develop and implement its business strategies.</p>	Section 5.2(f)

1. Investment overview continued

Topic	Summary	For more information
<p>Failure to realise benefits from product research and development</p>	<p>The development and commercialisation of Great Land, Mylo[®], Lactolin, Halo and potential future products is expensive and often involves an extended period of time to achieve return on investment. An important aspect of Terragen's business is to continually invest in innovation and product development opportunities.</p> <p>Terragen may not realise benefits from these investments for several years, or may not realise benefits at all in some cases. The Company makes assumptions about the expected future benefits generated by investment in product research and development and the expected timeframe in which the benefits will be realised. These assumptions are subject to change and involve both known risks and risks that are beyond the Company's control. Any change to the assumptions the Company has made about certain product development may have an adverse impact on the Company's ability to realise a benefit from investment in the development of that product.</p> <p>The Company is and will continue to be reliant on the results received from in-house research and development it undertakes.</p> <p>There is no certainty the results of those trials will demonstrate any material benefit or advancement in efficacy over existing alternatives or potential new products, and there is the potential for the resulting product to be found to be ineffective or unsafe for animal use. Further, the success of such trials may be impacted by lack of product effectiveness in trials, compliance with protocols, modifications or adaptations to trial protocols, failure to meet trial end points, and changes to regulations governing the conduct of trials.</p>	<p>Section 5.2(g)</p>
<p>Market acceptance and competitor risk</p>	<p>Ultimately any products developed by the Company need to find acceptance in the market. Market acceptance depends on numerous factors, including convincing potential consumers and partners of the attractiveness of Terragen's products and the ability to manufacture those products to a sufficient quality and quantity to meet commercial demand at an acceptable cost.</p> <p>Terragen's end-consumers are primarily farmers who are traditionally reticent to adopt new technologies. There is a risk that Terragen's products may not gain widespread market acceptance, and this may adversely affect the growth and financial performance of the Company.</p> <p>Terragen considers it has a competitive advantage in being one of the first in the market to provide a new approach to the development of natural live microbial products. However, there is always a risk that there will be new entrants into the market and the risk of existing competitors introducing new products or technologies. Competition in the market has the potential to disrupt Terragen's business and market share.</p> <p>An overview of the competitive landscape is set out in Section 3.3. There may be aggressive, fast-moving, early stage, start-up companies that are developing comparable or competing products. Terragen intends to maintain a close watching brief on existing and emerging products within the industry as well new patent applications relevant to the field as they are published.</p>	<p>Section 5.2(h)</p>

Topic	Summary	For more information
Regulatory approvals	<p>The regulatory requirements of the Terragen Products are detailed in Section 3.4.</p> <p>Terragen’s target markets for its products are emerging and as such, the regulatory environment is constantly changing.</p> <p>In those jurisdictions where Terragen is yet to enter with a particular product; namely, US and Europe, appropriate expert advice and necessary regulatory approvals will be sought as and when Terragen should seek to enter such jurisdiction. There is also the possibility that Terragen may become subject to additional legal or regulatory requirements if its business operations, strategy or geographic reach expand in the future or if there is a change in applicable law or regulation.</p>	Section 5.2(i)
Arrangements with third party collaborators	<p>Terragen may pursue collaborative arrangements with life science companies, academic institutions or other partners to complete the development and commercialisation of the Terragen Products. These collaborators may be asked to assist with funding or performing field trials, manufacturing, obtaining regulatory approvals or product marketing. There is no assurance that Terragen will attract and retain appropriate strategic partners or that any such collaborators will perform and meet commercialisation goals.</p> <p>Further, Terragen’s arrangements with third party collaborators are subject to undertakings of confidentiality. There is no guarantee that third party collaborators will abide by their confidentiality obligations. There is a risk that third party collaborators may seek commercial exploitation of Terragen’s intellectual property that has been shared under any collaboration arrangement. Protecting the Company’s intellectual property in circumstances such as this may result in the need to commence legal action, which could be costly and time consuming.</p>	Section 5.2(j)
Sufficiency of funding and additional requirements for capital	<p>Terragen has provided an indication of how it intends to apply its existing funds and funds raised under the Offer in Section 7.3.</p> <p>There is a risk that costs, including the costs of research and development, may be higher than anticipated or increase as a result of unforeseen circumstances (which may include circumstances related to other key risk factors set out in this Section 5).</p> <p>Terragen may also be required to raise additional equity or debt capital in the future. There is no assurance that Terragen will be able to raise that capital when it is required or that it will be able to raise that capital on satisfactory terms.</p> <p>If Terragen is unsuccessful in obtaining funds when required, it may need to delay or eliminate its research and development, commercialisation, manufacturing activities, or other aspects of its business. In the event of insufficient capital, Terragen may also have to license or sell its technologies on unfavourable terms, or scale down or cease operations. No assurance can be given that future funding will be available to the Company, on any particular terms, or at all.</p>	Section 5.2(k)

1. Investment overview continued

Topic	Summary	For more information
Shareholder dilution	<p>In the future, Terragen may elect to issue shares to fund or raise proceeds for specific research and development, acquisitions, to repay debt, or for other reasons.</p> <p>Shareholder interests may be diluted as a result of any such share issues.</p>	Section 5.2(l)
Liquidity and realisation risk	<p>Restriction obligations (escrow) will be applied to Shares held by existing shareholders. The remaining “free float” (shares that are tradable during any restriction period) may be limited, resulting a decrease in active or potential sellers or buyers at any given time, which may result in an inactive or illiquid market for Terragen’s Shares, which may increase the volatility of the market price of Terragen’s Shares.</p> <p>The restricted shares represent approximately 21.46% of the Company. This would leave approximately 78.54% of the Company’s Shares freely trading until this escrow period(s) ends.</p> <p>Further, there is a risk that once the Shares subject to escrow or trading restrictions are released from the restrictions attaching to them, there may be significant sell down by holders of those shares which may negatively affect the Company’s Share price.</p> <p>The potential limited free float (tradable Shares during any restriction period) and potential sell down may affect the prevailing market price at which shareholders are able to sell their Shares. There can be no guarantee that an active market in the Shares will develop or that the price of the Shares will increase. There may be relatively few potential buyers or sellers at any given time and this may increase the volatility of the market price of Shares.</p>	Section 5.2(m)
Product risks and liability	<p>As Terragen successfully develops and markets the Terragen Products, there is no assurance that unforeseen adverse events or manufacturing defects will not arise. Adverse events or defects could expose the Company to product liability claims, litigation or withdrawal of regulatory approvals.</p> <p>Adverse events or defects could result in damages being awarded against the Company, a requirement for further investment in improved manufacturing processes or withdrawal of products from the market.</p>	Section 5.2(n)
Absence of dividends	No assurance in relation to the payment of dividends can be given by the Company.	Section 5.2(p)
Change in strategy	Terragen’s plans and strategies may evolve over time due to review and assessment of, amongst other things, trial results and data, market trends, the outcome of its intellectual property registrations and applications, changes in policy or regulations, the level of market acceptance in particular markets and the emergence of new technologies or improvements in existing technology.	Section 5.2(q)
Other risks	A number of other key risks that relate to an investment in Terragen are set out in Section 5.	Section 5

1.5 Directors and key management

Topic	Summary	For more information
<p>Who are the Directors and key executives of Terragen?</p>	<p>Board of Directors</p> <p>Terragen has a highly experienced Board with commercial acumen:</p> <ul style="list-style-type: none"> • Dr Paul Schober – Independent, Non-Executive Chairman • Mr Justus Homburg – CEO and Managing Director • Mr Sam Brougham – Non-Executive Director (Chairman as at the Prospectus Date) • Dr Greg Robinson – Independent, Non-Executive Director <p>Dr Paul Schober will be appointed as the new Chairman of the Board effective on the Listing Date.</p> <p>Proposed Directors</p> <p>It is proposed that the following persons will join the Board as Independent, Non-Executive Directors effective on the Listing Date:</p> <ul style="list-style-type: none"> • Dr John Ryals – Independent, Non-Executive Director • Ms Ingrid van Dijken – Independent, Non-Executive Director <p>The profiles of each Director and Proposed Directors outlining their experience can be found in Section 6.2</p> <p>Senior leadership team</p> <p>The Directors are supported by Key Management Personnel (KMP):</p> <ul style="list-style-type: none"> • Mr Justus Homburg – CEO and Managing Director • Mr Stephen Kelly – CFO and Company Secretary • Dr Paul Scott – Head of Soil Health Product Development • Dr Karen Jury – Head of Research & Development • Mr Adam Davies – Head of Marketing and Sales • Mr Andrew Wollen – Head of New Product Applications Development <p>The profiles of KMP outlining their experience can be found in Section 6.3</p>	<p>Section 6.1 Section 6.2 Section 6.3</p>

1. Investment overview continued

1.6 Capital deck, interests and benefits of key people and related party transactions

Topic	Summary	For more information				
What is the capital deck of Terragen as at the Prospectus Date	Existing Shares	106,820,902 Shares				
	Options (Incentive A)	4,090,000 Options (Incentive A)				
	Options (Incentive B)	2,805,000 Options (Incentive B)				
	Options (Investment)	12,314,043 Options (Investment)				
	The rights attached to the Existing Shares, Options (Incentive A), Options (Incentive B) and Options (Investment) are detailed in Sections 12.4, 12.5, 12.6 and 12.7.					
What will Terragen's capital structure look like post completion of the Offer (assuming no Options are exercised)?					Section 12.2	
					Section 12.3	
	Shareholder	Shares at Prospectus Date	New Shares issued	Share-holding on completion of the Offer	% on completion of the Offer	
	Top 5 Existing Shareholders					
	Stamina Pty Ltd	6,627,616	Nil	6,627,616	4%	
	Rubi Holdings Pty Ltd <John Rubino Superannuation Fund>	4,200,000	Nil	4,200,000	2%	
	Dempsey Capital Pty Ltd <Alium Alpha Fund>	4,000,000	Nil	4,000,000	2%	
	Mr Scobie D Ward	4,000,000	Nil	4,000,000	2%	
	Action Always Pty Ltd	3,795,690	Nil	3,795,690	2%	
	All other Existing Shareholders					
	All other Existing Shareholders	84,197,596	Nil	84,197,596	45%	
	New Shareholders under the Offer					
	New Shareholders	Nil	80,000,000	80,000,000	43%	
	TOTAL	106,820,902	80,000,000	186,820,902	100%	
	This table assumes that:					
<ul style="list-style-type: none"> no New Shares are taken up by any Existing Shareholders under the Offer; and no Options are exercised. 						
Given the Offer is fully underwritten, 80,000,000 New Shares will be issued. If the Company does not receive valid applications for the full amount of 80,000,000 New Shares under those Offer, the Underwriters will subscribe for, or procure subscriptions for, any shortfall. Refer to Section 12.9 for a summary of control implications in the event of a shortfall.						

Topic	Summary	For more information																																																																						
<p>What will Terragen’s capital structure look like post completion of the Offer (assuming all Options are exercised)?</p>	<table border="1"> <thead> <tr> <th style="text-align: left;">Shareholder</th> <th style="text-align: right;">Shares at Prospectus Date</th> <th style="text-align: right;">New Shares issued</th> <th style="text-align: right;">Shares issued on exercise of Options</th> <th style="text-align: right;">% Share-holding following completion of the Offer (assuming 100% of Options are exercised)</th> </tr> </thead> <tbody> <tr> <td colspan="5">Top 5 Existing Shareholders</td> </tr> <tr> <td>Stamina Pty Ltd</td> <td style="text-align: right;">6,627,616</td> <td style="text-align: center;">Nil</td> <td style="text-align: center;">Nil</td> <td style="text-align: right;">3%</td> </tr> <tr> <td>Rubi Holdings Pty Ltd <John Rubino Superannuation Fund></td> <td style="text-align: right;">4,200,000</td> <td style="text-align: center;">Nil</td> <td style="text-align: right;">4,200,000</td> <td style="text-align: right;">4%</td> </tr> <tr> <td>Dempsey Capital Pty Ltd <Alium Alpha Fund></td> <td style="text-align: right;">4,000,000</td> <td style="text-align: center;">Nil</td> <td style="text-align: right;">1,000,000</td> <td style="text-align: right;">2%</td> </tr> <tr> <td>Mr Scobie D Ward</td> <td style="text-align: right;">4,000,000</td> <td style="text-align: center;">Nil</td> <td style="text-align: center;">Nil</td> <td style="text-align: right;">2%</td> </tr> <tr> <td>Action Always Pty Ltd</td> <td style="text-align: right;">3,795,690</td> <td style="text-align: center;">Nil</td> <td style="text-align: center;">Nil</td> <td style="text-align: right;">2%</td> </tr> <tr> <td colspan="5">Other Existing Shareholders</td> </tr> <tr> <td>All other Existing Shareholders</td> <td style="text-align: right;">84,197,596</td> <td style="text-align: center;">Nil</td> <td style="text-align: center;">Nil</td> <td style="text-align: right;">41%</td> </tr> <tr> <td colspan="5">Shareholders on exercise of Options</td> </tr> <tr> <td>Shareholders on exercise of Options (excluding Options held by the top 5 Shareholders)</td> <td style="text-align: center;">Nil</td> <td style="text-align: center;">Nil</td> <td style="text-align: right;">14,009,043</td> <td style="text-align: right;">7%</td> </tr> <tr> <td colspan="5">New Shareholders under the Offer</td> </tr> <tr> <td>New Shareholders</td> <td style="text-align: center;">Nil</td> <td style="text-align: right;">80,000,000</td> <td style="text-align: center;">Nil</td> <td style="text-align: right;">39%</td> </tr> <tr> <td>TOTAL</td> <td style="text-align: right;">106,820,902</td> <td style="text-align: right;">80,000,000</td> <td style="text-align: right;">19,209,043</td> <td style="text-align: right;">100%</td> </tr> </tbody> </table> <p>This table assumes that:</p> <ul style="list-style-type: none"> • no New Shares are taken up by any Existing Shareholders of Option holders under the Offer; • all Options are exercised; and • no Option holder (with the exception of those top 5 Existing Shareholders) is an Existing Shareholder. <p>Given the Offer is fully underwritten, 80,000,000 New Shares will be issued. If the Company does not receive valid applications for the full amount of 80,000,000 New Shares under those Offer, the Underwriters will subscribe for, or procure subscriptions for, any shortfall. Refer to Section 12.9 for a summary of control implications in the event of a shortfall.</p>	Shareholder	Shares at Prospectus Date	New Shares issued	Shares issued on exercise of Options	% Share-holding following completion of the Offer (assuming 100% of Options are exercised)	Top 5 Existing Shareholders					Stamina Pty Ltd	6,627,616	Nil	Nil	3%	Rubi Holdings Pty Ltd <John Rubino Superannuation Fund>	4,200,000	Nil	4,200,000	4%	Dempsey Capital Pty Ltd <Alium Alpha Fund>	4,000,000	Nil	1,000,000	2%	Mr Scobie D Ward	4,000,000	Nil	Nil	2%	Action Always Pty Ltd	3,795,690	Nil	Nil	2%	Other Existing Shareholders					All other Existing Shareholders	84,197,596	Nil	Nil	41%	Shareholders on exercise of Options					Shareholders on exercise of Options (excluding Options held by the top 5 Shareholders)	Nil	Nil	14,009,043	7%	New Shareholders under the Offer					New Shareholders	Nil	80,000,000	Nil	39%	TOTAL	106,820,902	80,000,000	19,209,043	100%	<p>Section 12.2 Section 12.3</p>
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1. Investment overview continued

Topic	Summary				For more information	
<p>What interest do the Directors and Proposed Directors have in the issued share capital of Terragen on a post Offer basis (assuming they do not exercise their Options)?</p>	Director/ Proposed Director	Shares at Prospectus Date	Options at Prospectus Date	% of Shares on completion of the Offer	Section 6.6	
	Paul Schober	152,000 held through Jalen SMSF Pty Ltd 81,000 held directly	80,000 Options (Investment) held through Jalen SMSF Pty Ltd	0.1%		
	Justus Homburg	275,000 held directly	2,000,000 Options (Incentive A) held directly 200,000 Options (Investment) held directly	0.1%		
	Sam Brougham	6,627,616 held through Stamina Pty Ltd 2,250,000 held through Crofton Park Developments Pty Ltd atf the Brougham Superannuation Fund 1,744,000 held through Crofton Park Developments Pty Ltd atf the Sam Brougham Family Trust	1,600,000 Options (Investment) held through Crofton Park Developments Pty Ltd atf the Sam Brougham Family Trust	5.7%		
	Greg Robinson	3,195,000 held through P M Desmond Pty Ltd as trustee for the Desrob Superannuation Fund 563,000 held directly	Nil	2.0%		
	John Ryals	Nil	Nil	Nil		
	Ingrid van Dijken	970,000 held by her spouse	100,000 Options (Investment) held by her spouse	0.5%		
	<p>This table assumes that:</p> <ul style="list-style-type: none"> • no Director acquires any New Shares under the Offer; and • no Options are exercised. <p>Details of the entities through which the Directors and the Proposed Directors hold their interests is provided in Section 6.6. The Directors will also be paid directors' fees for operating the Company following the successful listing of the Company on the ASX. Information on Director fees is provided in Section 6.6.</p> <p>Advisers and other service providers are entitled to fees for services as disclosed in Section 6.5.</p>					

Topic	Summary	For more information																												
<p>What interest do the Directors and Proposed Directors have in the issued share capital of Terragen on a post Offer basis (assuming they exercise all their Options)?</p>	<table border="1"> <thead> <tr> <th data-bbox="496 555 624 640">Director/ Proposed Director</th> <th data-bbox="655 607 911 640">Shares at Prospectus Date</th> <th data-bbox="959 555 1102 640">Shares issued on exercise of Options</th> <th data-bbox="1129 479 1278 640">% of Shares on completion of the Offer (and assuming all of their Options exercised)</th> </tr> </thead> <tbody> <tr> <td data-bbox="496 651 592 707">Paul Schober</td> <td data-bbox="655 651 943 752">152,000 held through Jalen SMSF Pty Ltd¹ 81,000 held directly</td> <td data-bbox="959 651 1086 763">80,000 held through Jalen SMSF Pty Ltd</td> <td data-bbox="1198 651 1262 685">0.1%</td> </tr> <tr> <td data-bbox="496 775 608 831">Justus Homburg</td> <td data-bbox="655 775 879 808">275,000 held directly</td> <td data-bbox="959 775 1086 831">2,200,000 held directly</td> <td data-bbox="1198 775 1262 808">1.3%</td> </tr> <tr> <td data-bbox="496 842 624 898">Sam Brougham</td> <td data-bbox="655 842 943 1167">6,627,616 held through Stamina Pty Ltd² 2,250,000 held through Crofton Park Developments Pty Ltd atf the Brougham Superannuation Fund³ 1,744,000 held through Crofton Park Developments Pty Ltd atf the Sam Brougham Family Trust⁴</td> <td data-bbox="959 842 1118 1043">1,600,000 held through Crofton Park Developments Pty Ltd atf the Sam Brougham Family Trust</td> <td data-bbox="1198 842 1262 875">6.4%</td> </tr> <tr> <td data-bbox="496 1178 608 1234">Greg Robinson</td> <td data-bbox="655 1178 911 1335">3,195,000 held through P M Desmond Pty Ltd as trustee for the Desrob Superannuation Fund⁵ 563,000 held directly</td> <td data-bbox="1070 1178 1102 1211">Nil</td> <td data-bbox="1198 1178 1262 1211">2.0%</td> </tr> <tr> <td data-bbox="496 1346 624 1379">John Ryals</td> <td data-bbox="655 1346 687 1379">Nil</td> <td data-bbox="1070 1346 1102 1379">Nil</td> <td data-bbox="1214 1346 1262 1379">Nil</td> </tr> <tr> <td data-bbox="496 1391 624 1447">Ingrid van Dijken</td> <td data-bbox="655 1391 943 1424">970,000 held by her spouse</td> <td data-bbox="959 1391 1102 1447">100,000 held by her spouse</td> <td data-bbox="1198 1391 1262 1424">0.6%</td> </tr> </tbody> </table> <p data-bbox="496 1469 751 1503">This table assumes that:</p> <ul data-bbox="496 1514 1278 1592" style="list-style-type: none"> • no Director acquires any New Shares under the Offer; and • all Options held by Directors are exercised. No other Options are exercised. <p data-bbox="496 1603 1278 1727">Details of the entities through which the Directors and the Proposed Directors hold their interests is provided in Section 6.6. The Directors will also be paid directors' fees for operating the Company following the successful listing of the Company on the ASX. Information on Director fees is provided in Section 6.6.</p> <p data-bbox="496 1738 1214 1794">Advisers and other service providers are entitled to fees for services as disclosed in Section 6.5.</p>	Director/ Proposed Director	Shares at Prospectus Date	Shares issued on exercise of Options	% of Shares on completion of the Offer (and assuming all of their Options exercised)	Paul Schober	152,000 held through Jalen SMSF Pty Ltd ¹ 81,000 held directly	80,000 held through Jalen SMSF Pty Ltd	0.1%	Justus Homburg	275,000 held directly	2,200,000 held directly	1.3%	Sam Brougham	6,627,616 held through Stamina Pty Ltd ² 2,250,000 held through Crofton Park Developments Pty Ltd atf the Brougham Superannuation Fund ³ 1,744,000 held through Crofton Park Developments Pty Ltd atf the Sam Brougham Family Trust ⁴	1,600,000 held through Crofton Park Developments Pty Ltd atf the Sam Brougham Family Trust	6.4%	Greg Robinson	3,195,000 held through P M Desmond Pty Ltd as trustee for the Desrob Superannuation Fund ⁵ 563,000 held directly	Nil	2.0%	John Ryals	Nil	Nil	Nil	Ingrid van Dijken	970,000 held by her spouse	100,000 held by her spouse	0.6%	Section 6.6
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<p>Are the Directors or any Existing Shareholders selling Shares into this Offer?</p>	<p>No, the Directors and Existing Shareholders are not selling Shares in the Offer.</p>																													

1. Investment overview continued

Topic	Summary	For more information
What are the related party transactions and who benefits from such transactions?	<p>Nil, with the exception of compensation arrangements with Directors and executive officers.</p>	Section 6.6
What Share escrow arrangements are in place?	<p>Certain Shareholders have entered into escrow arrangements under which they will be restricted from dealing with the Escrowed Shares they hold on completion of the Offer until the expiration of the relevant escrow period.</p> <p>The escrow in place is either mandatory escrow imposed by the ASX Listing Rules or escrow agreed on a voluntary basis with Terragen.</p> <p>An 'escrow' is a restriction on sale, disposal, or encumbering of, or certain other dealings in respect of, the Shares concerned for the period of the escrow, subject to any exceptions in the escrow arrangement. However, the restriction does not extend to any voting rights attached to the Shares.</p> <p>It is estimated that 40,075,194 Shares (being 21.46% on the Listing Date) will be subject to escrow arrangements:</p> <ul style="list-style-type: none"> • 16,483,902 Shares until 24 months; and • 23,591,292 Shares until 12 months. <p>The commencement date of the 24 month period or the 12 month period is subject whether the Shares are subject to voluntary escrow or ASX mandatory escrow.</p> <p>The Company will announce to the ASX full details (quantity and duration) of the Shares held in escrow prior to the Shares commencing trading on ASX.</p> <p>None of the Shares offered under this Prospectus will be treated as restricted securities and will be freely transferable from their date of allotment.</p> <p>At the Listing Date, Terragen will have a free float of not less than 20%.</p>	Section 12.12
What corporate governance policies does Terragen have in place?	<p>Terragen has adopted the following corporate governance policies:</p> <ul style="list-style-type: none"> • Board Charter; • Audit and Risk Committee Charter; • Remuneration and Nomination Committee Charter; • Code of Conduct; • Trading Policy; • Diversity Policy; and • Disclosure and Communication Policy. <p>A summary of the corporate governance policies adopted by Terragen is set out in Section 6.12.</p>	Section 6.9 Section 6.12

1.7 Summary of the Offer

Item	Summary	Further information
Who is the issuer of this Prospectus?	Terragen Holdings Limited ACN 073 892 636, a company incorporated in Australia.	Section 2
How is the Offer structured?	<p>The Offer contained in this Prospectus is an invitation to apply for 80,000,000 New Shares in the Company at \$0.25 per New Share (the Offer).</p> <p>The Offer comprises:</p> <ul style="list-style-type: none"> the Broker Firm Offer, which is open to retail investors and Institutional Investors who have a registered address in Australia and New Zealand and certain other eligible jurisdictions; the Institutional Offer, which consists of an invitation to bid for Shares made to Institutional Investors in Australia, New Zealand, Hong Kong and certain other eligible jurisdictions; and the Chairman's List Offer, which is open to selected retail investors and Institutional Investors in Australia and New Zealand and certain other eligible jurisdictions who have received an invitation under the Chairman's List Offer. <p>No general public offer of Shares will be made under the Offer.</p> <p>Bell Potter Securities Limited and Evans Dixon Corporate Advisory Pty Limited are acting as Joint Lead Managers and Underwriters to the Offer.</p>	Section 7.2
What rights and liabilities attach to the Shares being offered?	All New Shares issued under the Offer will rank equally in all respects with existing Shares on issue. The rights attaching to New Shares are described in Section 12.4.	Section 12.4
What is the minimum subscription under the Offer?	The Subscription Amount for the Offer is for 80,000,000 New Shares. Terragen will not accept more or fewer Shares than the Subscription Amount.	Section 7.1
What is the minimum application size?	<p>\$2,000 of New Shares (being 8,000 New Shares), with incremental multiples \$500 of New Shares (being 2,000 New Shares).</p> <p>There is no maximum Application under the Offer.</p>	Section 7.9

1. Investment overview continued

Item	Summary	Further information																														
<p>How will the proceeds of the Offer be used?</p>	<p>The table below sets out the proposed use of proceeds from the Offer plus existing cash reserves of \$200,000:</p> <table border="1" data-bbox="453 539 1246 1144"> <thead> <tr> <th data-bbox="453 539 922 640">Use of proceeds¹</th> <th data-bbox="927 539 1082 640">Subscription Amount + cash reserves</th> <th data-bbox="1086 539 1246 640">% of funds raised</th> </tr> </thead> <tbody> <tr> <td data-bbox="453 647 922 707">Commercialisation Australia & New Zealand</td> <td data-bbox="927 647 1082 707">\$4.3 million</td> <td data-bbox="1086 647 1246 707">21.3%</td> </tr> <tr> <td data-bbox="453 714 922 775">Market Development Support Animal Nutrition Products</td> <td data-bbox="927 714 1082 775">\$4.1 million</td> <td data-bbox="1086 714 1246 775">20.3%</td> </tr> <tr> <td data-bbox="453 781 922 842">Market Development Support Animal Health Products</td> <td data-bbox="927 781 1082 842">\$3.9 million</td> <td data-bbox="1086 781 1246 842">19.3%</td> </tr> <tr> <td data-bbox="453 848 922 887">Market entry and commercialisation Europe</td> <td data-bbox="927 848 1082 887">\$0.9 million</td> <td data-bbox="1086 848 1246 887">4.5%</td> </tr> <tr> <td data-bbox="453 893 922 954">Market penetration and operating costs United States of America</td> <td data-bbox="927 893 1082 954">\$1.1 million</td> <td data-bbox="1086 893 1246 954">5.4%</td> </tr> <tr> <td data-bbox="453 960 922 1021">Formulations and technology development support</td> <td data-bbox="927 960 1082 1021">\$1.9 million</td> <td data-bbox="1086 960 1246 1021">9.4%</td> </tr> <tr> <td data-bbox="453 1028 922 1066">Administration costs and working capital²</td> <td data-bbox="927 1028 1082 1066">\$2.5 million</td> <td data-bbox="1086 1028 1246 1066">12.4%</td> </tr> <tr> <td data-bbox="453 1072 922 1111">Payment of costs of the Offer³</td> <td data-bbox="927 1072 1082 1111">\$1.5 million</td> <td data-bbox="1086 1072 1246 1111">7.4%</td> </tr> <tr> <td data-bbox="453 1117 922 1144">TOTAL</td> <td data-bbox="927 1117 1082 1144">\$20,200,000</td> <td data-bbox="1086 1117 1246 1144">100%</td> </tr> </tbody> </table> <p data-bbox="453 1173 512 1189">Notes:</p> <ol data-bbox="453 1205 1246 1496" style="list-style-type: none"> 1. Amounts included in the use of proceeds table above exclude inflows from potential revenues (and the associated cost of goods and distribution costs). 2. The working capital is to be applied towards funds required to expand the business, and towards administration costs associated with Terragen. These costs include costs for wages and salaries, occupancy costs, professional consultant's fees, compliance and reporting costs associated with running an ASX listed company, as well as other typical administration costs. 3. The total outstanding costs of the Offer (excluding GST) are estimated to be approximately \$1,500,000, comprising amongst other things, legal expenses, accounting, audit and tax advisory fees, underwriter fees, ASIC and ASX fees and prospectus design and printing costs. Please refer to Section 12.14 for a detailed breakdown of the total costs of the Offer. <p data-bbox="453 1525 1246 1733">The above table is a statement of current intentions as at the date of this Prospectus. Investors should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of sales success, operational and development activities, regulatory developments, and market and general economic conditions. In light of this, the Board reserves its right to alter the way the funds raised are applied.</p>	Use of proceeds ¹	Subscription Amount + cash reserves	% of funds raised	Commercialisation Australia & New Zealand	\$4.3 million	21.3%	Market Development Support Animal Nutrition Products	\$4.1 million	20.3%	Market Development Support Animal Health Products	\$3.9 million	19.3%	Market entry and commercialisation Europe	\$0.9 million	4.5%	Market penetration and operating costs United States of America	\$1.1 million	5.4%	Formulations and technology development support	\$1.9 million	9.4%	Administration costs and working capital ²	\$2.5 million	12.4%	Payment of costs of the Offer ³	\$1.5 million	7.4%	TOTAL	\$20,200,000	100%	Section 7.3
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TOTAL	\$20,200,000	100%																														
<p>Will Terragen be adequately funded after completion of the Offer?</p>	<p>The Directors are satisfied that on completion of the Offer, Terragen will have sufficient working capital to carry out its stated objectives (refer Section 2.4).</p> <p>The use of further equity funding or share placements will be considered by the Board where it is appropriate to accelerate a specific project, transaction or expansion.</p>	Section 7.8																														

Item	Summary	Further information
Will the Shares be quoted on the ASX?	<p>Terragen will apply to ASX within seven days of the Prospectus Date, for admission to the Official List and Quotation of New Shares on ASX (under the code "TGH").</p> <p>Completion of the Offer is conditional on ASX approving this application. If approval is not given within three months after such application to the ASX is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Money received will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.</p>	Section 7.13
Is the Offer underwritten?	<p>Yes. The Offer is fully underwritten by the Joint Lead Managers, subject to the terms of the Underwriting Agreement.</p> <p>The Joint Lead Managers are Bell Potter Securities Limited and Evans Dixon Corporate Advisory Pty Limited.</p>	Section 9.1
What is the allocation policy applicable to the Offer?	<p>The allocation of Shares between the Broker Firm Offer, Institutional Offer and Chairman's List Offer will be determined by the Joint Lead Managers and the Company having regard to the allocation policy outlined in Section 7.9.</p> <p>For the Broker Firm Offer, the Joint Lead Managers and the Brokers to the Offer will determine how Brokers allocate Shares among their clients.</p> <p>Institutional Offer allocations were determined by Terragen in consultation with the Joint Lead Managers.</p> <p>For the Chairman's List Offer, Terragen, in consultation with the Joint Lead Managers, will determine the allocation of New Shares among Applicants.</p>	Section 7.9
Is there any brokerage, commission or stamp duty payable by Applicants?	<p>No brokerage, commission or stamp duty is payable by Applicants on acquisition of New Shares under the Offer.</p>	Section 7.9
What are the tax implications of investing in the New Shares?	<p>An overview of the Australian tax treatment for Australian tax resident investors is included in Section 11. The tax consequences of any investment in the New Shares will depend upon any investor's particular circumstances, particularly for non-resident Shareholders. Applicants should obtain their own tax advice prior to deciding whether to invest.</p>	Section 11
When will I receive confirmation that my Application has been successful?	<p>It is expected that initial Holding Statements will be despatched by standard post in accordance with the timetable detailed under 'Key Offer Information' on page 3.</p> <p>It is the responsibility of each Applicant to confirm their own holdings before trading on ASX, and any Applicant who sells their Shares before they receive an initial Holding Statement does so at their own risk.</p>	Key Offer Information on page 3
What is Terragen's dividend policy?	<p>The payment of dividends by the Company, if any, subject to law, is at the complete discretion of the Directors, and the Directors do not provide any assurance of the future level of dividends and the level of franking of such dividends.</p> <p>The ability to pay dividends will depend on a number of factors, many of which are beyond the control of the Company. In determining whether to declare future dividends, the Directors will have regard to Terragen's earnings, overall financial condition, capital requirements and the level of franking credits available.</p> <p>It is intended that no dividend will be paid following Listing in respect of the 2020 financial year.</p>	Section 4.10

1. Investment overview continued

Item	Summary	Further information
<p>How can I apply for New Shares?</p>	<p>Broker Firm Applicants</p> <p>Broker Firm Applicants may apply for New Shares by completing a valid Broker Firm Application Form attached to or accompanying this Prospectus and lodging it with the Broker who invited them to participate in the Broker Firm Offer.</p> <p>Institutional Offer Applicants</p> <p>Institutional Investors may apply for New Shares by completing a valid Institutional Offer Application Form as separately advised by the Joint Lead Managers.</p> <p>Chairman’s List Offer Applicants</p> <p>Applicants under the Chairman’s List Offer must apply in accordance with the instructions provided in their invitation to participate in the Chairman’s List Offer.</p>	<p>Section 7.10(b) Section 7.11(b) Section 7.12(b)</p>
<p>Can the Offer be withdrawn?</p>	<p>Terragen reserves the right not to proceed with the Offer at any time before the issue of New Shares to Successful Applicants.</p> <p>If the Offer does not proceed, the Share Registry, your Broker or Terragen will refund Application Money.</p> <p>No interest will be paid on any Application Money refunded as a result of the withdrawal of the Offer.</p>	<p>Section 7.17</p>
<p>When are the Shares expected to commence trading?</p>	<p>It is expected that the New Shares will commence trading on the date detailed on page 3 in the Key Offer Information.</p> <p>It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial Holding Statement do so at their own risk.</p>	<p>Section 7.9</p>
<p>Where can I find more information?</p>	<p>Call the Offer Information Line on 1800 653 805 (within Australia) +61 1800 653 805 (from outside Australia) between 8:30am and 5:00pm Brisbane time if you require assistance to complete the Application Form, require additional copies of this Prospectus or have any questions in relation to the Offer.</p> <p>All enquiries in relation to the Broker Firm Offer should be directed to your Broker.</p> <p>If you are unclear in relation to any matter or are uncertain as to whether obtaining New Shares in Terragen is a suitable investment for you, you should seek professional advice from your solicitor, stock broker, accountant tax adviser or other independent and qualified professional adviser before deciding whether or not to invest.</p>	<p>Section 7.9</p>

2.

Business overview



2. Business overview

2.1 Introduction

Terragen is a developer of Ag bio solutions whose core technology platform addresses soil health and productivity and animal health and nutrition without relying on chemical-based fertilisers, pesticides and antibiotics.

Terragen's business model is focused on utilising its portfolio of microbes in the development, production, and marketing of biological products for agriculture, both in the soil health and animal health and nutrition sectors.

For more detail on the industry in which Terragen operates, refer to Section 3.

Terragen built and continues to expand its portfolio of microbes by screening naturally occurring microbes and demonstrating (in laboratory and field testing conditions), through microbiome adjustments, improved soil health, plant health and animal nutrition and health, characterised by accelerated growth, and overall stronger, healthier and more productive animals and plants.

By using genomic profiling techniques, Terragen was able to identify and describe the function of certain genes of these microbes. In addition to this, Terragen developed the ability to screen the activity of a range of microbes against specific targets as well as animal gastrointestinal targets. This led to the identification of combinations of microbes that in concert provide improved efficacy over individual microbes. These combinations were then tested for efficacy in the laboratory and the field, as well as in animal models and target animal species.

This scientific process underpinned the development of each Terragen Product, namely:

- (a) the soil health product, Great Land;
- (b) the animal feed additive, Mylo®;
- (c) the dairy cattle udder health product, Lactolin; and
- (d) the anti-inflammatory veterinary treatment product, Halo.

This methodology, applied to a range of new microbes Terragen finds in a variety of natural sources, underpins Terragen's new product identification and development program.

Terragen operates in a 575-square metre integrated manufacturing and research and development facility located in the Coolool Eco Industrial Park on Queensland's Sunshine Coast. Terragen utilises Good Manufacturing Practices (GMP) guidelines such as described by the Feed Ingredients and Additives Association (FIAAA) and where appropriate produces products that are certified organic.

2.2 History

Terragen was incorporated in Australia in May 1996 and is the holding company of Terragen Biotech (incorporated in Australia in December 2009). From 1996 to 2009, Terragen was largely inactive.

Terragen essentially commenced operations at the time Terragen Biotech was incorporated. The goal of Terragen and Terragen Biotech (together the "Terragen Group") was to develop technologies with environmental remediation potential. Several years later, the Terragen Group began its efforts to support dairy farmers seeking to reduce the increasing rate with which chemical fertilisers were being used.

Following its conversion to a public company in January 2014, Terragen initiated a strategy to commercially develop Great Land by partnering with a select number of farmers covering the dairy, macadamia, grape, banana, and horticultural cropping sectors. As part of this strategy, Terragen also engaged independent research organisations to undertake independent trials in order to validate testing results and ultimately support the commercialisation of Great Land.

In 2016, Terragen expanded its product platform by engaging the University of Queensland's Veterinary School to conduct animal health and nutrition trials. Terragen's relationship with the University of Queensland's Veterinary School continues today and involves a team of researchers led by Dr John Al-Alawneh.

On 26 January 2018, Terragen Biotech was registered under Part XVIII of the New Zealand Companies Act 1993 to carry on business in New Zealand under NZCN 6674173; NZBN: 9429046568953.

In 2018, a dedicated research and production facility in Coolool, Queensland was opened to accelerate new development and vastly increase Terragen's ability to bring products to market. This included undertaking trials of Lactolin and Mylo®, and commencing research and development work on Halo.

In early 2019, Mylo® was commercialised on the basis of a dairy calf trial completed by the University of Queensland's Veterinary School.

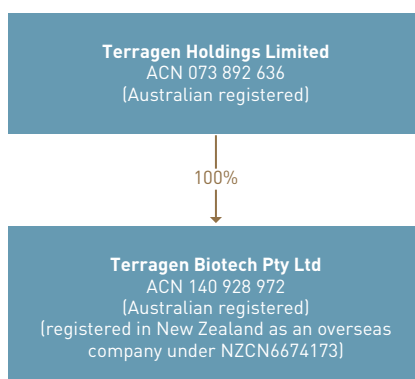
In 2019, Terragen rolled out its agency retail strategy to support the distribution of Great Land and Mylo® in Australia and expanded commercialisation efforts in New Zealand.

A timeline of these events is depicted below.



2.3 Company structure

The corporate structure of the Terragen Group is as detailed below:



Terragen Holdings Limited is the parent company of the Terragen Group and owns all intellectual property of the Terragen Group. Terragen Biotech Pty Ltd is the wholly owned operating entity of the Terragen Group and is the counterparty to all employment agreements (other than Justus Homburg) and Retail Agency Agreements. Terragen Biotech Pty Ltd is the entity in which all of the Terragen Group's commercial sales, production and research and development are housed.

For more information on the corporate structure of the Terragen Group, please refer to Section 12.1.

2.4 The business model

2.4.1 Operating philosophy

With a commitment to a scientific approach to microbiome research and development, the Terragen Group has successfully created natural, biological solutions to some of the problems facing the farming sector.

Terragen's products leverage the benefits certain microorganisms can provide. Terragen sources these microorganisms from different natural sources including certain soils, plants and animals.

Terragen screens these microorganisms first by creating a genomic profile of each microorganism, a profile that helps identify the function of each gene. Gene function is subsequently elaborated by in vitro (in the laboratory) testing of the microorganisms against specific targets. Terragen then combines specific microorganisms that work in concert to improve efficacy against the targets. These concert products are subject to in vitro testing to identify the optimal microorganism combination product. The last step involves in vivo (in real-life settings) testing.

Terragen's technology is therefore a combination of methods of collecting, characterising, screening, and combining microorganisms to achieve maximum efficacy against specific targets.

Terragen's current core set of microorganisms is based in large on a number of different microorganisms falling in the general lactobacillus group of bacteria. Terragen's current products are based on unique combinations of lactobacilli that are produced individually and blended under quality-controlled conditions.

2. Business overview continued

In particular, Terragen has commercialised the following two Terragen Products:

- (a) Great Land, a soil conditioner containing live microbes; and
- (b) Mylo®, a live microbial probiotic feed supplement.

It also has two additional Terragen Products classified as veterinary medicines under development:

- (a) Lactolin, a teat conditioner used to maintain and improve the udders of lactating production animals; and
- (b) Halo, an anti-inflammatory product.

Terragen is placed to aid in unlocking a new future for farming, providing a suite of biological products that form a foundation for farms using organic, chemical-free or conventional farming practices that drive agricultural sustainability.

Terragen's aim is to develop products that improve sustainability and productivity in agriculture by using the Company's core microbiome technologies. A number of these core microbiome technologies are protected by existing patents and pending patent applications. For more information on the patents and pending patent applications, refer to Section 2.6.

Future development of Terragen's products will be appropriately protected under intellectual property laws as and when required.

2.4.2 The Terragen Products

A snapshot of the Terragen Products is provided below:

Product	Great Land	Mylo®	Lactolin	Halo	
Description	Patented soil conditioner containing live, natural occurring bacterial species.	Patented, live microbial feed supplement.	Biological udder conditioner for lactating cows.	Biological anti-inflammatory product.	<p>Soil health – Great Land Great Land is a biological soil conditioner product developed by the Terragen Group. Great Land is sprayed onto pasture or on the ground beneath orchard trees. In horticultural settings it may be applied through an irrigation system. Great Land is certified for use in organic food production in Australia and New Zealand and is compliant with the United States Department of Agriculture (USDA) National Organics Program (NOP).</p> <p>Soil conditioners can be classified as soil amendment or biostimulant products depending on the regulatory jurisdictions.</p> <p>Animal nutrition – Mylo® Mylo® is a live microbial feed supplement targeted primarily at production animals such as dairy and beef cattle, goats, sheep and pigs.</p> <p>Mylo® is currently administered as a liquid product that is added to feed and milk as a dietary supplement.</p> <p>Mylo® is certified for use in organic food production in Australia and New Zealand.</p>
Target Market	Crop improvement (biological soil conditioning).	Animal nutrition (feed additive).	Animal health (udder wash).	Animal health (anti-inflammatory).	
Product Type	Liquid – (can also be sold as freeze-dried product to be mixed with water).	Liquid, with dry formulation being produced.	Liquid, with dry formulation being produced.	Liquid or dry.	
Market Position (and timeframe to market)	In market.	In market.	Preparing to commence – commercial trials – 3 years in EU, AU, NZ.	Preparing to commence early stage registration trials – 3 years.	
AU regulatory status	Exempt from registration using Australian Pesticides and Veterinary Medicines Authority (APVMA) self-assessment process.	Exempt from registration using APVMA self-assessment process.	Subject to APVMA regulatory approval.	Subject to APVMA regulatory approval.	
NZ regulatory status	Exempt from Agricultural Compounds and Veterinary Medicines (ACVM) registration. Exemption certificate has been issued by New Zealand Ministry for Primary Industries.	Exempt from ACVM registration. Exemption certificate has been issued by New Zealand Ministry for Primary Industries.	Subject to ACVM regulatory approval.	Subject to ACVM regulatory approval.	

Product	Great Land	Mylo®	Lactolin	Halo
EU regulatory status	Regulatory advice to be sought prior to the product entering the market.	Subject to European Food Safety Authority approval. Regulatory advice to be sought prior to the product entering the market.	Subject to European Medicines Authority approval and registration as a veterinary medicine at the natural level for each market. Regulatory advice to be sought prior to the product entering the market.	Subject to European Medicines Authority regulatory approval and national approval. Regulatory advice to be sought prior to the product entering the market.
US regulatory status	Varies by State. Regulatory advice to be sought prior to the product entering the market.	Varies by State. Regulatory advice to be sought prior to the product entering the market.	Varies by State. Regulatory advice to be sought prior to the product entering the market.	Varies by State. Regulatory advice to be sought prior to the product entering the market.
Distribution/Partnerships	AU Retail Agency Network. NZ distribution approach in development.	AU Retail Agency Network. NZ distribution approach in development.	Irish Co-operative Animal Health Group (CAHG) network ¹	Likely through licensing agreements.
Benefits	100% Natural, Biological product. Enhances soil characteristics that enable better availability and utilization of nutrients. Yield increase in cropping and horticulture. Suitable for chemical-free and organic farming. Reducing reliance on chemicals and fertilisers. Pasture fed cows produce more milk than non-treated pasture group and therefore milk protein per cow per day increases	Feed supplement can achieve increased weight gain in young beef and dairy herds. Complements traditional additives such as vitamins, amino acids, fatty acids or minerals, and lead to more efficient use of feed nutrients.	Maintain healthy skin on the udder.	Assist dairy cattle with mastitis and companion animals such as dogs with mobility impairments.

Animal health – Lactolin (under development)

Lactolin is a biological udder conditioner for lactating cows. It may be called a teat conditioner or an udder wash in certain jurisdictions. Lactolin, as tested in clinical trials, is administered as a liquid spray-on product and can be applied in the same manner as a teat dip. The product's primary purpose is to maintain healthy skin on the udder.

Animal health – Halo (under development)

Halo is a biological anti-inflammatory product in early stages of development for use in production animals and companion animals. Halo is intended to assist dairy cattle with mastitis and companion animals such as dogs with mobility impairments.

Terragen is committed to continuing registration and development in order to commercialise Halo across various jurisdictions.

Note:

1. As at the Prospectus Date Terragen has an informal arrangement with CAHG for the execution of Mylo and Lactolin registration trials in Ireland with a number of farmers represented by CAHG.

Terragen intends to submit the necessary documentation for Terragen Products to be certified as organic in those markets where the Terragen Products are to be commercialised. Terragen intends to leverage its organic certifications within the industry to develop potentially valuable engagements with producers who are either certified as organic farmers or are in transition to organic certification.

For detail on the applicable regulatory landscape for each Terragen Product, refer to Section 3.4.

2. Business overview continued

2.4.3 Revenue model

Terragen historically sold Great Land directly to farmers in Australia. These were predominantly dairy farmers, banana growers, macadamia growers, avocado growers, vegetable growers, and vineyards.

The Terragen Group now generates revenue by primarily selling Great Land and Mylo[®] through its retail agency distribution network under the Retail Agency Agreements entered into between Terragen Biotech and its retail distribution network in Australia.

The implementation of this distribution network was launched by Terragen Group in February 2019 and now includes 16 national and regional agricultural retail organisations such as Elders Rural Services Australia Limited and Murray Goulburn (MG Trading Pty Ltd). In total, 68 individual retail outlets are involved in the distribution of Great Land and Mylo[®], with each having been accredited by Terragen Biotech through a product training program.

Refer to Section 9.2 for detail on the Retail Agency Agreements.

Payments are structured under the Retail Agency Agreements as detailed below:

- (a) Where the Agent acts as Terragen Biotech's sales agent, the Agent is paid according to the commission structure set out in the product schedules attached to the Retail Agency Agreements (detailed in Section 9.2) provided to the Agent from time to time. The following commission structure is presently set out in Terragen's current Product Schedule:
 - (i) Base – 20% (Guaranteed)
 - (ii) Payment on time – 5% (Performance)
 - (iii) Sales target – 4% (Performance)
 - (iv) Customer details – 1% (Performance)
- (b) Where the Agent acts as a fulfilment agent, Terragen may pay fees to the Agent as agreed between Terragen and the Agent.
- (c) Where the Agent holds Terragen Products on consignment or otherwise acts as both a fulfilment agent and a sales agent, the fees and commissions payable by and to each party in respect of warehousing and fulfilment, and sales agency, may be set off against each other.

An example of the pricing model for Terragen Products (in Australia) – Great Land and Mylo[®] is provided below:

- (a) Great Land – Dairy pasture:
 - (i) Great Land is added to water and applied as a spray to pasture at a prescribed rate of 10 litres per hectare;
 - (ii) Recommended frequency of application – 2 times per year aligning with key forage growth periods – early autumn break, late autumn and spring;
 - (iii) Great Land is sold for between \$42.00 and \$56.00 (depending on container size purchased) per hectare of application;
 - (iv) Potential addressable Great Land market is the dairy sector – estimated at 2.1m hectares in Australia and 2.6m hectares in New Zealand under dairy production.¹

1. <http://www.agriculture.gov.au/about/commitment/portfolio-facts/dairy>, http://archive.stats.govt.nz/browse_for_stats/environmental-reporting-series/environmental-indicators/Home/Land/land-use.aspx

(b) Mylo® – Dairy calves

- (i) Mylo® is sold as a calf feed additive in a liquid form (20 litre or 1000 litre drums) and applied as a part of cattle supplementary feed program;
- (ii) Recommended diet supplement period at daily application rates of 10 millilitres per day:
 - (A) Pre-weaning calves – 80 day feeding cycle;
 - (B) Heifers – 450 days feeding cycle;
 - (C) Dairy cows – 270 day feeding cycle; and
 - (D) Beef cattle – 80 day feeding cycle;
- (iii) Mylo® is sold for between \$0.105 per daily application per animal (1000 litre drum) and \$0.125 per daily application per animal (20 litre drum). The application volume of Mylo® may vary depending on the broader circumstances faced by the individual producer.

In New Zealand, the Terragen Group generates revenues through the sale by Terragen Biotech of Great Land and Mylo® direct to farmers in New Zealand.

2.4.4 Production process

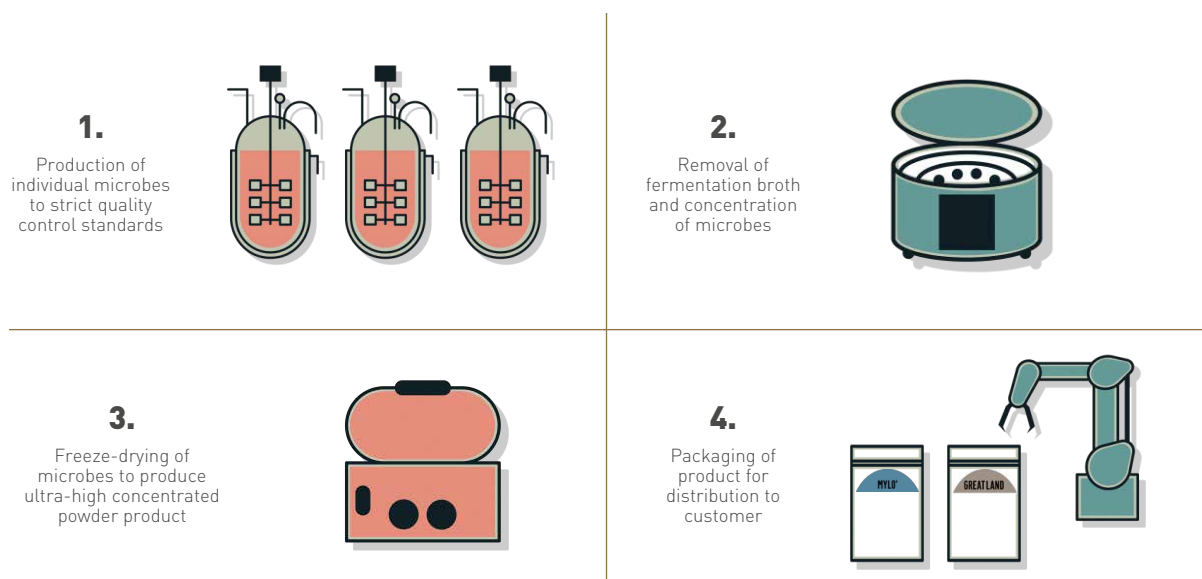
The production process for Terragen Products involves producing large quantities of microbes that have been selected on the basis of specific targets. Different microbes are then mixed together in varying concentrations to achieve a product that will have optimal efficacy for its intended use.

For example, the production process for Great Land involves:

- (a) the selection of primary microbial species;
- (b) the use of a targeted microbe selection processes;
- (c) the production of individual microbes to strict quality control standards; and
- (d) the mixing of these select targeted microbes in a product designed to provide optimal efficacy.

For its manufacturing processes, Terragen uses fermentation, centrifugation, freeze-drying, high-concentrate liquid blending and mixing end-user formulation production and associated support equipment such as steam generation, chilling, and autoclaving equipment.

A diagram of the Terragen production process of its ultra-high concentrated powder formulations is provided below:



2. Business overview continued

With respect to production capacity:

- (a) Production capacity equipment has been increased at Terragen's Good Manufacturing Practices (**GMP**) facility in Coolum on the Sunshine Coast to ensure that the Terragen Group can meet demand in Australia, New Zealand and export markets for the foreseeable future.
- (b) In the event that Terragen is unable to produce a product to the veterinary medicine or veterinary-medicine related GMP requirements in its own facility, a third party can be contracted to manufacture its products according to the required GMP standards. As at the Prospectus Date, all Terragen Products are manufactured by Terragen.
- (c) It is reasonable to expect that some offshore manufacturing will be established when international sales volumes rise to higher levels. This would occur at a time when transport and distribution costs necessitate such a move.

The current production capacity at Terragen's manufacturing, research and development facility located in the Coolum Eco Industrial Park on Queensland's Sunshine Coast is estimated to have been operating at approximately 4% of its total current equipment capacity.

2.4.5 Production costs

Terragen produces and manufactures its Great Land and Mylo[®] products in its integrated manufacturing, research and development facility located in the Coolum Eco Industrial Park on Queensland's Sunshine Coast.

Terragen key cost drivers are microbe production, packaging, distribution, and sales and marketing.

2.4.6 Distribution network

Australia and New Zealand

As at the Prospectus Date, Terragen operates:

- (a) in Australia – where it sells Great Land and Mylo[®] through its retail agency network; and
- (b) in New Zealand – where it sells Great Land and Mylo[®] to farmers.

A platform for the implementation of Terragen's retail agency model has been Terragen's long-standing relationships with end-users, most of who were supplied under direct-to-farm accounts. Terragen's retail agency strategy in Australia includes an education program for retail outlet representatives covering the Terragen Products.

In recent years Terragen's primary focus industry has been the dairy industry. The engagement of dairy farmers in particular has been part of Terragen's development of animal health products as well as its reformulation of Great Land. Consequentially, the majority of Terragen's direct accounts in FY2017 and FY2018 were with dairy farmers.

Before implementing its retail agency distribution strategy in Australia, Terragen's applications development team worked with a total of nearly 100 different farmers to develop optimal product use programs. During the 30-month period leading up to the launch of the retail agency distribution strategy in February 2019, Terragen worked directly with 58 dairy farmers, 15 horticultural crop growers, six vineyards, five macadamia growers, five banana plantations, and several operations involved in a range of other cropping sectors including turf, nursery operations, and avocado production.

Terragen's distribution strategy in Australia engages a network of rural retail suppliers for the sale of Terragen Products to farmers. Retailers operate as agents, under a similar model used by many major agrochemical and fertiliser companies. Terragen Products are stored in regionally located depots from where they can be shipped to the market on short notice.

Implementation of the agency distribution strategy in Australia commenced in February 2019. To date, 16 retail partners in Australia have executed a standardised non-exclusive Retail Agency Agreement and of these, 68 individual retail outlets have completed a training and accreditation process. Refer to Section 9.2 for detail on the Retail Agency Agreements.

The Terragen distribution strategy in New Zealand involves the sale of Great Land and Mylo[®] direct to farmers. Terragen is considering alternative distribution strategies in New Zealand. This could involve either a retail agency distribution arrangement similar to that in place for the Australian market, or an alternative distribution strategy with distribution partners in New Zealand.

United States

Terragen is preparing to implement a launch program for the early-stage sales and distribution of Mylo[®] and Lactolin in the United States. Refer to Section 2.7 for further detail.

2.4.7 Research and development

Terragen is committed to long-term research and development, manufacturing, testing and validation partnerships with leading research institutions such as the University of Queensland. Terragen and the University of Queensland's Veterinary School have a long-standing collaborative R&D relationship that underpins several current Mylo® and Lactolin projects and is anticipated to provide future R&D efforts supporting Terragen Product development and commercialisation activities.

A core element of Terragen's business and an element of its growth strategy is its ongoing research and development and investment in innovation to expand its portfolio of microbes. To that end, Terragen has 7 employees focussed on research and development.

Terragen's research and development efforts include:

- (a) **Developing new formulations** – Developing new formulations to optimize the Terragen Products, and investigating the efficacy of these formulations;
- (b) **Identifying novel bacteria** – Identifying novel bacteria from a variety of environmental sources;
- (c) **Development and testing of Mylo®** – Continuing the development and testing of Mylo® as a feed supplement with the aim of establishing its efficacy throughout the dairy cow's life cycle, for application to other production animals, and for the commercialisation in the US and registration in the EU;
- (d) **Commercial development of Lactolin** – Continuing the commercial development of Lactolin, including the addition of a preferred emollient, with subsequent trials aimed at supporting the product's benefits over the standard of care for commercialisation in the US and registration in the EU; and
- (e) **Organic status and GMP manufacturing** – Maintaining a focus on retaining organic status for all products, and having the products manufactured under GMP conditions.

2.5 Key strengths and competitive advantage of Terragen

Terragen's key strengths lie in the combination of the following:

Terragen provides a value proposition to both retailers and farmers.

Terragen provides retailers a differentiated product suite when compared with traditional chemical solutions.

Terragen's Products, supported by independent trial data provide a:

- (a) solution for those retailers seeking to add value to their farmer client base. Refer to Section 2.8 for detail on the field studies.
- (b) value proposition to farmers in reducing chemical usage and improving production capacity.

Track record in product development programs

Terragen Products are commercialised on a foundation of independently executed field trials that provide positive results in terms of product efficacy and overall economic benefits to farmers.

Through commercial trial execution, meetings with farmers and broad-based marketing, Terragen has established a relationship directly with its customers. The field studies are discussed in detail in Section 2.8.

Expanding technology platform

Terragen has an existing suite of core technology, protected by existing patents and pending patent applications. Terragen continues to focus research and development efforts through the integration of its technology into new product areas – for example, new formulations of existing products that may simplify storage, distribution and usage by farmers.

Application of robust production processes

Terragen uses production processes that adhere to single-microbe production processes and applies quality control standards that aim to ensure purity, viability, and stability of its products. This has led to the development of Terragen's platform of Terragen Products which have formed the foundation for Terragen's ability to develop a competitive position in the biological agricultural sector.

2. Business overview continued

Differentiated offering with the potential to capture large market opportunity

Terragen participates in both the plant and animal health markets to provide farmers with alternative, chemical-free, organic solutions to improve productivity in agriculture. For further information on Terragen's competitive landscape, see Section 3.1 and 3.3.

Terragen believes the Terragen Products offer a differentiated approach to agricultural production by providing greater productivity and a reduction in reliance on chemical based fertilisers, pesticides and antibiotics, particularly in the grazing and dairy industries. Commercial trials and field research which have supported the use of Terragen Products over traditional competitor products, are outlined further in Section 2.8.

Experienced and well credentialed management team

Terragen's senior management team, led by Managing Director Justus Homburg, has significant experience in the agriculture and human life sciences sector.

Terragen has built a relationship with regional communities over many years of working closely with farmers in learning how the use of its Terragen Products can be optimised. This has been instrumental in defining the marketing, sales, and distribution strategies which the Terragen Group has been able to put in place through its retail agency network.

Terragen's experienced business personnel are deeply integrated with its retail agency strategy, which is required in order to educate customers on the key benefits of Terragen Products demonstrated from the results achieved with those products in trials.

The Company's broader management team has been instrumental in the success of the business to date and is well placed to execute further on the business' growth strategy.

For further information on Terragen's retail agency strategy and network see Section 2.4.6, and for further information on the Board of directors and management, see Section 6.2 and Section 6.3.

2.6 Intellectual property

Terragen's intellectual property strategy is based on the principle of patenting the use of uniquely defined microbes for specific applications.

The intellectual property assets of Terragen as at the Prospectus Date are summarised below:

Patents

The following granted patents and pending patent applications (detailed in the Intellectual Property Report in Section 10) held by Terragen relate to microbial inoculants and fertilizer compositions comprising bacterial strains. The first of these patent families applies to the use of Great Land for soil improvement and subsequent plant health while the second applies to the use of microbial combination products like Halo to affect a change of undesirable animal microbiome pathogens.

Patent family 1

Country	Application No.	Patent No.	Priority Date	Renewal date	Status
Australia	2012321092	2012321092	04.11.2011	05.11.2019	Patent granted
Brazil	BR1120140106509	-	04.11.2011	05.11.2019	Application pending
Canada	2854362	2854362	04.11.2011	05.11.2019	Patent granted
Chile	01162-2014	-	04.11.2011	-	Application pending
China	201280062624.5	ZL201280062624.5	04.11.2011	05.11.2019	Patent granted
Europe	12844819.8	2773599	04.11.2011	05.11.2019	Patent granted
Japan	2014-540271	6139544	04.11.2011	12.05.2020	Patent granted
Mexico	MX/a/2014/005344	361006	04.11.2011	05.11.2023	Patent granted
New Zealand	614079	614079	04.11.2011	05.11.2019	Patent granted
United States	13/984,488	-	04.11.2011	-	Application pending

Patent family 2

The following granted patents and pending patent applications relate to the antimicrobial activity of bacterial strains (detailed in the Intellectual Property Report in Section 10):

Country	Application No.	Patent No.	Priority Date	Renewal date	Status
Argentina	P140103543	–	25.09.2014	–	Application pending
Australia	2014256851	2014256851	23.04.2013	22.04.2020	Patent granted
Brazil	BR1120150267734	–	23.04.2013	22.04.2020	Application pending
Canada	2909982	–	23.04.2013	22.04.2020	Application pending
China	201480031784.2	–	23.04.2013	–	Application pending
Europe	14788557.8	–	23.04.2013	22.04.2020	Application pending
Hong Kong	16110412.1	–	23.04.2013	22.04.2023	Application pending
New Zealand	630117	630117	23.04.2013	22.04.2020	Patent granted
South Africa	2015/08479	–	23.04.2013	22.04.2020	Application pending
Vietnam	1-2015-04461	–	23.04.2013	–	Application pending

Please refer to the Intellectual Property Report in Section 10 for further details on the pending patent applications and granted patents detailed above. The patents scheduled for renewal in 2019 will be renewed on the renewal dates.

The Intellectual Property Report also provides information on the patenting process.

Trademarks

As at the Prospectus Date, the Terragen Group has trademarks and trademark applications for 'Great Land' and 'Mylo' in a number of jurisdictions. Refer to Section 12.11 for detail.

2.7 Growth strategy

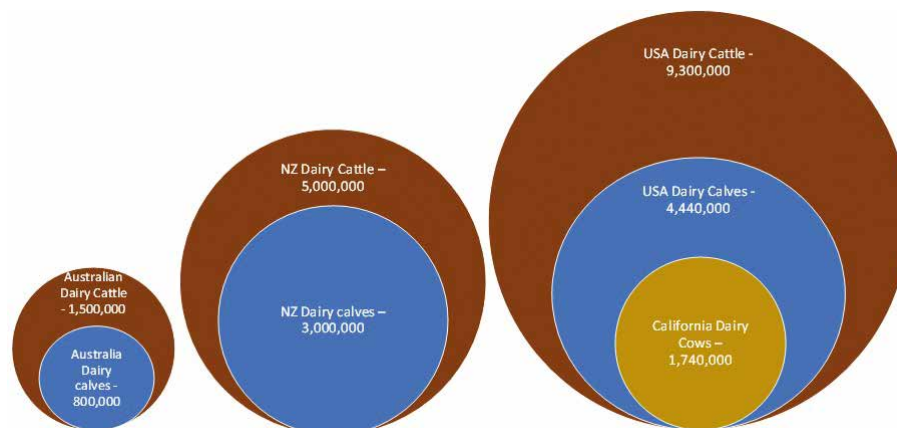
2.7.1 Growth plans

Terragen's growth plans include the following specific efforts:

- Increased scale and distribution networks for Great Land and Mylo® in Australia and New Zealand** – By increasing Terragen's scale and distribution networks for Great Land and Mylo® in Australia and New Zealand. Refer to Section 2.7.3 for further detail. In New Zealand, whilst Terragen will continue selling Mylo® and Great Land direct to farmers in the short term, it will work to develop an alternative distribution strategy. This could involve either a retail agency distribution arrangement or an alternative distribution strategy with strategic distribution partners in New Zealand;
- Attention on the dairy sector** – Terragen has identified the dairy sector as a key platform for growth due to the large addressable market. The roll out of Terragen Products, in particular Mylo® and Great Land, is to be focused on key dairy cattle markets across Australia, New Zealand and USA (California);

2. Business overview continued

A snapshot of the addressable markets is provided below:^{2,3,4}



- (c) **Launch Mylo® and Lactolin into the United States** – Expanding the geographic reach of the Terragen Products, Mylo® and Lactolin, into the United States. The initial target market will be California, the largest dairy state in the US. The roll-out strategy is two-pronged: engagement of several key dairy sector input distributors, and the execution of local commercial trials to support commercial development of products. Terragen’s California-based business development advisor has identified preliminary distribution partners and Terragen’s California-based dairy trial service provider, DairyExperts, has designed the requisite studies and identified appropriate farms;
- (d) **Commencement of market assessment studies of Mylo® and Lactolin in the key dairy countries of the EU** – As Mylo® and Lactolin are not currently registered in the EU, Terragen intends to expedite its entrance into these markets by commencing market assessment studies in the key dairy countries of the EU (and Europe): Germany, Italy, France, the United Kingdom and The Netherlands to determine the most likely effective positioning of Terragen Products;
- (e) **Commencement of efficacy trials supporting the registration of Halo in companion animals** – Commencing efficacy trials supporting the registration of Halo in companion animals (e.g. dogs with inflammatory conditions such as arthritis). The results of such trials are anticipated to underpin the further development of the registration package of Halo in Australia and New Zealand as well as in other countries;
- (f) **Improve production efficiency and formulations of the Terragen Products** – Executing basic operations and research projects to improve production efficiency and formulations of the Terragen Products and continuing to expand the platform of Terragen microbes (see Section 2.4.7 for further information).

2. Australian Dairy Industry in Focus 2018; ABS Agricultural Commodities, Australia, 2017-18, ref 7121.0; www.agriculture.gov.au/about/commitment/portfolio-facts/dairy
3. Dairy NZ, New Zealand Dairy Statistics 2017-18 (pages 7 and 40).
4. USDA, National Agricultural Statistics Service July 2019; Statista U.S. top dairy states by number of milk cows 2018; California Agricultural Statistics Review 2017-2018 (p 86).

2.7.2 Alternative market opportunities for the Terragen Products

The below table provides a snapshot of market opportunities for the Terragen Products.

Terragen Product	Additional use	Rationale	Next steps of commercialisation
Great Land – Soil Conditioning	Vegetables – lettuce	Higher concentration product (anticipated to improve gross profit margin)	Great Land is commercially available in Australia and New Zealand
	Fruits – tomato		New dry formulation of Great Land currently being produced for commercialisation
Mylo® – Animal Nutrition	Dairy Cows	Lifetime feed supplement (to improve health, growth, well-being and productivity)	Geographic expansion in the EU and US (including US commercial trials and EU registration of Mylo®)
	Beef Cattle		US commercialisation and EU registration trials of Mylo®
	Pigs		Randomised clinical trials in the future
Animal Health – Lactolin	Dairy Cows	Udder conditioner for lactating cows	US commercialisation Continued clinical trials in Australia Continued registration trials in EU
Animal Health – Halo	Companion animals (dogs and cats)	Anti-inflammatory product	Continued commercial trials in Australia Continued registration trials in EU and US

2.7.3 Terragen customers – increased scale/distribution growth

Active partnerships are now established with major respected retail groups in Australia. These include Elders Rural Services Australia Limited, EE Muir and Sons Pty Ltd and Murray Goulburn (MG Trading Pty Ltd) as well as a number of locally focused independent retailers. At least 10 further Retail Agency Agreements are anticipated to be concluded by the end of 2019, adding regional coverage in NSW and Queensland. Growing sales and increased field resources will be leveraged to support continued expansion in the retail network. Refer to Section 9.2 for detail on the Retail Agency Agreements.

In New Zealand, Terragen is considering alternative distribution strategies. This could involve either a retail agency distribution arrangement, or an alternative distribution strategy with strategic distribution partners in New Zealand.

Terragen believes that for future export market development in the EU and US, licensing through strategic alliances could be a preferred strategy. The licensing model may also include manufacturing rights if the licensee has the ability to manufacture the licensed Terragen Product. Terragen believes that this could produce a better financial return through royalty payments to Terragen compared to the cost of establishing a company-controlled, capital-intensive global distribution network.

It is anticipated that a licensing strategy, strategic distribution partnership and retail agency strategy combined will provide increases in scale without the need for significant capital investment. Such a strategy could also provide for faster and wider access to major markets with deeper reach into those markets. As Terragen creates the foundation for the commercialisation of its products abroad over the coming two or three years, Terragen will seek to implement the most effective distribution strategy possible.

2. Business overview continued

2.8 Field studies for scientific and commercial validation of Terragen Product performance

Demonstrating the performance of Terragen Products in commercial field settings is a necessary part of gaining acceptance in the market and providing the data for optimising product application guidelines.

A range of field studies have been conducted across different enterprises and conditions, reflecting a wide variety of markets to which Terragen Products are targeted. This Section outlines the key elements and results for independent studies commissioned by Terragen in recent years.

2.8.1 Great Land

Dairy cow – milk production study

Location and date of study	Harrisville, Queensland May to December 2016
Aim of study	To determine the effect of Great Land treated pastures on dairy cow milk production, milk quality and animal health in a commercial dairy farm.
Third party participation	University of Queensland. Complete independence for the study operation, analysis of results and reporting.
Trial type and scope	Controlled study – replicated randomised block. Eleven paddocks, each 3 hectares, split in half for treatments. 212 cows enrolled for milk production assessments taken over 6 months, after peak lactation.
Treatments	Great Land applied at 10 litres per hectare, three times during the period of study. Cows grazing on pasture treated with Great Land were assessed against cows grazing untreated pasture.
Trial outcomes	Cows grazing on treated pasture produced 1.8 litres per cow per day (7.3%) more milk than the control group, based on the number of cows. Repeat incidence of mastitis was reduced. For cows observed with mastitis, the group grazing on Great Land treated pasture recorded a 33% lower repeat offending rate than the control group. The probability of this difference being due to chance is less than 5%.
Reporting reference	Independent Report: Good Clinical Practice Research Centre, University of Queensland (31 July 2017) "The effect of Terragen Great Land probiotic product on the milk quality of dairy cows". A further analysis of this study was published in The Journal of Dairy Science in 2019. ⁵

5. T W J Olchoway et al (2019) "The effect of a commercial probiotic product on the milk quality of dairy cows. Journal of Dairy Science. 102(3) 2188-2195.

Maize grain study – irrigated

Location and date of study	Shepparton, Victoria Summer crop 2015-2016
Aim of study	Determine effect of Great Land on maize grain yields.
Third party participation	Ag Logic Pty Ltd. Independent role in developing trial design, overseeing operations and assessments, analysis of results and reporting.
Trial type and scope	Replicated, randomised, strip field trial. 5 replicate strips per treatment, each strip approximately 1 hectare.
Treatments	Great Land applied at 20 litres per hectare injected with seed at planting, replacing 30 litres per hectare of starter fertiliser. Base fertiliser program remained the same.
Trial outcomes	Harvested grain yield was 2.3 tonnes per hectare, 20% higher in strips treated with Great Land.
Reporting reference	Independent Report: Ag Logic (2016) Assessments of the Impact of Great Land Applied at the Time of Sowing, on Flood Irrigated Maize.

Sugarcane study – pot trial

Location and date of study	Brandon, Burdekin, Queensland, 2014
Aim of study	To assess impact of Great Land on root development in sugarcane.
Third party participation	Farmacist Pty Ltd Complete independence for trial design, operation, analysis of results and reporting.
Trial type and scope	Replicated, randomised pot trial. Three treatments, 4 replicates, Assessments on dry matter weight of roots and shoot mass, conducted at 7 week intervals after planting.
Treatments	Two treatment groups received Great Land at the equivalent rates of: <ul style="list-style-type: none">• 25 litres per hectare; and• 50 litres per hectare. Setts were initially dipped in Great Land solution before germination. Great Land applied to soil at the above rates, after planting into pots. Both treatments assessed against an untreated control.
Trial outcomes	At 21 weeks from planting into pots, root dry matter of treated plants exceeded that of untreated plants by an average of 80%. Above ground shoot mass for treated plants exceeded untreated control by an average of 60%. The probability of this difference being due to chance is less than 5%.
Reporting reference	Independent Report: March 2015, Farmacist, Great Land Product Trials – Pot Trial Report.

2. Business overview continued

Lucerne seedling study – pot trial

Location and date of study	Hobart, Tasmania, 2016
Aim of study	Determine the impact of Great Land on seedling growth and vigour.
Third party participation	Ag Logic Pty Ltd Complete independence for trial design, operation, analysis of results and reporting.
Trial type and scope	Replicated, randomised pot trail. 10 replicates (pots) per treatment, 4 plants per pot. Assessment 50 days after sowing, measuring root weight and shoot weights
Treatments	Great Land applied as a surface spray to pots at 20 litres per hectare, at the four leaf stage of plant establishment. Assessments compared against untreated control.
Trial outcomes	Treated plant root weight were 44% higher than that of untreated plants. Total plant weight (roots and shoot) were 32% higher for treated plants. The probability of this difference being due to chance is less than 5%.
Reporting reference	Independent Report: Ag Logic (2016) Lucerne Seedling Vigour – Pot Trial.

Forestry study – eucalyptus

Location and date of study	Milltown, Hamilton, Victoria July 2015 to June 2016
Aim of study	Determine the impact of Great Land on early tree growth in a field plantation with different treatment regimes.
Third party participation	Weedensol Pty Ltd Complete independence for trial design, operation, analysis of results and reporting.
Trial type and scope	Replicated field trial 4 Replicates per treatment, each containing 10 trees in a 50 m2 plot. Trees assessed for tree volume at 12 months from planting in field
Treatments	6 treatment regimes (including untreated control) with varying rates and timing.
Trial outcomes	Significantly higher tree volume (128%), was recorded for treatments with 20 litres per hectare at planting, compared to untreated control. The probability of this difference being due to chance is less than 5%.
Reporting reference	Independent Report: Weedensol (2016) Eucalyptus Trial Report – Great Land on Plantation Forestry

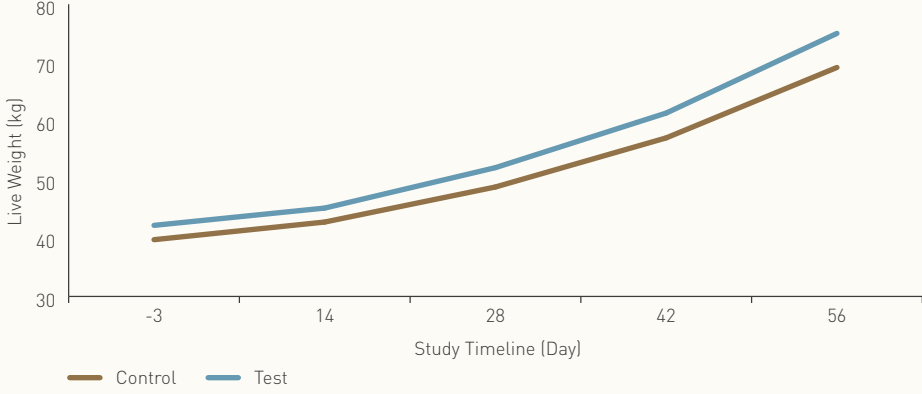
Avocado study – Hass

Location and date of study	Trial performed on farm located Bundaberg Region, Queensland
Aim of study	Determine the impact of Great Land on avocado yields over multiple seasons.
Third party participation	Independent supervision of trial operation.
Trial type and scope	Replicated, commercial, field trial. 7 replicates (rows) per treatment with a total 600 trees in 4 hectare paddock Yield measured by individual rows in the last two years, and computed to kg per tree for analysis.
Treatments	Alternate rows treated with Great Land at 10 litres per hectare, applied 4 times per season during root flush and flowering periods.
Trial outcomes	Yield differences recorded over three seasons (treated v's control): 2017: Average +13% gain (not replicated) 2018: Average 10.3% gain Economic gain \$6,250 per hectare 2019: Average 7.4% gain Economic gain \$3,430 per hectare The probability of this difference being due to chance is less than 5%.
Reporting reference	This information has been prepared by Terragen based on data provided by the farmers on the farm. No independent report has been produced for this study.

2. Business overview continued

2.8.3 Mylo®

Calf liveweight study

Location and date of study	Gatton, QLD June to July 2018																		
Aim of study	Evaluate the efficacy of Mylo® (trial product name LB3) on the live weight gain of pre-weaned dairy calves.																		
Third party participation	University of Queensland. Complete independence for the study operation, analysis of results and reporting.																		
Trial type, scope, treatments, assessments	Controlled, replicated, randomised study. 44 healthy calves divided into two equal groups – Test Group and Control Group. Test group calves were feed Mylo® (trial product name LB3) at the prescribed rate, once per day, from 3 days of age through to weaning at 56 days. All calves in both groups were fed milk replacer at 15% of body weight. Liveweights were taken fortnightly until weaning. After completion of the study three calves from each group were euthanised for post-mortem examination of gastrointestinal organs.																		
Trial outcomes	Calves in the Test Group were 8.4% heavier at weaning age compared with calves in the Control Group. The initial examination of the gastrointestinal tract found the Test Group animals had significantly larger size of organs and accelerated development of gut tissue. The following line-plot shows average fortnightly liveweights recorded over the study period. Average fortnightly liveweights recorded over the study period  <table border="1"> <caption>Average fortnightly liveweights recorded over the study period</caption> <thead> <tr> <th>Study Timeline (Day)</th> <th>Control (kg)</th> <th>Test (kg)</th> </tr> </thead> <tbody> <tr> <td>-3</td> <td>40</td> <td>43</td> </tr> <tr> <td>14</td> <td>43</td> <td>46</td> </tr> <tr> <td>28</td> <td>49</td> <td>53</td> </tr> <tr> <td>42</td> <td>58</td> <td>62</td> </tr> <tr> <td>56</td> <td>70</td> <td>75</td> </tr> </tbody> </table> The probability of this difference being due to chance is less than 5%.	Study Timeline (Day)	Control (kg)	Test (kg)	-3	40	43	14	43	46	28	49	53	42	58	62	56	70	75
Study Timeline (Day)	Control (kg)	Test (kg)																	
-3	40	43																	
14	43	46																	
28	49	53																	
42	58	62																	
56	70	75																	
Reporting reference	Independent Report: Good Clinical Practice Research Centre, University of Queensland (2019) Effect of probiotic supplementation on calves live weight.																		

Key results of the above controlled study are further supported by commercial, uncontrolled trials on dairy farms as evidenced by two examples below. These trials show consistent positive difference in favour of calves that are fed with Mylo®. Wider variation in treatment differences is expected in uncontrolled settings.

The below information has been prepared by Terragen based on data provided by the farmers on the dairy farms. No independent reports have been produced for the studies.

Calf weaning weights study

Location and date of study	Trial performed on farm located in Mt Gambier, South Australia, 2019.																																							
Aim of study	To determine the effect of Mylo® feed supplement on the weaning weights of calves and observe animal health impacts.																																							
Third party participation	Commercial Partner: Dairy farm located in Mt Gambier, South Australia. Partner was responsible for feeding, calf management and verification of liveweight records.																																							
Trial type, scope, treatments, assessments	<p>Commercial trial.</p> <p>Two separate trials, each with approximately 30 calves divided into two groups – treated and control.</p> <p>Treated group calves were fed 10 millilitres of the Mylo® supplement with daily milk rations.</p> <p>Liveweights recorded at weaning were corrected for calf ages on the day of weighing, for valid comparison of weights between groups.</p> <p>Calf operation typically weaning calves at 120kg liveweight, 70-90 days of age.</p>																																							
Trial outcomes	<p>Trial 1: Liveweights of the treated group were 7.3% heavier than the control group.</p> <p>Trial 2: Liveweights of the treated group were 10.6% heavier than the control group</p> <p>Calf health evaluation – the farm owners observed many differences in health of calves in the treated groups compared to the control group, for example, reduced scours, visually more energy, improved appearance and more aggressive feeding.</p> <p>These observations were supported by their evaluation of differences in health costs between the two groups in Trial 2, as tabled below.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th colspan="2">Control Group</th> <th colspan="2">Treated Group</th> </tr> <tr> <th style="background-color: #2c5e8c; color: white;">Health Supplement and Treatments</th> <th style="background-color: #2c5e8c; color: white;">Head</th> <th style="background-color: #2c5e8c; color: white;">Cost \$</th> <th style="background-color: #2c5e8c; color: white;">Head</th> <th style="background-color: #2c5e8c; color: white;">Cost \$</th> </tr> </thead> <tbody> <tr> <td>Mylo Feed Supplement \$0.125/head/day for 84 days</td> <td>16</td> <td>–</td> <td>17</td> <td>\$178.50</td> </tr> <tr> <td>Trisoprim (Antibiotic Treatment) 5 mL x 5 days @ \$0.20/mL</td> <td>5</td> <td>\$25.00</td> <td>1</td> <td>\$5.00</td> </tr> <tr> <td>Scourban (preventative): 30mL per dose Twice/day x 3 days, @ \$0.14/mL</td> <td>16</td> <td>\$403.20</td> <td>0</td> <td>–</td> </tr> <tr> <td>Total Health Cost – by Group</td> <td></td> <td>\$428.20</td> <td></td> <td>\$183.50</td> </tr> <tr> <td>Total Health Cost per Calf</td> <td></td> <td>\$26.80</td> <td></td> <td>\$10.80</td> </tr> </tbody> </table> <p>Savings from less use of antibiotics and preventative measure for scours, have resulted in the treated group health costs being \$16 per head lower than the Control Group.</p> <p>The implication of higher live weights recorded in this study is that calves given Mylo® are estimated to reach the target 120kg live weight at least 10 days earlier than the Control Group.</p> <p>Subsequent savings in feed costs, management time, and health costs will exceed the cost of Mylo® (approximately \$11 per head for 3 months). Furthermore, better development of the gastrointestinal organs, as determined by the controlled study conducted by University of Queensland, is anticipated to confer advantages in health and productivity through maturity.</p>						Control Group		Treated Group		Health Supplement and Treatments	Head	Cost \$	Head	Cost \$	Mylo Feed Supplement \$0.125/head/day for 84 days	16	–	17	\$178.50	Trisoprim (Antibiotic Treatment) 5 mL x 5 days @ \$0.20/mL	5	\$25.00	1	\$5.00	Scourban (preventative): 30mL per dose Twice/day x 3 days, @ \$0.14/mL	16	\$403.20	0	–	Total Health Cost – by Group		\$428.20		\$183.50	Total Health Cost per Calf		\$26.80		\$10.80
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Reporting reference	This information has been prepared by Terragen based on data provided by the farmers on the dairy farm. No independent report has been produced for this study.																																							

2. Business overview continued

Calf liveweight study	
Location and date of study	Meningie, South Australia, 2019.
Aim of study	To determine the effect of Mylo [®] feed supplement on the weaning weights of calves and observe animal health impacts.
Third party participation	Commercial Partner: Dairy farm located in Meningie, South Australia. Partner responsible for feeding, calf management and verification of liveweight records
Trial type, scope, treatments, assessments	Commercial trial. 34 calves were divided into two groups – treated and control. Treated group calves were fed 10 millilitres of the Mylo [®] supplement with daily milk rations. Liveweights recorded at weaning were corrected for calf ages on the day of weighing.
Trial outcomes	At 88 days of age the treated group averaged 19.9kg per head (23%) heavier than the control group. On this basis, the calves could be weaned more than 20 days earlier. The farm observed visual differences between groups in calf health, vitality and aggressiveness in feeding.
Reporting reference	This information has been prepared by Terragen based on data provided by the farmers on the dairy farm. No independent report has been produced for this study.

3.

Market and industry overview



3. Market and industry overview

3.1 Introduction to sustainable agriculture

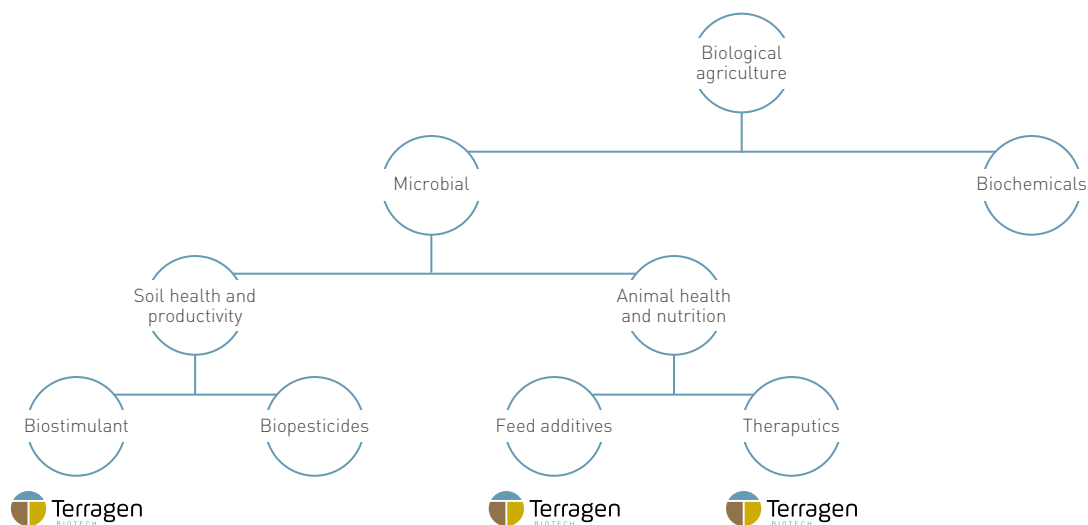
The 'green revolution' is credited for achieving substantial growth in global agricultural production which far outstripped the rise in human population⁶. Notable technological advances were made in high yielding plant varieties, mechanisation, synthetic fertilizers, and chemicals for control of pests, diseases and weeds⁷. The extended use and reliance on these artificial practices has, however, proven detrimental to the sustainability of natural resources and systems on which agriculture depends – soil, water, plants and animals. The resulting modern dilemma is that gains in agricultural productivity have markedly declined while the world faces a substantial population growth in the coming decades.

While the use of synthetic fertilisers, chemicals and antibiotics have been a major contributor to on-farm productivity gains since the mid-1900s, the cumulative effects from decades of increasing reliance on and often inappropriate use of these inputs has led to many unintended detrimental consequences which are increasingly evident to farmers⁸.

Fortunately, these drivers are exerting real influence and motivating change. New biologically derived products are increasingly seen as an important solution to some of the difficult problems facing today's farmers. The next wave of solutions for productivity and sustainability in food and fibre production will be centred on 'biological agriculture' – a paradigm shift from 'industrial farming' techniques towards practices that harness the power of natural systems, including the expanded use of microbiological products⁹.

3.2 Biological agriculture industry overview

Within the 'biological agriculture' industry, the Terragen Group operates in the soil health and productivity and animal nutrition and health industries as illustrated in the diagram below.



Global revenue for the agricultural biological products market, combining plant and animal sectors, is estimated at US\$16 billion in 2018 and projected to be US\$32 billion in 2025¹⁰, which is a compound average growth rate (CAGR) of 11% as biological rather than chemical solutions are increasingly being sought and adopted by farmers across the globe.

6. Alston, JM and PG Pardey, Agriculture in the Global Economy, Journal of Applied Economic Perspectives, 2014; FAO (2017), The Future of Food & Agriculture, Trends & Challenges; Our World in Data.
7. William S. Gaud (1968) Transcript, AgBioWorld; iPES Food (2016) Uniformity to Diversity.
8. UK Office for Science (2011) The future of Food and Farming – Challenges and Choices for global sustainability; FAO (2017), The Future of Food & Agriculture, Trends & Challenges; iPES Food (2016) Uniformity To Diversity; Soil Atlas 2015; Michael Jeffrey (2017) Restore the Soil: Prosper the Nation – Submission to office of PM, Australia; GRDC (2019) Keep Fungicide Resistance Front of Mind; WHO Antimicrobial resistance in the food chain; Chief Science Advisor (2017) New Zealand PMCSA-Freshwater-Report; Thomas (2007) Mineral Depletion of Foods 1940-2002 – A review.
9. iPES Food (2016) Uniformity to Diversity; iPES Food (2018) Breaking away from Industrial Food and Farming Systems; Zhiguang Qiu et al (2019) New frontiers in agriculture productivity: Optimised microbial inoculants and in situ microbiome engineering. Biotechnology Advances Vol 37.
10. Grand View Research, 2018, Biostimulants Market; Grand View Research, 2018, Biofertilisers Market; Markets and Markets, 2017, Soil Conditioners Market; Markets and Markets, 2019, Biopesticides Market; Grand View Research, 2018, Eubiotics Market; Markets and Markets, 2016, Eubiotics Market.

In addition, consumer markets are sending clear signals of an increasing preference for sustainably produced food and fibre, evidenced in part by the double-digit growth in chemical-free or organic markets in major developed markets.¹¹

Terragen is well placed with its portfolio of products targeted at soil health and productivity and animal nutrition and health solutions to be at the forefront of this opportunity driven by the need for sustainable agricultural production.

Soil health and productivity

Biological products used for soil and plant health and productivity, combine to a global revenue estimated to be US\$11 billion in 2018, and projected to reach approximately US\$23 billion in 2025, a CAGR of 11%.¹²

There are multiple drivers that underpin the development of this sector. First, there is consumer demand for organic foods. Global value of organic food was estimated at US\$97 billion in 2017, a growth of more than five-fold since 2000. The sector presently represents some 5.0-10.0% of the total food market, varying from region to region.¹³

Since organic food products can only be produced without using any chemical pesticide or fertiliser,¹⁴ Terragen sees this as one of the major drivers to the increase in demand for organic fertilisers, biological pesticides, and soil conditioners. Secondly, increased pressure on chemical pesticide reduction¹⁵ is also seen by Terragen as a driver of the growth of the global soil conditioner product category.

Terragen's foundation product, Great Land, is a live microbial product that amends the soil microbiome leading to enhanced plant growth, which in turn may improve plant defences against disease. While in North America and Europe a product such as Great Land might be called a biostimulant, in Australia and New Zealand it is classified as a soil conditioner.

Animal health and nutrition

The animal health and nutrition sector is a well-established market where the use of biological products is on the rise.

Eubiotics is a term used to describe biological products for animal health applications and includes probiotics, prebiotics, organic acids, and essential oils.¹⁶ This market was estimated to have a global revenue of US\$5.4 billion in 2018 and are projected to be US\$9.4 billion in 2025, a CAGR of 8%.¹⁷ This is due in part to increasing demand for meat products across the developing world, calls for an increase in productivity.¹⁸

Consumers and especially in Europe governments are demanding reduced use of antibiotics.¹⁹ The use of antibiotics as growth promoters and disease prophylaxis in livestock has contributed to the development of antimicrobial-resistant bacteria in foods and represents a significant risk to human health²⁰. The number of deaths associated with antimicrobial resistance is projected to rise from 700,000 to almost 10 million by 2050²¹.

Sub-therapeutic use of antibiotics to promote livestock growth and feed efficiency has been illegal in the European Union since 2006, and in the United States since 2017.²² While regulations vary across the globe, scientists, governments and the World Health Organisation have recognised the need to curb antibiotic use in farming.²³

11. Can we feed 10 billion people on organic farming alone? The Guardian 14 Aug 2016; Is organic food sustainable? Sydney Environment Institute 24 Jan 2018.
12. Grand View Research (2018) Biostimulants Market; Markets and Markets (2017) Soil Conditioners Market; Markets and Markets (2019) Biopesticides Market.
13. FIBL & IFOAM (2018) The World of Organic Agriculture, Statistics and Trends; Statista (2019) Worldwide sales of organic food; Australian Organic market Report (2019).
14. Australian Certified Organic, <https://aco.net.au/Pages/Operators/ACOSTandards.aspx>.
15. United States Environmental Protection Agency, <https://www.epa.gov/safepestcontrol/food-and-pesticides>.
16. Markets and Markets, 2016, Eubiotics Market.
17. Grand View Research, 2018, Eubiotics Market.
18. Beef Market Central (2019) USDA Long-Term Agricultural Projections – Global Meat Consumption.
19. World Health Organization. Antimicrobial resistance: global report on surveillance. 2014; European parliament approves curbs on use of antibiotics on farm animals. Society. The Guardian.
20. World Health Organization. Antimicrobial resistance: global report on surveillance. 2014.
21. Tackling drug-resistant infections globally: final report and recommendations. London: The Review on Antimicrobial Resistance; 2016.
22. Foditsch C, Pereira RVV, Ganda EK, Gomez MS, Marques EC, Santin T, et al. (2015) Oral Administration of Faecalibacterium prausnitzii Decreased the Incidence of Severe Diarrhea and Related Mortality Rate and Increased Weight Gain in Preweaned Dairy Heifers. PLoS ONE 10(12).
23. https://www.who.int/foodsafety/areas_work/antimicrobial-resistance/amrfoodchain/en/

3. Market and industry overview continued

Several companies are developing products and technologies to address the challenges of producing a greater abundance of proteins for human consumption, particularly more affordable meat and dairy products while reducing reliance on antibiotics.²⁴ These products and technologies being developed include nutritional supplements for growth promotion and feed efficiency, and vaccines and other pharmaceutical interventions to treat disease.

As antimicrobial resistance builds, the market is pushing the switch from antibiotics to prophylactic use of biological products such as Terragen's Mylo[®]. A smaller group of companies, including Terragen, are developing targeted solutions that simultaneously reduce livestock illness, improve feed efficiency and promote higher rates of growth and productivity in animals.²⁵ Mylo[®], one of the Terragen Products, is a live microbial feed supplement that has been developed by Terragen to promote growth and feed efficiency in production animals (such as ruminants and swine). Refer to Section 2.4(a) for further detail on Mylo[®].

3.3 Competitive landscape

Terragen competes in the soil health and productivity and animal health and nutrition sector.

The majority of Terragen's revenues are generated through the sale of Terragen Products to its customers via its Australian agency retail network. While Terragen competes with a range of businesses at various points of its business model, there is no distinct competitor that competes across all segments of Terragen's operations at a production level (feed additives, veterinary pharmaceuticals and soil conditioner sectors) and distribution level.

The plant and animal health and nutrition sector remains highly fragmented, and Terragen believes it is possible that fast-moving, early stage companies may be developing comparable or competing products. Terragen maintains the view that its products are differentiated and have a competitive advantage. Further detail is contained in Section 2.5.

3.4 Regulatory environment

Agricultural and veterinary regulatory agencies throughout the world differ with respect to the specific laws and regulations put into place by national and regional legislation. There is, however, a considerable degree of overlap in the ways in which specific agricultural and veterinary products are regulated throughout the world.

In general, the following apply:

- (a) agricultural products such as herbicides, fungicides, insecticides and plant growth promoters and veterinary products used to prevent, diagnose, or treat disease, behaviour, or injury are regulated;
- (b) products that have an effect on the performance of agricultural or veterinary products.

Regulatory agencies focus on two primary factors: safety and efficacy.

Terragen's target markets for its products are emerging and as such, the regulatory environment is constantly changing.²⁶ The table below represents a snapshot of the regulatory environment for the Terragen Products in key markets as at the Prospectus Date.

In those jurisdictions where Terragen is yet to enter with a particular product, appropriate expert advice and necessary regulatory approvals will be sought as and when Terragen seeks to enter such jurisdictions.

24. <https://www.beyondmeat.com/about/>.

25. <https://www.anizome.com/#About>; <https://www.biomin.net/en/about/who-we-are/>; [https://ascusbiosciences.com](https://ascusbiosciences.com;); <http://www.provita.co.uk/calving>.

26. https://www.researchgate.net/publication/327270089_Plant_Biostimulant_Regulatory_Framework_Prospects_in_Europe_and_Current_Situation_at_International_Level.

	Great Land	Mylo®	Lactolin	Halo
	Soil conditioner	Direct-fed microbial product	Udder wash	Anti-inflammatory veterinary product
Australia	Exempt from registration using the Australian Pesticides and Veterinary Medicines Authority (APVMA) self-assessment process.	Exempt from registration using the APVMA self-assessment process.	Subject to APVMA regulatory approval.	Subject to APVMA regulatory approval.
New Zealand	Exempt from Agricultural Compounds and Veterinary Medicines (ACVM) registration. Exemption certificate has been issued by New Zealand Ministry for Primary Industries. ²⁷	Exempt from ACVM registration. Exemption certificate has been issued by New Zealand Ministry for Primary Industries.	Subject to ACVM regulatory approval.	Subject to ACVM regulatory approval.
United States	Varies by State. Regulatory advice to be sought prior to the product entering the market.	Varies by State. Regulatory advice to be sought prior to the product entering the market.	Varies by State. Regulatory advice to be sought prior to the product entering the market.	Varies by State. Regulatory advice to be sought prior to the product entering the market.
European Union	Regulatory advice to be sought prior to the product entering the market.	Subject to European Food Safety Authority approval. Regulatory advice to be sought prior to the product entering the market.	Subject to European Medicines Authority regulatory approval and registration as a veterinary medicine at the national level for each target market. Regulatory advice to be sought prior to the product entering the market.	Subject to European Medicines Authority regulatory approval and registration as a veterinary medicine at the national level for each target market. Regulatory advice to be sought prior to the product entering the market.

Australia

The Australian Pesticides and Veterinary Medicines Authority (APVMA) regulates both:

- (a) agricultural chemical; and
- (b) veterinary chemical products.

The APVMA provides a self-assessment tool to assist companies to determine whether or not specific products require registration with the APVMA.

Terragen has used this self-assessment tool to determine whether Great Land, Mylo®, Lactolin and Halo require registration.

27. ACVM Class Determination Advice – Great Land XP and Mylo – Ministry for Primary Industries Letter to Terragen Biotech Pty Ltd, 21 June 2019. Valid for three years.

3. Market and industry overview continued

Great Land

According to the APVMA's self-assessment tool, Terragen considers Great Land is classified as a biological soil conditioner and not an agricultural chemical product, due to Great Land's composition and characteristics and accordingly does not require registration with the APVMA.

Great Land is certified for use in organic food production in Australia.

Mylo®

Animal feed materials and ingredients generally do not require registration with the APVMA if they meet certain requirements. However APVMA regulate feed medications, supplements and additives – unless they have been specifically excluded in the *Agricultural and Veterinary Chemicals Code Regulations 1995* (**Agvet Code Regulations**) made under the *Agricultural and Veterinary Chemicals Code Act 1994* (**Agvet Code**).

To be excluded from registration with the APVMA, an animal feed product must be one that is fed to, and voluntarily consumed by, an animal, and must meet specified requirements set by the APVMA in relation to ingredients, manufacturing, labelling and claims. Such products are referred to as excluded nutritional or digestive (**END**) products. For a product to be considered an END product, it must pass four separate tests:

- (a) ingredients: the product must not contain certain ingredients, such as antibiotics; and all ingredients must be on at least one of the specified list of substances that are generally recognised as safe (**GRAS**);
- (b) manufacturing systems: the product must be made to one of a number of specified quality assurance systems;
- (c) labelling: the label must contain specified information about the product; and
- (d) claims: the label does not include a claim that the product treats a disease, condition or injury, unless it is supplied by or in accordance with instructions of a vet and any claim is backed up by high quality scientific evidence.

Based on APVMA's self-assessment tool, Terragen considers that Mylo® meets the requirements of being classified as an END product, and accordingly does not require registration with the APVMA.

Mylo® is certified for use in organic food production in Australia.

Lactolin

Based on Terragen's use of the APVMA's self-assessment tool, Terragen believes that Lactolin will require registration with the APVMA as a veterinary chemical product. Lactolin has not yet entered the Australian market, but Terragen will ensure that all necessary registration steps are taken prior to Lactolin entering the Australian market.

Halo

Based on Terragen's use of the APVMA's self-assessment tool, Terragen believes that Halo will require registration with the APVMA as a veterinary chemical product. Halo has not yet entered the Australian market, but Terragen will ensure that all necessary registration steps are taken prior to Halo entering the Australian market.

New Zealand

The ACVM authority of New Zealand's Ministry of Primary Industries regulates agricultural chemical and veterinary chemical products for use in New Zealand.

Great Land

Terragen has obtained ACVM Class Determination Advice that exempts Great Land XP (the brand name under which Great Land is marketed in New Zealand) from registration with the ACVM. Accordingly, Great Land XP can be freely marketed, distributed or sold in New Zealand. The ACVM Class Determination Advice is valid until 20 June 2022. Prior to expiry of the ACVM Class Determination Advice, Terragen will apply for renewal. Based on the current requirements for the ACVM Class Determination Advice, Terragen does not foresee any reasons such ACVM Class Determination Advice would not be granted. Terragen will however, seek appropriate regulatory advice prior to lodging a renewal application to ensure it satisfies the required criteria at the time of renewal.

Great Land is certified for use in organic food production in New Zealand.

Mylo®

Terragen has also obtained ACVM Class Determination Advice that exempts Mylo® from registration with the ACVM. Accordingly, Mylo® can be freely marketed, distributed or sold in New Zealand. The ACVM Class Determination Advice is valid until 20 June 2022. Prior to expiry of the ACVM Class Determination Advice, Terragen will apply for renewal. Based on the current requirements for the ACVM Class Determination Advice, Terragen does not foresee any reasons why such ACVM Class Determination Advice would not be granted. Terragen will however, seek appropriate regulatory advice prior to lodging a renewal application to ensure it satisfies the required criteria at the time of renewal.

Mylo® is certified for use in organic food production in New Zealand.

Lactolin

Terragen has received advice from Intuit Regulatory Ltd dated July 2017 that teat/udder conditioners must be registered with the ACVM. As Lactolin is not yet marketed in New Zealand, updated expert regulatory advice will be sought prior to entering Lactolin in the market.

Halo

Terragen has received advice from Intuit Regulatory Ltd dated July 2017 that anti-inflammatory veterinary medicines must be registered with the ACVM. As Halo is not yet marketed in New Zealand, updated expert regulatory advice will be sought prior to entering Halo in the market.

The European Union

The regulatory environment in the European Union is governed by authorities at the level of the European Union as well as the level of individual countries.

Great Land

Terragen does not intend to market, distribute, or sell Great Land in the European Union itself. Rather, Terragen will consider entering into a licensing or distribution agreement with one or more partners who will be responsible for meeting the relevant regulatory requirements at the European Union level as well as at each individual country level.

Mylo®

The European Food Safety Authority (**EFSA**) regulates animal feed additives in the European Union. Terragen intends to submit an application relevant to the safety of Mylo® on the basis that the product's three ingredients are on the generally recognised as safe (**GRAS**) equivalent list, which lists the products with a Qualified Presumption of Safety (**QPS**) rating.

Further expert regulatory advice will be sought prior to entering any markets in the European Union to ensure that all necessary approvals and registrations are obtained.

Lactolin

Lactolin, as a veterinary treatment, will likely be subject to regulatory approval from the European Medicines Agency. Terragen has received advice that the constituent ingredients of Lactolin means that it will also require registration under the Biocidal Products Regulation No 528/2012.

Registration for veterinary medicines will also be required at the national level for each target market. As Terragen identifies key markets, relevant regulatory experts will be engaged to ensure all necessary approvals and registrations are obtained at both the European Union level and the national level.

Halo

Halo, as a veterinary treatment, will likely be subject to regulatory approval from the European Medicines Agency. Registration for veterinary medicines will also be required at the national level for each target market. As Terragen identifies key markets, relevant regulatory experts will be engaged to ensure all necessary approvals and registrations are obtained at both European Union level and national level.

3. Market and industry overview continued

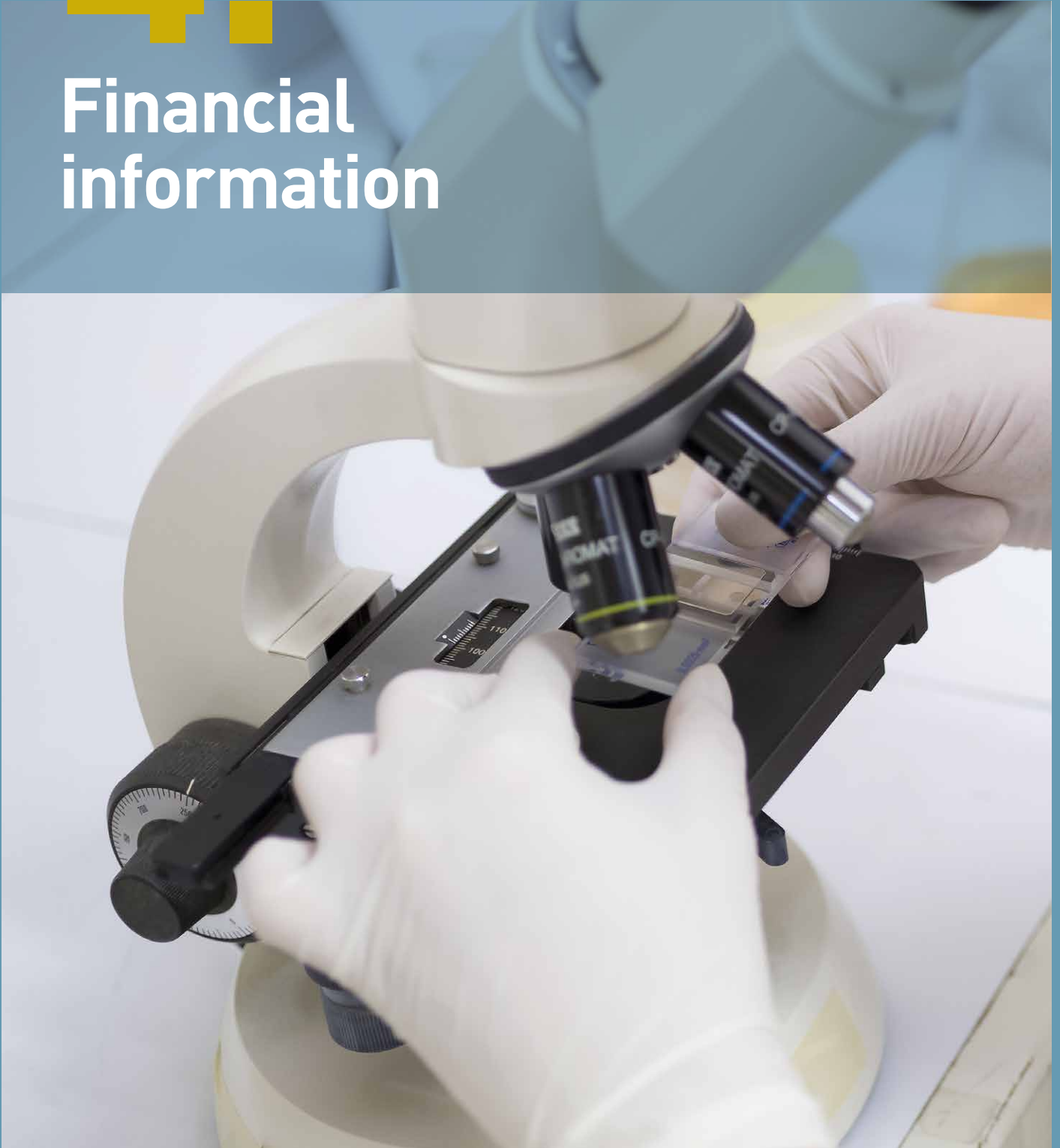
United States of America

The regulatory environment in the United States is governed by various federal and State authorities, with little uniformity between jurisdictions. Terragen's Products may be subject to licensing with the United States Department of Agriculture, the Centre for Veterinary Medicines (**CVM**), the Food and Drug Administration (**FDA**) as well as authorities at the State level.

Terragen has not yet entered the United States market with any of the Terragen Products. Accordingly, detailed expert regulatory advice has not yet been obtained. Prior to entering any key markets in the United States, regulatory advice will be sought to ensure all necessary approvals and registrations are obtained.

4.

Financial information



4. Financial information

4.1 Introduction

The financial information of the Terragen Group contained in this section includes:

- (a) statutory historical financial information, being the:
 - (i) statutory historical consolidated statements of profit or loss and other comprehensive income for the financial years ended 30 June 2017 (FY2017), 30 June 2018 (FY2018) and 30 June 2019 (FY2019) (see Section 4.3);
 - (ii) statutory historical consolidated statement of financial position as at 30 June 2019 (see Section 4.4);
 - (iii) statutory historical consolidated statements of cash flows for FY2017, FY2018 and FY2019 (see Section 4.7).(together the **Statutory Historical Financial Information**);
- (b) pro-forma historical financial information of the Terragen Group, being the pro-forma historical consolidated statement of financial position as at 30 June 2019 (see Section 4.4) (the **Pro-forma Historical Financial Information**).

The Pro-forma Historical Financial Information assumes the completion of the Offer.

The Statutory Historical Financial Information and the Pro-forma Historical Financial Information together form the **Historical Financial Information** or **Financial Information**.

Also summarised in this section are:

- (a) the basis of preparation and presentation of the Financial Information (see Section 4.2);
- (b) a summary of the Terragen Group's contractual obligations and commitments (see Section 4.5);
- (c) a summary of the Terragen Group's related party transactions and balances (see Section 4.6);
- (d) a summary of changes to Australian Accounting Standards (AAS) applicable to the Terragen Group (see Section 4.8);
- (e) a summary of the Terragen Group's significant accounting policies (see Section 4.9); and
- (f) a summary of the Company's proposed dividend policy (see Section 4.10).

All amounts disclosed in this section are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest thousand. Tables in this section have not been amended to correct immaterial summation differences that may arise from this rounding convention.

The Financial Information presented in this Section 3 should be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

The Financial Information has been reviewed in accordance with the Australian Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Fundraising and/or Prospective Financial Information by Deloitte Corporate Finance Pty Limited (Investigating Accountant), whose Investigating Accountant's Report is set out in Section 8. Investors should note the scope and limitations of that report.

4.2 Basis of preparation and presentation of the Financial Information

Overview

The Directors are responsible for the preparation and presentation of the Financial Information.

The Financial Information included in this Prospectus is intended to present potential investors with information to assist them in understanding the underlying historical financial performance, cash flows and financial position of the Terragen Group.

The Financial Information has been prepared and presented in accordance with the recognition and measurement principles prescribed in the AAS (including the Australian Accounting Interpretations), issued by the Australian Accounting Standards Board (**AASB**) and the accounting policies adopted by the Terragen Group. Compliance with AAS ensures that the Financial Information complies with the recognition and measurement principles of International Financial Reporting Standards (**IFRS**) as adopted by the International Accounting Standards Board (**IASB**).

The Financial Information is presented in an abbreviated form and does not include all of the disclosures, statements or comparative information required by AAS applicable to annual financial reports prepared in accordance with the Corporations Act.

The Terragen Group's significant accounting policies are set out in Section 4.9. In preparing the Statutory Historical Financial Information, the accounting policies of the Terragen Group have been applied consistently throughout the periods presented in this section.

Preparation of the Statutory and Pro-forma Historical Financial Information

The Historical Financial Information has been prepared on both a statutory and pro-forma basis and has been prepared solely for inclusion in this Prospectus.

The Statutory Historical Financial Information has been derived from the audited consolidated financial statements of the Company and controlled entities for FY2017, FY2018 and FY2019. The historical financial statements for FY2017, FY2018 and FY2019 have been audited by Deloitte Touche Tohmatsu, which issued unmodified opinions for all years. The audit opinions for FY2017, FY2018 and FY2019 contained a Material Uncertainty Related to Going Concern paragraph.

The Pro-forma Historical Financial Information has been prepared solely for the purpose of inclusion in this Prospectus and has been derived from the Statutory Historical Financial Information with pro-forma adjustments made to reflect the Terragen Group's intended capital structure following the completion of the Offer as if the structure was in place as at 30 June 2019. Investors should note that past results do not guarantee future performance.

Refer to Table 2 for a reconciliation of the statutory historical consolidated statement of financial position and the pro-forma historical consolidated statement of financial position.

Forecast Financial Information

As the Terragen Group's business is in a development phase and is prior to commercialisation of a majority of its products, there are significant uncertainties associated with forecasting the future revenues and expenses of the Terragen Group. On this basis, and with reference to the requirements of the Corporations Act and ASIC Guidance, particularly Regulatory Guide 170 'Prospective Financial Information', the Directors believe that there is no reasonable basis for the inclusion of and therefore determined not to include financial forecasts in this Prospectus.

As a result of being a public company listed on the Australian Securities Exchange, additional costs will be necessarily incurred. These costs will include additional non-executive Directors' fees, ASX listing fees, share registry costs and other incremental corporate costs. On an annualised basis these additional costs are expected to approximate \$500,000 per annum.

4. Financial information continued

4.3 Statutory historical consolidated statements of profit or loss and other comprehensive income

Table 1 below sets out the statutory historical consolidated statements of profit or loss and other comprehensive income for FY2017, FY2018 and FY2019.

Table 1: Statutory historical consolidated statement of profit or loss and other comprehensive income

\$ thousand	Notes	FY2017 Audited	FY2018 Audited	FY2019 Audited
Revenue	1	656	856	981
Other income	2	16	359	254
Accounting, tax and audit		(63)	(79)	(120)
Amortisation expense		(20)	(6)	(5)
Changes in inventories of finished goods		(9)	(45)	(2)
Computer expenses		(76)	(63)	(59)
Consulting expenses	3	(524)	(581)	(345)
Depreciation expense	4	(50)	(72)	(268)
Direct research and development expense	5	(471)	(580)	(236)
Employee benefits expense	6	(2,480)	(2,480)	(2,640)
Finance costs		(38)	(44)	(20)
Insurance expenses		(76)	(88)	(72)
Legal expenses	7	(47)	(357)	(16)
Motor vehicle expenses		(105)	(92)	(130)
Occupancy expenses	8	(137)	(145)	(137)
Patent expenses		(114)	(90)	(100)
Raw materials and consumables used	9	(230)	(480)	(336)
Transport expenses		(76)	(177)	(145)
Other expenses	10	(398)	(499)	(452)
Loss before tax		(4,242)	(4,663)	(3,848)
Income tax benefit	11	1,176	1,221	637
Loss after tax		(3,066)	(3,442)	(3,211)

Notes:

- Revenue relates to the sale of Great Land and Mylo[®] products. Growth in FY2018 reflects an increase in volumes of Great Land. Growth in FY2019 reflects the sales contribution of the Mylo[®] product (officially launched February-2019) and expansion into New Zealand.
- Commencing 1 October 2017 the Company has received Commonwealth CRC Funding in relation to a specific research project being undertaken. The reduction in FY2019 reflects lower permitted project expenditure.
- Consulting costs include contractor costs and other professional fees. Reduction in FY2019 is due to reduction in research activities undertaken due to funding constraints.
- The increase in depreciation in FY2019 reflects the increase in leased plant and equipment.
- These expenses reflect third party costs incurred for the primary research activities of the Terragen Group. There has been less research activity in FY2019 compared to FY2018 due to funding constraints.
- Employee benefits include both cash and equity-based compensation in the form of share options issued measured at fair value. Over the period from FY2017 to FY2019 salary costs have increased due to increases in head count while equity-based benefits have decreased due to the timing of share option offers to employees. Director fees have remained relatively consistent over the historical period.
- Legal costs in FY2018 relate to a patent infringement case initiated by the Company. The case has since settled however the settlement did not allow for recovery of costs incurred.
- Relates to the existing tenancy at the Company's principal place of business which commenced on 1 May 2017.
- Relates to chemicals and other inputs used in research activities and developing product for sale and use in trials. Although sale volumes have increased in FY2019, the balance has decreased due to a reduction in research activities undertaken due to funding constraints.
- Primarily relates to advertising and travel costs.
- Relates to Research and Development (R&D) tax incentives claimed in each financial year. The reduction in R&D incentives claimed in FY2019 is in line with a reduction in R&D spend on eligible projects due to funding constraints.

4.4 Pro-forma and statutory historical consolidated statement of financial position

Overview

Table 2 below sets out the statutory historical and pro-forma historical consolidated statement of financial position.

The pro-forma historical consolidated statement of financial position as at 30 June 2019 as set out in Table 2 is derived from the statutory historical consolidated statement of financial position as at 30 June 2019, adjusted to reflect the impact of the Offer. Further information on the Offer proceeds is contained in Section 7.3.

The pro-forma historical consolidated statement of financial position is provided for illustrative purposes only and is not represented as being necessarily indicative of the Company's view of its financial position upon completion of the Offer or at a future date.

Table 2: Statutory historical and pro-forma historical consolidated statements of financial position as at 30 June 2019

\$ thousand	Notes	Statutory Audited	Pro-forma adjustments	Pro-forma
Current assets				
Cash and bank balances	1	1,837	18,500	20,337
Trade and other receivables		410		410
Inventories		36		36
Current tax asset	2	645		645
Total current assets		2,929	18,500	21,428
Non-current assets				
Property, plant and equipment		825		825
Other intangible assets		73		73
Other assets	3	122		122
Total non-current assets		1,020		1,020
Total assets		3,949	18,500	22,448
Current liabilities				
Trade and other payables		654		654
Borrowings	4	125		125
Provisions	5	185		185
Total current liabilities		965		965
Non-current liabilities				
Borrowings	4	102		102
Provisions	5	45		45
Total non-current liabilities		148		148
Total liabilities		1,112		1,112
Net assets		2,836	18,500	21,336
Equity				
Issued capital	6	22,222	19,081	41,303
Reserves	7	1,878		1,878
Accumulated losses	8	(21,264)	(581)	(21,845)
Total equity		2,836	18,500	21,336

4. Financial information continued

Notes:

1. The pro-forma adjustment reflects Offer proceeds of \$20.0 million net of transaction costs of \$1.5 million (which have been allocated between equity (\$0.9m) and accumulated losses (\$0.6m) as per Notes 6 and 8 below. Transaction costs of the Offer reflect broker fees as well as legal, accounting and tax advisory fees and other IPO related costs including ASX listing and share registry costs.
2. Current tax asset relates to Research and Development (R&D) tax incentives claims receivable from the Australian Taxation Office (ATO) related to eligible FY2019 expenditure.
3. Other assets relate to a term deposit provided as security for a third party guarantee in relation to the existing tenancy.
4. Borrowings relate to insurance premium funding as well as finance lease arrangements in respect of certain vehicles and research equipment used by the Company.
5. Current provisions relate to accumulated annual leave entitlements and non-current provisions relate to accumulated long service leave entitlements.
6. The pro-forma adjustment reflects the share issue of \$20.0 million net of anticipated transaction costs of \$0.9 million charged to equity. Certain costs attributable both to the Offer and the Listing have been proportionately allocated against share capital based on the number of new Shares to be issued under the Offer and the existing number of Shares on issue prior to the Offer. The residual Offer costs have been allocated to accumulated losses as transaction costs.
7. Share-based compensation related to directors and employees of the Company accounted for in accordance with AASB 2 "Share-Based Payments".
8. The pro forma adjustment reflects Transaction Costs not directly attributable to the raising of new equity. Transaction costs attributable both to the Offer of new shares and existing shares have been proportionately recognised in accumulated losses based on the number of existing Shares on issue prior to the Offer relative to the total shares on issue after completion of the Offer.

4.5 Contractual obligations and commitments

Table 3 set out below summarises the Terragen Group's contractual obligations and commitments at 30 June 2019.

Table 3: Contractual obligations and commitments as at 30 June 2019

	Notes	June 2019
Finance Lease Commitments	1	
No longer than 1 year		99,253
Between 1 year and 5 years		119,960
More than 5 years		-
Total commitment		219,213
Unexpired interest charges		(28,933)
		190,280
Operating Lease Commitments	2	
No longer than 1 year		56,621
Between 1 year and 5 years		227,562
More than 5 years		-
Total commitment		284,183

Notes:

1. The finance leases are in respect of research and development equipment and motor vehicles.
2. The operating leases are in respect of the Terragen Group's tenancy at its principal place of business.

4.6 Related party balances transactions and balances

As at 30 June 2019, the Statutory Historical Statement of Financial Position does not include any related party receivable or payable balances.

Related party transactions during the historical period include:

- (a) Executive and non-executive Directors' fees (see Section 6.6); and
- (b) The below transactions with Director controlled entities:
 - (i) Barbon Advisors which David Ryan (as a former Director) provided capital raising services for \$49,507 (FY2018: nil, FY2017 nil); and
 - (ii) Servatus Pty Ltd which Wayne Finlayson (as a former Director) provided trial consulting services for \$32,477 in FY2018 (FY2019: nil, FY2017 nil).

Other than the above, there have been no material related party transactions incurred by the Terragen Group in FY2017, FY2018 or FY2019.

4.7 Statutory historical consolidated statements of cash flows

Overview

Table 4 below sets out the statutory historical consolidated statements of cash flows for FY2017 to FY2019.

Table 4: Statutory historical consolidated statement of cash flows

\$ thousand	FY2017 Audited	FY2018 Audited	FY2019 Audited
Cash flows from operating activities			
Receipts from customers	744	774	1,210
Payments to suppliers and employees	(4,226)	(4,730)	(4,551)
Interest and other costs of finance paid	(38)	(64)	(20)
Interest received	1	33	11
Research and development tax concessions received	1,226	1,150	1,214
Net cash used in operating activities	(2,293)	(2,838)	(2,136)
Cash flows from investing activities			
Payment for property, plant & equipment	-	(199)	(637)
Proceeds for sale of property, plant & equipment	-	-	54
Net cash used in by investing activities	-	(199)	(583)
Cash flows from financing activities			
Proceeds from issue of share capital net of costs	1,652	5,055	2,883
Proceeds from borrowings	500	-	-
Repayments of borrowings	-	(500)	-
Proceeds from lease liabilities	17	-	-
Repayment of lease liabilities	(15)	(67)	(4)
Net cash provided by financing activities	2,154	4,489	2,879
Net increase/(decrease) in cash and cash equivalents	(139)	1,451	159
Cash and cash equivalents at the beginning of the year	365	227	1,678
Cash and cash equivalents at the end of the year	226	1,678	1,837

4. Financial information continued

4.8 Recently introduced and forthcoming AAS

4.8.1 – AASB 15 Revenue from Contracts with Customers

In the current year, the Terragen Group has applied AASB 15 'Revenue from Contracts with Customers' (as amended April 2016) which is effective for an annual period that begins on or after 1 January 2018. AASB 15 introduces a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in AASB 15 to deal with specific revenue recognition scenarios.

Revenue from the sale of goods under AASB 118 Revenue was recognised when the Terragen Group had transferred the significant risk and rewards of ownership to the buyer, which was transferred at point of delivery. Under the new standard, revenue from the sale of goods is recognised when the performance obligation of the sale has been fulfilled and control of the goods has transferred to the customers, which is also at the point of time at delivery. The adoption of AASB 15 therefore, has had no material impact.

The application of AASB 15 has not had a material impact on the financial position and/or financial performance of the Terragen Group.

4.8.2 – AASB 9 Financial Instruments

The Terragen Group has adopted AASB 9 'Financial Instruments' from 1 July 2018 which replaced AASB 139 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new requirements for classification and measurement of financial assets and financial liabilities, a new model for calculating the provision for doubtful debts (now termed the expected credit loss allowance), and new hedge accounting requirements.

The impact on the Terragen Group from the adoption of AASB 9 is set out below.

Classification of financial instruments

Trade receivables that are held within a business model whose objective is to collect the contractual cash flows and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost. This basis of classification is consistent with that under AASB 139.

Credit losses on trade receivables

The Terragen Group has elected to apply the simplified approach to measuring expected credit losses, using the lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. A provision matrix is then determined based on the historic credit loss rate for each group, adjusted for any material expected changes to the future credit risk for that group.

The difference between the credit loss allowances calculated under AASB 9 compared with the incurred loss calculated under AASB 139 is not material to the Terragen Group.

4.8.3 – AASB 16 'Leases'

General impact of AASB 16 Leases

AASB 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. AASB 16 will supersede the current lease guidance including AASB 117 Leases and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of AASB 16 for the Terragen Group will be 1 July 2019.

Impact of new definition of a lease

The Terragen Group will make use of the practical expedient available on transition to AASB 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with AASB 117 and IFRIC 4 will continue to apply to those leases entered or modified before 1 July 2019.

The change in definition of a lease mainly relates to the concept of control. AASB 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- (a) The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- (b) The right to direct the use of that asset.

Determining whether an arrangement contains a lease

The Terragen Group will apply the definition of a lease and related guidance set out in AASB 16 to all lease contracts entered into or modified on or after 1 July 2019. In preparation for the first-time application of AASB 16, the Terragen Group has carried out an implementation project. (The project has shown that the new definition of AASB 16 will not change significantly the scope of contracts that meet the definition of a lease for the Terragen Group).

Impact on lease accounting

AASB 16 will change how the Terragen Group accounts for leases previously classified as operating leases under AASB 117.

On initial application of AASB 16, for all leases (except as noted below), the Terragen Group will:

- (a) Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments;
- (b) Recognise depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss; and
- (c) Separate the total amount of cash paid into a principal portion (presented within financing activities) interest (presented within operating activities) in the consolidated cash flow statement.

Under AASB 16, right-of-use assets will be tested for impairment in accordance with AASB 136 *Impairment of Assets*.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Terragen Group will opt to recognise a lease expense on a straight-line basis in accordance with its existing accounting policy, which is permitted under AASB 16.

As at 30 June 2019, the Terragen Group has non-cancellable operating lease commitments of \$284,103.

The Terragen Group's impact assessment in relation to its operating leases highlights that the Terragen Group will recognise a right-of-use asset of approximately \$249,000 and a corresponding lease liability of that same amount. The approximate impact on profit or loss is to decrease occupancy expenses by \$57,000 increase depreciation by \$50,000 and increase interest expense by \$12,000 in respect of the year ended 30 June 2020.

4.9 Significant accounting policies

The following summary represents the significant accounting policies adopted in the preparation of the Terragen Group's annual consolidated financial statements. These policies have been applied in the preparation of the Financial information disclosed in the prospectus.

4.9.1 – Basis of preparation

The Consolidated Financial Statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

4. Financial information continued

4.9.2 – Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- (a) has power over the investee;
- (b) is exposed, or has rights, to variable returns from its involvement with the investee; and
- (c) has the ability to use its power to affect its returns.

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

4.9.3 – 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.

4.9.4 – 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.

4.9.5 – 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 company 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.

4.9.6 – Financial instruments

Recognition and Derecognition

Financial assets and financial liabilities are recognised in the Terragen Group's statement of financial position when the Terragen 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 either amortised cost or fair value, depending on the classification of the financial assets.

Classification of Financial assets

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

- (a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- (b) 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):

- (a) 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
- (b) 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).

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 Terragen Group makes use of a simplified approach in accounting 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 Terragen Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

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 Terragen 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.

4.9.7 – Trade payables

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

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Terragen Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4.9.8 – Goods and Services Tax (GST)

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

- (a) 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
- (b) 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 gross 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.

4. Financial information continued

4.9.9 – Impairment of assets

At the end of each reporting period, the company 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 Company 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.

4.9.10 – 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.

4.9.11 – 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 particular 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.

4.9.12 – Leased assets

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

Company as lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to 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 charges and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the company's general policy on borrowing costs.

Finance leased assets are amortised on a diminishing value basis over the estimated useful life of the asset.

Operating lease payments are recognised as an 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. Contingent rentals arising under operating leases are recognised as an expense in the periods in which they are incurred.

4.9.13 – 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 company 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 company 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

4.9.14 – Provisions

Provisions are recognised when the company 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, taking into account 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.

4. Financial information continued

4.9.15 – Revenue recognition

Sale of goods

Revenue is recognised at a point in time when the Terragen Group satisfies performance obligations by transferring the promised goods to its customers.

Grant revenue

Grant revenue is recognised over time as the Terragen Group satisfies the performance obligations as required under the grant agreement with the grant funder.

Interest revenue

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company 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.

4.9.16 – 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:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) the intention to complete the intangible asset and use or sell it;
- (c) the ability to use or sell the intangible asset;
- (d) how the intangible asset will generate probable future economic benefits;
- (e) the availability of adequate technical, financial and other resources to complete the
- (f) development and to use or sell the intangible asset; and
- (g) 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.

4.10 Dividend policy

The payment of a dividend by the Company, if any, is at the discretion of the Directors and will be a function of a number of factors (many of which are outside the control of the Directors), including the general business environment, the operating results, cash flows and the financial condition of the Company, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by the Company, and any other factors the Directors may consider relevant. The Directors do not provide any assurance of the future level of dividends paid by the Company. The Company intends to retain future earnings to fund the development and growth of the business. The Company does not anticipate paying dividends to Shareholders for the foreseeable future.

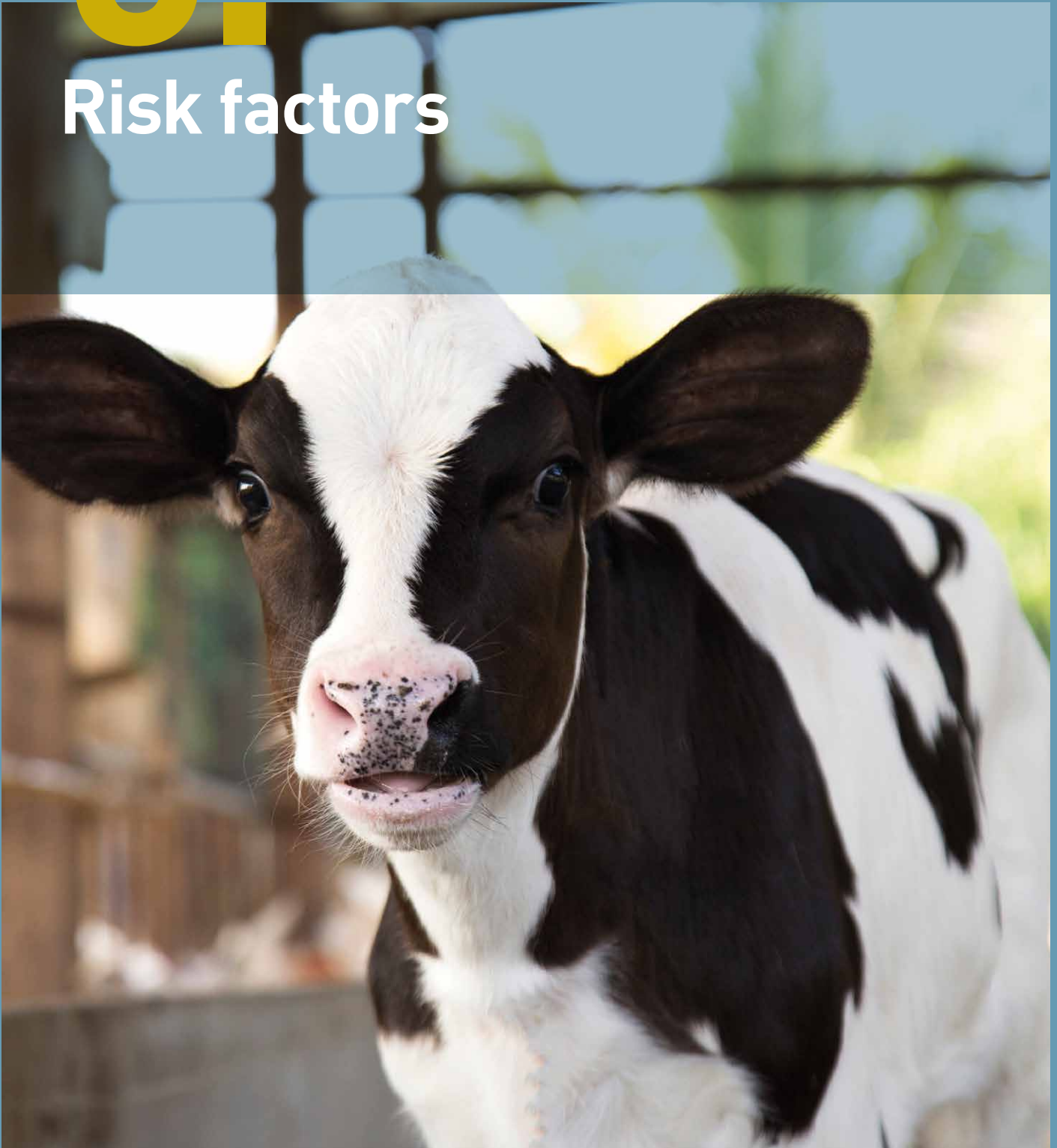
The Directors intend to frank future dividends to the maximum extent possible, having regard to the level of the Company's available franking credits at the time of the future dividend payment. The extent to which a dividend can be franked will depend upon the Company's franking account balance (which is currently nil) and its level of distributable profits. The Company's franking account balance will depend on the amount of Australian income tax paid by the Company.

To the extent that a dividend is unfranked or partially franked, the Directors intend to declare the unfranked portion to be conduit foreign income to the maximum extent possible, having regard to the level of the Company's available conduit foreign income at the time of the future unfranked dividend payment. The extent to which an unfranked or partially franked dividend can be declared to be conduit foreign income will depend on the Company's conduit foreign income balance (which is currently nil or nominal) and its level of distributable profits. The Company's conduit foreign income balance will depend, among other things, on the amount of dividends received by the Company from its non-Australian subsidiaries.

No assurances can be given by any person, including the Directors, about payment of any dividend and the level of franking or conduit foreign income on any such dividend.

5.

Risk factors



5. Risk factors

5.1 Introduction

The Shares offered under this Prospectus are considered highly speculative. An investment in our Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Shares and to consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this Section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

5.2 Company specific risks

(a) Uncertainty of future revenue and profitability

Terragen has only recently commenced generating revenue from the Retail Agency Agreements. Future sales of Great Land and Mylo[®] by Terragen and Terragen's future profitability are contingent on, amongst other things, Terragen's ability to enter into appropriate distribution arrangements (whether under Retail Agency Agreements or another form of distribution or licensing arrangement), being able to maintain anticipated prices for products being acquired as well as certainty of supply, being able to set favourable prices for products being sold, market demand for products being sold, general economic conditions, the results of further research and clinical trials in relation to agricultural science.

Consequently, the level of any future sales of products by Terragen cannot be accurately determined and Terragen cannot provide any guarantee that future sales will be achieved. Even if future sales are achieved, they may not result in Terragen being profitable.

(b) Loss of key retail distribution relationships

Terragen relies on its continued relationships with its current retail distribution partners. There can be no guarantee that these relationships will continue, or if they do continue, that they will continue to be successful.

Contracts with our retail distribution partners are governed by Terragen's Retail Agency Agreement (see Section 9.2). The Retail Agency Agreements are able to be terminated for convenience by either party on relatively short notice.

There is a risk that retail distribution partners may unexpectedly terminate their Retail Agency Agreement leaving the Company temporarily without distribution coverage in certain regions.

(c) Commercial manufacturing and distribution capability

Terragen's success is dependent on its ability to manufacture Great Land and Mylo[®], and in time, Halo and Lactolin, on a commercial scale with continuity of supply and in accordance with current Good Manufacturing Practices, prescribed by the APVMA and other regulatory authorities. In the event Terragen discontinues operations or has insufficient manufacturing and distribution capacity, for any reason, this may result in substantial cost and delay.

(d) Ownership and protection of intellectual property

The business of Terragen depends on its ability to commercially exploit its intellectual property. Terragen relies on laws relating to patents, trade secret, copyright and trademarks to assist in protecting its proprietary rights. There is a risk that unauthorised use or copying of the secure documentation (electronic laboratory books), business data or intellectual property will occur.

There is a risk that Terragen may be unable to detect the unauthorised use of its intellectual property rights in all instances.

A breach of Terragen's intellectual property may result in the need to commence legal action, which could be costly and time consuming. A failure or inability to protect the Company's intellectual property rights could have an adverse impact on operating and financial performance.

5. Risk factors continued

Patents

As noted in Sections 10 and 2.6, the Company currently holds granted patents in Australia, Canada, China, Europe, Japan, Mexico and New Zealand, and various pending applications in other jurisdictions including the US.

The Company's success, in part, depends on its ability to obtain patents, maintain trade secret protection and operate without infringing the proprietary rights of third parties. If patents are not granted, or if granted only for limited claims, the Company's intellectual property may not be adequately protected and may be able to be copied or reproduced or otherwise circumvented by third parties. The Company may not be able to achieve its objectives, commercialise its products or generate revenue or other returns.

Intellectual property infringement of patent claims

The Company has engaged patent attorneys, Davies Collison Cave, to assist in obtaining patent protection in respect of inventions developed by and on behalf of the company.

Notwithstanding this strategy, there is always a risk of third parties claiming an involvement in scientific discoveries and, if disputes arise, such claims or disputes can adversely affect the Company. Further, competition in retaining and sustaining protection of intellectual property, and the complex nature of intellectual property and its protection, can lead to expensive and lengthy disputes for which there can be no guaranteed outcome. In the event of a dispute, the Company's potential competitors may potentially be able to sustain costs of litigation or proceedings more effectively than the Company because of comparatively greater financial resources. In addition, parties making claims against the Company may obtain injunctive or other relief to prevent the Company from further developing or commercialising its products. In the event a successful claim of infringement is made against the Company, it may be required to pay damages and obtain one or more licences from the prevailing third party. If it is not able to obtain these licenses at a reasonable cost, or at all, it may encounter delays and lose substantial resources while seeking to develop alternative products.

Trade secrets and confidentiality

The Company may, from time to time, rely on trade secrets. The protective measures employed by the Company may not provide adequate protection of its trade secrets which may erode any competitive advantage and harm its business.

There can be no assurance employees, consultants or third parties will not breach confidentiality, infringe and/or misappropriate the Company's intellectual property. The Company seeks to mitigate the risk of unauthorised use of its intellectual property by limiting disclosure of sensitive material to particular employees, consultants and others on a need to know basis. Where appropriate, parties having access to such sensitive information will be required to provide written commitments to confidentiality and ownership of intellectual property.

(e) Risk of delay and continuity of operations

Terragen may experience delays in achieving a number of critical milestones, including completion of trials, obtaining regulatory approvals, manufacturing, product launch and sales. Any material delay may impact adversely upon Terragen, including the timing of any revenue under milestone or sales payments.

Terragen may also experience business continuity problems arising from extreme events. As with most businesses, Terragen is reliant on IT systems in its day-to-day operations. An inability to operate such systems would impact the business. This might result, for example, from a computer virus or other cyber-attacks or from a physical event at its offices.

(f) Loss of key management personnel

The successful operation of Terragen in part relies on Terragen's ability to attract and retain experienced and high performing key management personnel. The loss any key members of management or other personnel, or the inability to attract additional skilled individuals to key management roles, may adversely affect Terragen's ability to develop and implement its business strategies.

(g) Failure to realise benefits from product research and development

The development and commercialisation of Great Land, Mylo[®], Lactolin, Halo and potential future products is expensive and often involves an extended period of time to achieve return on investment. An important aspect of Terragen's business is to continually invest in innovation and product development opportunities.

Terragen may not realise benefits from these investments for several years, or may not realise benefits at all in some cases. The Company makes assumptions about the expected future benefits generated by investment in product research and development and the expected timeframe in which the benefits will be realised. These assumptions are subject to change and involve both known risks and risks that are beyond the Company's control. Any change to the assumptions the Company has made about certain product development may have an adverse impact on the Company's ability to realise a benefit from investment in the development of that product.

The key steps in the Company's research and development strategy are set out in Section 2.4.7 and, in the short to medium term, include:

- (i) Developing new formulations to optimize the Terragen Products, and investigating the efficacy of these formulations;
- (ii) Identifying novel bacteria from a variety of environmental sources;
- (iii) Continuing the development and testing of Mylo[®] as a feed supplement with the aim of establishing its efficacy throughout the dairy cow's life cycle, for application to other production animals, and for the commercialisation in the US and registration in the EU;
- (iv) Continuing the commercial development of Lactolin, including the addition of a preferred emollient, with subsequent trials aimed at supporting the product's benefits over the standard of care for commercialisation in the US and registration in the EU; and
- (v) Maintaining a focus on retaining organic status for all products, and having the products manufactured under GMP conditions.

The Company is and will continue to be reliant on the results received from research and development it undertakes.

The Company is encouraged by trial results to date and will conduct future trials on the advice of management and consultants with considerable industry experience. However these trials can be expensive, time consuming and involve potential delay.

There is no certainty the results of those trials will demonstrate any material benefit or advancement in efficacy over existing alternatives or potential new products, and there is the potential for the resulting product to be found to be ineffective or unsafe for animal use. Further, the success of such trials may be impacted by lack of product effectiveness in trials, compliance with protocols, modifications or adaptations to trial protocols, failure to meet trial end points, and changes to regulations governing the conduct of trials.

Separately, there is the potential that the results of trials will deliver results which requires a change in strategy (refer also general risk in paragraph (q) below) which, in particular may include, any one or more of the following:

- (i) A decision to revise the way trials are conducted resulting in additional research and development and greater than anticipated complexity or cost in commercialisation.
- (ii) Unsuccessful efforts to develop the product.

(h) Market acceptance and competitor risk

Ultimately any products developed by the Company need to find acceptance in the market. Market acceptance depends on numerous factors, including convincing potential consumers and agents of the attractiveness of Terragen's Products and the ability to manufacture those products to a sufficient quality and quantity to meet commercial demand at an acceptable cost.

Terragen's end-consumers are primarily farmers who are traditionally reticent to adopt new technologies. There is a risk that Terragen's Products may not gain widespread market acceptance, and this may adversely affect the financial performance of the Company.

Terragen considers it has a competitive advantage in being one of the first in the market to provide a new approach to the development of natural live microbial products. However, there is always a risk that there will be new entrants into the market and that existing competitors will introduce new products or technologies. Competition in the market has the potential to disrupt Terragen's business and market share.

An overview of the competitive landscape is set out in Section 3.3. There may be aggressive, fast-moving, early stage, start-up companies that are developing comparable or competing products. Terragen intends to maintain a close watching brief on existing and emerging products within the industry as well new patent applications relevant to the field as they are published.

5. Risk factors continued

(i) Regulatory approvals

The regulatory requirements of the Terragen Products is detailed in Section 3.4.

Terragen's target markets for its products are emerging and as such, the regulatory environment is constantly changing.

The Australian Pesticides and Veterinary Medicines Authority (APVMA) regulates both agricultural chemical and veterinary chemical products. The APVMA provides guidance and a self-assessment tool to assist companies in determining whether or not specific products require registration with the APVMA. Terragen has used this self-assessment tool to determine, based on regulatory advice, that Great Land and Mylo[®] do not require registration on the basis that:

- (a) Great Land is classified as a biological soil conditioner and not an agricultural chemical product, due to Great Land's composition and characteristics; and
- (b) Mylo[®] is an excluded nutritional or digestive (END) product (which is not regulated by the APVMA).

The applicability of the APVMA regulations to the registration of Terragen's products, both those currently commercially available and those in development, is based on the guidance material provided by the APVMA as well as the APVMA's self-assessment tool. There is currently no avenue to seek an official APVMA exemption for either Great Land or Mylo[®] as is the case in other jurisdictions such as New Zealand, the United States, and Europe. There is a chance that new regulations implemented by the APVMA may come into effect and that Great Land and / or Mylo[®] requires future registration with the APVMA. If that is the case, Terragen would seek advice and then complete the necessary process to register Great Land and/or Mylo[®] (as relevant).

In those jurisdictions where Terragen is yet to enter with a particular product; namely, US and Europe, appropriate expert advice and necessary regulatory approvals will be sought as and when Terragen seeks to enter such jurisdiction.

There is also possibility that Terragen may become subject to additional legal or regulatory requirements if its business operations, strategy or geographic reach expand in the future or if there is a change in applicable law or regulation.

(j) Arrangements with third party collaborators

Terragen may pursue collaborative arrangements with life science companies, academic institutions or other partners to complete the development and commercialisation of the Terragen Products. These collaborators may be asked to assist with funding or performing field trials, manufacturing, obtaining regulatory approvals or product marketing. There is no assurance that Terragen will attract and retain appropriate strategic partners or that any such collaborators will perform and meet commercialisation goals.

Further, Terragen's arrangements with third party collaborators are subject to mutual undertakings of confidentiality. There is no guarantee that third party collaborators will abide by their confidentiality obligations. There is a risk that third party collaborators may seek commercial exploitation of Terragen's intellectual property that has been shared under any collaboration arrangement. Protecting the Company's intellectual property in circumstances such as this may result in the need to commence legal action, which could be costly and time consuming.

(k) Sufficiency of funding and additional requirements for capital

Terragen has provided an indication of how it intends to apply its existing funds, including funds raised under the Offer in Section 7.3.

There is a risk that the costs of operations may be higher than anticipated or increase as a result of unforeseen circumstances (which may include circumstances related to other key risk factors set out in this Section 5).

Terragen may also be required to raise additional equity or debt capital in the future. There is no assurance that Terragen will be able to raise that capital when it is required or that it will be able to raise that capital on satisfactory terms.

If Terragen is unsuccessful in obtaining funds when required, it may need to delay or eliminate its research and development, commercialisation, manufacturing activities, or other aspects of its business. In the event of insufficient capital, Terragen may also have to license or sell its technologies on unfavourable terms, or scale down or cease operations. No assurance can be given that future funding will be available to the Company, on any particular terms, or at all.

(l) Shareholder dilution

In the future, Terragen may elect to issue shares to fund or raise proceeds for specific research and development, acquisitions, to repay debt, or for other reasons.

While the Company will be subject to the constraints of the ASX Listing Rules regarding the percentage of capital that it is able to issue within a 12 month period, shareholder interests may be diluted and shareholders may experience a loss in value of their equity as a result of such issues of shares and fundraising.

(m) Liquidity and realisation risk

Restriction obligations (escrow) will be applied to Shares held by existing shareholders. The remaining “free float” (shares that are tradable during any restriction period) may be limited, resulting a decrease in active or potential sellers or buyers at any given time, which may result in an inactive or illiquid market for the Company’s Shares, which may increase the volatility of the market price of the Company’s Shares.

Following confirmation of the restriction obligations that will be imposed by the ASX and the agreement on voluntary escrow, the restricted shares would represent approximately 21.46% of the Company. This would leave approximately 78.54% of the Company’s Shares free trading until this escrow period(s) ends.

Refer to Section 12.12 for further detail on escrow.

Further, there is a risk that once the Shares subject to escrow or trading restrictions are released from the restrictions attaching to them, there may be significant sell down by holders of those shares which may negatively affect the Company’s Share price.

The potential limited free float (tradable Shares during any restriction period) and potential sell down may affect the prevailing market price at which shareholders are able to sell their Shares. There can be no guarantee that an active market in the Shares will develop or that the price of the Shares will increase. There may be relatively few potential buyers or sellers at any given time and this may increase the volatility of the market price of Shares.

(n) Product risks and liability

As Terragen successfully develops and markets new products and obtains the relevant regulatory approvals, there is no assurance that unforeseen adverse events or manufacturing defects will not arise. Adverse events or defects could expose the Company to product liability claims, litigation or withdrawal of regulatory approvals.

Adverse events or defects could result in damages being awarded against the Company, a requirement for further investment in improved manufacturing processes or withdrawal of products from the market.

(o) Litigation risk

In the ordinary course of business, Terragen may be involved in litigation disputes from time to time. Litigation disputes brought by third parties; including but not limited to, customers, suppliers, business partners, and employees may adversely impact the financial performance and industry standing of Terragen.

(p) Absence of dividends

The ability of Terragen to pay dividends in the future is dependent on many factors including the results of the Company’s research and its ability to develop and commercialise its products. Where the Company is in a position to pay dividends, the amount, timing and payment of future dividends is dependent on a range of factors including future capital and research and development requirements, as well as the overall financial position of the Company. There will be factors outside of the control of the Company and its Directors that may affect the ability of the Company to pay dividends. The Company does not expect to pay dividends in the short or medium term. The Directors are unable to give any assurance regarding the payment of dividends in the future.

5. Risk factors continued

(q) Change in strategy

Terragen's plans and strategies may evolve over time due to review and assessment of, amongst other things, trial results and data, market trends, the outcome of its intellectual property registrations and applications, changes in policy or regulations, the level of market acceptance in particular markets and the emergence of new technologies or improvements in existing technology.

As a result, the current strategies, approaches, and plans of Terragen may not reflect the strategies, approaches, plans and products pursued at a later date. Any such changes have the potential to expose the Company to additional risks. As noted in Section 2.4, while the Company's key focus is the Terragen Products, it may in the future look at opportunities for diversification.

(r) Renewal of lease agreements

Terragen operates its offices and facilities from a leased premises. There is a risk that the lease may not be renewed on terms that are acceptable to the Company. If this were to occur, Terragen may be required to cease operating from its current premises and move to a new premises. Terragen's operations rely on the maintenance of high quality laboratory and manufacturing facilities. Moving to a new premises and constructing new laboratory and manufacturing facilities would involve significant costs and business disruption that may impact the financial performance of the Company.

5.3 General Risks

(a) General economic conditions

The Terragen Group may be negatively impacted by changes in the Australian or other international economies. In particular, there are risks from continued volatility in the US and Europe, international debt issues, impacts from currency and interest rate shifts and the potential for a contraction in the availability of debt or capital.

These macro-economic factors may impact negatively through reduced future revenues, reduced demand for Terragen's services, increased costs, foreign exchange losses, impacts of government responses to macroeconomic issues and impacts on equity markets. These factors are beyond the control of the Terragen Group and the impact cannot be predicted.

Furthermore, share market conditions may affect the value of the Company's securities regardless of the Company's operating performance.

(b) Financial market volatility

A fall in global or local equity markets or global or local bond markets may discourage investors from moving money into or out of equity markets. This may have a negative effect on the price at which the Shares trade on ASX.

(c) Franking of dividends

There is no guarantee that the Company will have sufficient franking credits in the future to fully frank dividends or that the franking system will not be varied or abolished. The value and availability of franking credits to a shareholder will depend on their particular tax circumstances.

Shareholders should be aware that the ability to use franking credits, as a tax offset or to claim a refund after the end of the income year will depend on the individual tax position of each shareholder.

(d) Regulatory risk

In addition to industry regulatory risks, the Company is subject to a range of regulatory controls imposed by government (federal and state) and regulatory authorities (for example, ATO, ASX and ASIC). The relevant regulatory regimes are complex and are subject to change over time, depending on changes in the laws and the policies of the governments and regulatory authorities.

The Terragen Group is exposed to:

- (i) the risk of changes to applicable laws and/or the interpretation of existing laws, which may have a negative effect on the Terragen Group. This could include changes affecting the ability to leverage tax rebates in connection with research and development; or
- (ii) the risks associated with non-compliance with these laws (including reporting or other legal obligations).

Non-compliance may result in financial penalties being levied against the Terragen Group.

(e) Changes in taxation laws and policies

Tax laws are in a continual state of change which may affect the Company and its Shareholders.

There may be tax implications arising from ownership of the Shares, the receipt of franked and unfranked dividends (if any) from the Company receiving returns of capital and the disposal of the Shares.

Changes to tax laws may adversely affect the Terragen Group's financial performance and/or the returns achieved by investors. Dividends paid to certain investors may not be recognised as frankable by the Australian Taxation Office.

The Terragen Group is not responsible for either taxation implications or penalties incurred by investors. These tax implications should be considered carefully and advice obtained from an accountant or other professional tax adviser in relation to the application of the tax legislation to your investment in the Company.

(f) Foreign currency and exchange rate fluctuations

There is potential that the Company's expenditure and potential future revenue may be domiciled in various currencies other than Australian dollars. This may expose the Company to foreign exchange movements, which has the potential to positively and negatively influence the Australian dollar equivalent to such revenue and expenditure. The Company will monitor and assess such risks and implement measures to manage such risks. These measures may not eliminate such risks and may themselves expose the Company to related risks.

(g) Force majeure

The Company, now or in the future may be adversely affected by risks outside the control of the Company including labour unrest, civil disorder, war, subversive activities or sabotage, extreme weather conditions, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

(h) Acquisitions

As part of its business strategy, Terragen may make acquisitions of, or significant investments in, companies, technologies and/or products that are complementary to Terragen's business. Any such future transactions are accompanied by the risks commonly encountered in making acquisitions of companies, products and technologies, such as integrating cultures and systems of operation, relocation of operations, short term strain on working capital requirements, achieving the sales and margins anticipated and retaining key staff and customer and supplier relationships.

(i) Other

There are a range of other general risks, which may impact on Terragen's business or an investment in the Shares, which include but are not limited to:

- (i) industrial action impacting the business directly or indirectly; and
- (ii) government policies generally (in addition to taxation noted above).

6.

Key individuals, interests and benefits and corporate governance



6. Key individuals, interests and benefits and corporate governance

6.1 Board composition

The business and affairs of the Terragen Group are managed directly by the Board. In particular, the Board:

- establishes the long-term goals of the Terragen Group and strategic plans to achieve those goals;
- manages risk by ensuring that the Terragen Group has implemented adequate systems of internal controls together with appropriate monitoring of compliance activities; and
- works with management to create Shareholder value.

The Board is composed of experienced executives, with a broad and diverse range of business experience. The composition of the Board is set out below.

At the date of listing (**Listing Date**) the Board will comprise six members, consisting of the Chairman (independent, non-executive), the Managing Director and Chief Executive Officer, three independent non-executive Directors and a non-independent non-executive Director.

Name	Appointment date	Position	Independence ¹
Mr Justus Homburg	June 2017	Managing Director and Chief Executive Officer	Non-independent
Dr Paul Schober	June 2017	Non-Executive Chairman ²	Independent
Mr Sam Brougham	July 2017	Non-Executive Director	Non-independent
Dr Greg Robinson	September 2012	Non-Executive Director	Independent
Dr John Ryals	To be appointed effective on the Listing Date	Non-Executive Director	Independent
Ms Ingrid van Dijken	To be appointed effective on the Listing Date	Non-Executive Director	Independent

Note:

1. Terragen considers that a Director is an independent director where that Director is free from any business or other relationship that could interfere, or be perceived to interfere with, the independent exercise of the Director's judgement. Terragen has also assessed the independence of its Directors regarding the requirements for independence which are set out in Principle 2 of the ASX Corporate Governance Principles.
2. Appointment to the role of Chairman to be effective on the Listing Date.

The composition of the Board committees and details of its key corporate governance policies are set out in Section 6.

Each Director above has confirmed to the Company that they anticipate being able to perform their duties as a non-executive Director or executive Director of the Company, as the case may be, without constraint from other commitments.

The Board has considered the Company's immediate requirements as it transitions to an ASX-listed company and is satisfied that the composition of the Board represents an appropriate range of experience, qualifications and skills.

6. Key individuals, interests and benefits and corporate governance continued

6.2 Details of Directors and Proposed Directors


Details of each of the Directors and the Proposed Directors are set out below:

Directors

	Mr Justus Homburg	
	Role	Managing Director and Chief Executive Officer
	Expertise	<p>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.</p> <p>Justus was appointed to the Board in June 2017 and assumed the role of CEO in July 2017.</p> <p>Justus' thirty-year business career focused on commercialisation of new technologies in agriculture and human life sciences. Justus worked at Monsanto for nearly 15 years in roles of new technology development, strategic planning, corporate development, and general management. Justus has since held CEO roles with ASX listed Progen Pharmaceuticals Limited, Nestle Health Science's Vital Foods and Chirogen Pharmaceutical Technologies.</p>
	Independence	Non-independent
	Interest in Shares and Options	Refer to Section 6.6.
	Legal or disciplinary action	Nil
	Insolvent companies	Nil


	Dr Paul Schober	
	Role	Non-Executive Chairman (Chairman – effective on the Listing Date)
	Expertise	<p>Paul Schober has a PhD and MBA from the University of Sydney.</p> <p>Paul has 30-year career in the animal health industry which includes holding senior executive positions in which he established global distribution agreements and implemented commercial rigour for biotechnology research companies including Peptech Animal Health, Anantara Lifesciences and Apex Laboratories.</p>
	Independence	Independent
	Interest in Shares and Options	Refer to Section 6.6.
	Legal or disciplinary action	Nil
	Insolvent companies	Nil

	Mr Sam Brougham	
	Role	Non-Executive Director (Chairman – effective until the Listing Date)
	Expertise	<p>Sam Brougham has an economics degree from the University of Adelaide.</p> <p>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 cofounded 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.</p>
	Independence	Non independent
	Interest in Shares and Options	Refer to Section 6.6.
	Legal or disciplinary action	Nil
	Insolvent companies	Nil

	Dr Greg Robinson	
	Role	Non-Executive Director
	Expertise	<p>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.</p> <p>Greg is currently the Chairman and CEO of Exablaze, an Australian manufacturer of the world's fastest computer networking equipment. Prior to this Greg worked in the Financial Services industry for more than 25 years. He has had exposure to Trading, Funds Management and Stockbroking. He served as Managing Director and CEO of Asia Pacific for ITG, a listed [NYSE:ITG] global quantitative stockbroker.</p> <p>Greg has undertaken business development in many parts of the globe, and has also managed businesses domiciled in Hong Kong, Singapore, Japan and the US.</p>
	Independence or affiliations	Independent
	Interest in Shares and Options	Refer to Section 6.6.
	Legal or disciplinary action	Nil
	Insolvent companies	Nil

6. Key individuals, interests and benefits and corporate governance continued

Proposed Directors

	Dr John Ryals	
	Role	Proposed Director Non-Executive Director
	Expertise	<p>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.</p> <p>Dr. Ryals served as president and CEO at Metabolon from 2002 until 2018.</p> <p>Before founding Metabolon, he was CEO, president and founder of Paradigm Genetics, Inc., a publicly traded agriculture biotechnology company focused on industrializing the process of gene function discovery.</p> <p>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.</p>
	Independence or affiliations	Independent Director
	Interest in Shares and Options	Nil
	Legal or disciplinary action	Nil
	Insolvent companies	Nil



Ms Ingrid van Dijken

Role	Proposed Director Non-Executive Director
Expertise	<p>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.</p> <p>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.</p> <p>She currently works at a privately held funds management firm. From early 2014 until September 2018 she worked at the Impact Investment Group 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 IIG made transactions in excess of \$1 billion across commercial real estate, large scale renewable energy infrastructure and venture capital.</p> <p>Prior to joining IIG in 2014, Ingrid managed the UHNW segment of NAB Private Wealth in Victoria for five years. Before moving to Australia in 2009, she worked for more than twelve years in Private Banking in Switzerland. This included eight years at Union Bancaire Privee in Geneva, a private bank headquartered in Geneva.</p> <p>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 till March 2019.</p>
Independence or affiliations	Independent Director
Interest in Shares and Options	Refer to Section 6.6.
Legal or disciplinary action	Nil
Insolvent companies	Nil

6. Key individuals, interests and benefits and corporate governance continued

6.3 Senior management team

The table below provides detail of the senior management team of Terragen.

Senior management team

Position	Expertise, experience and qualifications
Justus Homburg – Chief Executive Officer	See Section 6.2.
Stephen Kelly – Chief Financial Officer and Company Secretary	<p>B, Bus (Accounting), ACA</p> <p>Stephen Kelly is a highly experienced Director, Chief Financial Officer and Company Secretary. A qualified Australian 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 agribusiness, mining, infrastructure, property development and banking and finance. Mr Kelly is a Member of the Institute of Chartered Accountants in Australia.</p> <p>Mr Kelly is a Director of Chesser Resources Limited.</p>
Dr Karen Jury – Head of Research & Development	<p>Karen Jury holds a PhD in microbiology.</p> <p>Karen Jury is a molecular microbiologist who has over thirty years' experience in microbiological research in sectors including agriculture, food production and pathogen control.</p> <p>Karen has specialist knowledge in a wide range of molecular and microbiological research and production techniques, as well as experience in managing communications with patent attorneys and government agencies.</p> <p>Karen's career began in the prokaryotic genetics group of the Food Research Institute, Norwich, UK, investigating various cheese starter culture projects prior to emigrating to Australia in 1999.</p> <p>Karen has worked for Terragen since 2010, initially assisting Dr Wayne Finlayson setting up a microbiology lab and production facility at Varsity Lakes to develop and produce a biological plant growth promoting product ('Great Land').</p> <p>Prior to joining Terragen, Karen's roles include management of a PC2 laboratory for the Department of Primary Industries while completing a PhD in microbiology at the University of New South Wales.</p>
Dr Paul Scott – Head of Soil Health Product Technology	<p>Paul Scott holds a BSc (Honours) in microbiology, an MSc in biotechnology, and a PhD in molecular bacteriology.</p> <p>Paul enjoyed an academic teaching and research career spanning 25 years, holding teaching positions at Central Queensland University and research positions at INRA in France and the University of Queensland.</p> <p>Prior to joining Terragen in 2015, Paul was a Research Fellow in the ARC Centre of Excellence for Integrative Legume Research at the University of Queensland.</p> <p>Paul's career in academia includes extensive research in the area of crop protection and crop productivity as well as the role of lactobacilli ecology in the gastrointestinal tract of ruminants and monogastric livestock.</p>

Position	Expertise, experience and qualifications
<p>Mr Andrew Wollen – Head of New Product Applications Development</p>	<p>Andrew holds a degree in rural science from Armidale, New South Wales and an MBA from the Melbourne Business School.</p> <p>Andrew’s experience in agriculture and business spans more than 30 years and includes senior operating and management roles in food processing, dairy nutrition, international trading, distribution, agricultural investment and environmental services.</p> <p>His early life experience of growing up on a grazing farm is complemented by attaining a degree in rural science at Armidale, NSW, and an MBA, Melbourne Business School. The recent decade of Andrew’s career has been motivated by environmental considerations which led to joining Terragen in July 2015.</p> <p>Andrew’s role at Terragen has included: enhancing the rigour of field research operations, analysis and reporting; project management of grant funded field research; account management of customers in the horticultural sector; support of the commercial strategy and establishment of the agency distribution network.</p>
<p>Mr Adam Davies – Head of Sales and Marketing</p>	<p>Adam has an extensive 28-year career in the Australian Seed Industry, Adam has held senior management positions in Sales Agronomy, Marketing and as National Sales Manager.</p> <p>He has focused on plant agronomy from establishment to end market usage in pasture, hay, grain, turf and animal production systems across Australia and New Zealand. Managing commercial releases of new plant genetics to create sales opportunities and increased on farm profitability for clients.</p> <p>Adam joined Terragen Biotech in Jan 2017 where his role as Director of Sales and Marketing, has concentrated on establishing a national sales Agency and Marketing program throughout a retail network. He has developed business contacts with new industry partners in markets outside of the initial Terragen Biotech range. He has expanded the In-field testing through these new sectors to help develop future sales growth and new product development.</p>

6. Key individuals, interests and benefits and corporate governance continued

6.4 Interests and benefits

This Section 6.4 sets out the nature and extent of the interests and fees of certain persons involved in the Offer.

Other than as set out in this Prospectus, no:

- Director or Proposed Director of the Company;
- Person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- Promoter of the Company; or
- Underwriters to the Offer or financial services licensee named in this Prospectus as a financial services licensee involved in the Offer,

holds at the time of lodgement of the Prospectus with ASIC, or has held in the two years preceding lodgement of this Prospectus with the ASIC, any interest in:

- The formation or promotion of the Company;
- Property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or
- The Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any such persons for services in connection with the formation or promotion of the Company or the Offer or to any Director or Proposed Director to induce them to become, or qualify as, a Director of the Company.

6.5 Interests of advisers

The Company has engaged the following professional advisers in relation to the Offer:

- Bell Potter Securities Limited and Evans Dixon Corporate Advisory Pty Limited have acted as Joint Lead Managers and Underwriters to the Offer and the fees payable to the Joint Lead Managers and Underwriters pursuant to the Underwriting Agreement are described in Section 9;
- Deloitte Corporate Finance Pty Limited has acted as the Investigating Accountant and has performed financial, accounting and tax due diligence services and provided the Investigating Accountant's Report in Section 8 in relation to the Financial Information. The Company has paid, or has agreed to pay approximately \$75,000 (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to Deloitte Corporate Finance Pty Limited under time-based charges;
- Deloitte Touche Tohmatsu has acted as Terragen's auditor for the purposes of the Offer. For this work, Touch Tohmatsu has received fees amounting to approximately \$28,500 excluding GST and disbursements;
- Thomson Geer has acted as Australian Legal Adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, up to \$180,000 (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to Thomson Geer in accordance with its normal time-based rates;
- Davies Collison Cave has acted as patent attorneys to the Company in relation to the Intellectual Property Report on Patents. The Company has paid, or agreed to pay, up to \$15,000 (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to Davies Collison Cave in accordance with its normal time-based rates; and
- Lowndes Ltd has acted as New Zealand Legal Adviser to the Company in relation to limited aspects of the legal due diligence on the Company's New Zealand operations and on registration of the Offer in New Zealand. The Company has paid, or agreed to pay, up to \$7,915 (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to Lowndes Ltd in accordance with its normal time-based rates.

The Company will pay these amounts, and other expenses of the Offer, out of funds raised under the Offer or cash otherwise available to the Company (or its Subsidiary). Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 7.3.

6.6 Directors' and Proposed Director's interests and remuneration

Executive and non-executive Directors' fees and remuneration

Under the Constitution, the Directors decide the total amount paid to each Director as remuneration for their services as a Director to the Company. However, under the ASX Listing Rules, the total amount paid to all non-executive Directors for their services as Directors must not exceed in aggregate in any financial year the amount fixed by the Company's general meeting. This amount is currently \$300,000 and was approved by the Board on August 2019.

Below is a table detailing the amount of remuneration each Director of Terragen is entitled to receive per annum at the Listing Date.

Name	Position	Amount per annum	Other compensation
Mr Justus Homburg	Managing Director and Chief Executive Officer	\$301,125	Nil
Dr Paul Schober	Non-Executive Chairman	\$48,000	\$4,000 per annum (in total) for all Board sub-committee appointments
Mr Sam Brougham	Non-Executive Director	\$36,000	\$4,000 per annum (in total) for all Board sub-committee appointments
Dr Greg Robinson	Non-Executive Director	\$36,000	\$4,000 per annum (in total) for all Board sub-committee appointments
Dr John Ryals	Proposed Director Non-Executive Director	\$36,000	\$4,000 per annum (in total) for all Board sub-committee appointments
Ms Ingrid Van Dijken	Proposed Director Non-Executive Director	\$36,000	\$4,000 per annum (in total) for all Board sub-committee appointments

Each Director is also entitled to be reimbursed for reasonable travel and other expenses incurred in connection with attending meetings of the Board and any committee on which he or she serves.

The terms of appointment of each of the non-executive Directors are customary for appointments of this nature.

Refer to Section 9.3 of this Prospectus for a summary of the Executive Services Agreement and Letters of Appointment of Each of the Directors.

Directors' and Proposed Director's interests in Shares and Options

Directors are not required under the Constitution to hold any Shares in the Company. The Directors (and their associates) are entitled to apply for Shares in the Offer.

Shares and Options

The table below sets out the interests of the Directors and Proposed Directors as at the Prospectus Date and their percentage interest in Terragen following completion of the Offer.

Refer to Section 12.2 for further details on the capital structure.

6. Key individuals, interests and benefits and corporate governance continued

Director/ Proposed Director	Shares held directly or indirectly on the Prospectus Date	Options held directly or indirectly on the Prospectus Date	% of Shares at the Prospectus Date	% of Shares on completion of the Offer (assuming no Options are exercised)	% of Shares on completion of the Offer (assuming they exercise 100% of their Options and no other Optionholder exercises their Options)	% of Shares on completion of the Offer (assuming they exercise 100% of their Options and 50% of all other options are exercised)
Paul Schober	152,000 held through Jalen SMSF Pty Ltd ¹ 81,000 held directly	80,000 Options (Investment) held through Jalen SMSF Pty Ltd	0.2%	0.1%	0.1%	0.1%
Justus Homburg	275,000 held directly	2,000,000 Options (Incentive A) held directly 200,000 Options (Investment) held directly	0.2%	0.1%	1.3%	1.2%
Sam Brougham	6,627,616 held through Stamina Pty Ltd ² 2,250,000 held through Crofton Park Developments Pty Ltd atf the Brougham Superannuation Fund ³ 1,744,000 held through Crofton Park Developments Pty Ltd atf the Sam Brougham Family Trust ⁴	1,600,000 Options (Investment) held through Crofton Park Developments Pty Ltd atf the Sam Brougham Family Trust	9.9%	5.7%	6.4%	6.2%
Greg Robinson	3,195,000 held through P M Desmond Pty Ltd as trustee for the Desrob Superannuation Fund ⁵ 563,000 held directly	Nil	3.5%	2.0%	2.0%	1.9%
John Ryals	Nil	Nil	N/A	N/A	N/A	N/A
Ingrid van Dijken	970,000 held by her spouse	100,000 Options (Investment) held by her spouse	0.9%	0.5%	0.6%	0.5%

Notes:

1. Paul Schober is a director and controller of Jalen SMSF Pty Ltd.
2. Sam Brougham is a director and controller of Stamina Pty Ltd.
3. Sam Brougham is a director of the trustee and beneficiary of the superannuation fund.
4. Sam Brougham is a director of the trustee and beneficiary of the trust.
5. Greg Robinson is a director and controller of P M Desmond Pty Ltd as trustee for the Desrob Superannuation Fund.

Options (Incentive A) and Options (Incentive B) held by Directors and Proposed Directors

The Options (Incentive) held by Directors and Proposed Directors are issued on the following terms:

Exercise price	\$0.05 ¹	
Exercise period	Options (Incentive A) and Options (Incentive B)	Exercise period
	2,000,000 Options (Incentive A) held by Justus Homburg	18 January 2018 until 17 January 2022
Exercise ratio	1 Share for every Option (Incentive A)	
Other applicable terms	The Options (Incentive A) are otherwise subject to the terms of the Employee Incentive Plan detailed in Section 6.8.	

Note:

1. The ASX issued an in-principle waiver on 12 September 2019 to allow the Options (Incentive A) to have an exercise price of less than \$0.20. Refer to Section 12.15 for further information.

Refer to Section 6.8 for a summary of the Employee Incentive Plan.

Options (Investment) held by Directors and Proposed Directors

The Options (Investment) held by Directors and Proposed Directors are issued on the following terms:

Exercise price	\$0.25	
Exercise period	Options (Investment)	Exercise period
	200,000 Options (Investment) held by Justus Homburg	From the date of issue until: <ul style="list-style-type: none"> • if Listing occurs by 31 December 2019, the third anniversary of the Listing Date; or • if Listing does not occur by 31 December 2019, the third anniversary of the date of issue of the Option (Investment).
	100,000 Options (Investment) held by spouse of Ingrid van Dijken	
	80,000 Options (Investment) held through Jalen SMSF Pty Ltd	
	1,600,000 Options (Investment) held through Crofton Park Developments Pty Ltd atf the Sam Brougham Family Trust	
Exercise ratio	1 Share for every Option (Investment)	
Other applicable terms	The Option (Investment) are otherwise subject to the terms of issue of the Options (Investment) detailed in Section 12.5.	

Refer to Section 12.5 for a summary of the terms of issue of the Options (Investment).

6. Key individuals, interests and benefits and corporate governance continued

Deeds of Access, Insurance and Indemnity for Directors

(a) Access

The Company has entered into deeds of access, insurance and indemnity with each Proposed Director and Director which contain rights of access to certain books and records of the Company.

(b) Indemnification

Under the Constitution, the Company may indemnify all Directors and officers, past and present, against all liabilities allowed under law. Under the deed of access, insurance and indemnity, the Company indemnifies parties against all liabilities to another person that may arise from their position as an officer of the Company or its Subsidiary to the extent permitted by law. The deed stipulates that to the extent required by law the Company will meet the full amount of any such liabilities, including reasonable legal costs and expenses.

(c) Insurance

Under the Constitution, the Company may arrange and maintain directors' and officers' insurance for its Directors to the extent permitted by law and under the deed of access, insurance and indemnity, the Company must maintain insurance cover for each Director for the duration of the access period.

6.7 Management interests and remuneration

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.

Refer to Section 9 of this Prospectus for a summary of the Executive Services Agreement between Terragen and Justus Homburg.

6.8 Employee incentive arrangements

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.

The key elements of the Employee Incentive Plan are detailed in Section 12.8.

Details of all incentives issued under the Employee Incentive Plan (including Options (Incentive A) or Shares issued on exercise of Options (Incentive A) issued under the Employee Incentive Plan) will be published in each annual report of Terragen relating to the period in which the incentives (including all Options (Incentive A) or underlying Shares or Shares (Incentive)) are issued.

6.9 Corporate governance

This Section explains how the Board will oversee the management of Terragen's business. The Board is responsible for the overall corporate governance of the Terragen Group. The Board monitors the operational and financial position and performance of Terragen and oversees its business strategy, including approving the strategic goals of Terragen and considering and approving its annual business plan and the associated budget. The Board is committed to maximising performance, generating appropriate level of Shareholder value and financial return and sustaining the growth and success of Terragen. In conducting Terragen's business with these objectives, the Board seeks to ensure that Terragen is properly managed to protect and enhance Shareholder interests and that Terragen, its Directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board have developed and adopted a framework of corporate governance policies and practices, risk management practices and internal controls that it believes appropriate for Terragen's business.

The main policies and practice adopted by Terragen, which will take effect from Listing, are summarised below. In addition, many governance elements are contained in the Constitution. Details of Terragen's key policies and the charters for the Board and each of its committees will be available from Listing at <http://www.terragen.com.au/Corporate/CorporateGovernanceDocuments-444/>

Terragen is seeking a listing on the ASX. In order to promote investor confidence and to assist companies to meet stakeholder expectations, the ASX Corporate Governance Council has developed and released Corporate Governance Principles and Recommendations.

The Company has adopted its corporate governance policies having regard to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition) (**ASX Recommendations**). As a listed entity, the Company will be required to report annually on the extent to which it has followed the ASX Recommendations during each financial year. If it has not followed a particular ASX Recommendation during any particular financial year, the Company must disclose its reasons for not doing so.

The Company notes that the 4th Edition of the Corporate Governance Principles and Recommendations (**4th Edition**) was released in February 2019. However, the 4th Edition takes effect for a listed entity's first full financial year commencing on or after 1 January 2020. Upon the Company's admission to the ASX, it will continue to report against the 3rd edition of the ASX Recommendations until such time as the 4th Edition takes effect for the Company.

The ASX Recommendations are not mandatory or prescriptive and the Board is entitled not to adopt a particular recommendation if it considers it inappropriate in the context of the business. However, under the ASX Listing Rules, Terragen will be required to provide a corporate governance statement in its annual report (or by reference in its annual report to the URL of the page on its website where the statement can be viewed), disclosing the extent to which it has followed the ASX Recommendations within the reporting period. Where Terragen does not follow a recommendation for any part of a reporting period, it must identify the recommendation and provide its reasons for not doing so and what (if any) alternative governance practices it adopted in lieu of the recommendation.

Except as set out in Section 6.13 below, the Board does not anticipate that it will depart from the recommendations of the ASX Corporate Governance Council, however it may do so in the future if it considers such a departure would be reasonable.

6. Key individuals, interests and benefits and corporate governance continued

6.10 Board Appointment and composition

It is the Board's policy that there should, where practicable, be a majority of independent Directors and that the office of Chair be held by an independent non-executive Director.

The Board Charter sets out guidelines for the purpose of determining independence of Directors in accordance with the ASX recommendations and has adopted a definition of independence that is based on that set out in the ASX Recommendations. The Board considers an independent Director to be a non-executive Director who is not a member of Terragen's management and who is free of any business or other relationship that could materially interfere with the independent exercise of their judgement. The Board reviews the independence of each Director in light of interests disclosed to the Board from time to time.

The Board considers that Dr Paul Schober, Dr Greg Robinson, Dr John Ryals and Ingrid van Dijken are free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with, the exercise of the Director's unfettered and independent judgement and are able to fulfil the role of independent Director for the purpose of the ASX Recommendations.

Mr Justus Homburg is currently considered by the Board not to be independent as he is an executive Director of the Company. Mr Sam Brougham is currently considered by the Board not to be independent as he is a Substantial Shareholder.

The Board is responsible for the overall corporate governance of Terragen and has adopted the following charters and policies:

- (a) Board Charter;
- (b) Audit and Risk Committee Charter;
- (c) Nomination and Remuneration Committee Charter;
- (d) Code of Conduct;
- (e) Trading Policy;
- (f) Diversity Policy; and
- (g) Disclosure and Communication Policy.

A summary of the key terms of these charters and policies is set out below. Copies can be obtained from Terragen's website <http://www.terrigen.com.au/Corporate>.

6.11 Board committees

The Board may from time to time establish committees to assist in the discharge of its responsibilities. The Board has established an Audit and Risk Committee and a Nomination and Remuneration Committee. Membership of Board committees will be based on the needs of Terragen, relevant legislation, regulatory and other requirements, and the skills and experience of Board members.

The board may also establish other committees from time to time to assist in the discharge of its responsibilities.

Each committee has the responsibilities described in its respective committee charter which has been prepared with regard to the ASX Listing Rules and the ASX Corporate Governance Principles.

6.12 Governance policies

The governance policies set out in this Section 6.12 have been adopted by the Board and will be made available on the Terragen Group's website prior to its admission to the Official List.

Governance policy	Summary
Board Charter	<p>The Board Charter provides a framework for the effective operation of the Board and sets out:</p> <ul style="list-style-type: none"> • the role and responsibilities of the Board and Company Secretary; • delegations of authority to committees and management; • the size and composition of the Board; and • Board processes, including the ability of Directors to seek independent professional advice. <p>Please see the Corporate Governance Statement at Section 6.13 for further information on the role of the Board.</p>
Audit and Risk Committee Charter	<p>The Audit and Risk Committee Charter sets out the role, responsibilities, membership and operation of the Audit and Risk Committee. The charter notes that the role of the Audit and Risk Committee is to assist the Board in carrying out its accounting, auditing and financial reporting responsibilities, including oversight of the:</p> <ul style="list-style-type: none"> • integrity of Terragen's financial reporting systems, internal and external financial reporting and financial statements; • appointment, remuneration, independence and competence of Terragen's external auditors; • performance of the external audit functions and review of their audits; • effectiveness of Terragen's system of risk management and internal controls; and • Terragen's systems and procedures for compliance with applicable legal and regulatory requirements. <p>The charter also sets out:</p> <ul style="list-style-type: none"> • the size and composition of the Audit and Risk Committee; and • committee processes, including the ability of the committee to seek independent professional advice. <p>From Listing, the Audit and Risk Committee will comprise Gregory Robinson (Chairperson), Sam Brougham and Paul Schober.</p> <p>All three members are non-executive Directors. The majority are independent directors.</p>
Nomination and Remuneration Committee Charter	<p>The Nomination and Remuneration Committee Charter sets out the role, responsibilities, membership and operation of the Nomination and Remuneration Committee. The committee assists and advises the Board on:</p> <ul style="list-style-type: none"> • nomination matters, including Board, CEO and senior executive succession planning, performance evaluation and the recruitment, appointment and re-election of directors; and • remuneration matters, including assisting and advising on remuneration policies and practices for the Board, the CEO and senior executives. <p>The charter also sets out:</p> <ul style="list-style-type: none"> • the size and composition of the Nomination and Remuneration Committee; and • committee processes, including the ability of the committee to seek independent professional advice. <p>From Listing, the Nomination and Remuneration Committee will comprise Ingrid Van Dijken, Sam Brougham and Gregory Robinson (Chairperson).</p> <p>All three members will be non-executive Directors on the Listing Date. The majority are independent directors.</p>

6. Key individuals, interests and benefits and corporate governance continued

Governance policy	Summary
Code of Conduct	<p>The Code of Conduct applies to all Directors as well as all officers, employees, contractors, consultants, other persons that act on behalf of Terragen, and associates of Terragen. Please see the Corporate Governance Statement at Section 6.13 for further information on the Code of Conduct.</p> <p>Among other matters (as described in Section 6.13), the Code of Conduct sets out how related party transactions are to be managed, including requiring that all related party transactions be:</p> <ul style="list-style-type: none"> • notified to the Company Secretary prior to their execution; • on arm's length terms; and • approved by the Board. <p>Related party transactions not on arm's length terms must be approved by Terragen's shareholders unless another exception in the Corporations Act applies. The Code of Conduct sets out the process for referring proposed related party transactions.</p> <p>The Code of Conduct notes that compliance with the code will be monitored and any known or suspected breaches will be investigated. If a breach is found to have occurred, legal or disciplinary action may be taken.</p>
Trading Policy	<p>The Trading Policy governs the buying and selling of any securities in Terragen that are able to be traded on a financial market.</p> <p>The policy summarises insider trading laws and confidentiality requirements as well as the rules that apply to all Directors, officers, key management personnel and other designated persons (and their families and associates) in relation to specific matters, including:</p> <ul style="list-style-type: none"> • the periods during which dealing in Terragen's securities by such persons is prohibited (subject to exceptions outlined in the policy); and • restrictions in relation to margin lending, short-term or speculative trading and hedging.
Diversity Policy	<p>The Diversity Policy applies to the Board, as well as senior management, employees and contractors of Terragen.</p> <p>Terragen is committed to promoting diversity within the Company and recognises the value of diversity in achieving Terragen's corporate objectives and maximising value to shareholders.</p> <p>The Diversity Policy sets out the objectives of Terragen in relation to diversity and notes that the Board is responsible for designing and overseeing the implementation of the policy, with employees being required to act in a manner that supports diversity within the workplace and promotes the objectives of the policy.</p> <p>The policy also deals specifically with gender diversity and non-inclusive or discriminatory behaviour.</p>
Disclosure and Communication Policy	<p>The Disclosure and Communication Policy applies to the Board as well as officers, employees and consultants of Terragen. The policy deals with:</p> <ul style="list-style-type: none"> • Terragen's continuous disclosure obligations; • the roles and responsibilities of the Board, the Company Secretary and other employees in relation to disclosure obligations; • disclosure processes; • market communications; and • shareholder communications.

6.13 Corporate governance statement

Subject to its admission to the Official List of the ASX, Terragen will be required to report any departures from the ASX Recommendations. Terragen's compliance and departures from the ASX Recommendations as at the date of this Prospectus are as follows:

ASX Recommendations	Compliance by Terragen
Principle 1 – Lay solid foundations for management and oversight <i>A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.</i>	
Recommendation 1.1 A listed entity should disclose the respective roles and responsibilities of its board and management, and those matters expressly reserved to the board and those delegated to management.	<p>Terragen has adopted a formal charter (Board Charter) clearly setting out the respective roles and responsibilities of the Board and management.</p> <p>Responsibilities reserved to the Board include:</p> <ul style="list-style-type: none">• providing leadership and setting the strategic objectives of Terragen;• appointing the chairperson;• appointing and when necessary replacing the CEO;• approving the appointment and when necessary replacement of other senior executives of Terragen;• overseeing management's implementation of Terragen's strategic objectives and its performance generally;• through the chairperson, overseeing the role of the Company Secretary;• approving operating budgets and major capital expenditure;• overseeing the integrity of Terragen's accounting and corporate reporting systems, including the external audit;• overseeing Terragen's process for making timely and balanced disclosure of all material information concerning it that a reasonable person would expect to have a material effect on the price or value of Terragen's securities;• ensuring that Terragen has in place an appropriate risk management framework and setting the risk appetite within which the Board expects management to operate;• approving Terragen's remuneration framework; and• monitoring the effectiveness of Terragen's governance practices. <p>A copy of the Board Charter is available on Terragen's website.</p>

6. Key individuals, interests and benefits and corporate governance continued

ASX Recommendations	Compliance by Terragen
<p>Recommendation 1.2</p> <p>A listed entity should:</p> <ul style="list-style-type: none"> • undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a director; and • provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. 	<p>The Board undertakes appropriate checks before appointing or nominating Board candidates. In addition, Terragen has established a Nomination and Remuneration Committee to identify and make recommendations to the Board for the appointment of new Board candidates, having regard to their skills, experience and expertise and the results of appropriate checks.</p>
<p>Recommendation 1.3</p> <p>A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</p>	<p>All Directors and senior executives have entered into written appointment agreements with Terragen.</p> <p>Specifically:</p> <ul style="list-style-type: none"> • the non-executive Directors have each executed a letter of appointment setting out the terms and conditions of their appointment; and • the executive Director and senior executives of Terragen have entered into service contracts, setting out the terms and conditions of their employment.
<p>Recommendation 1.4</p> <p>The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.</p>	<p>The Company Secretary is accountable directly to the Board, through the chairperson, on all matters to do with the proper functioning of the Board.</p> <p>Terragen has adopted a formal charter (Board Charter) setting out the Company Secretary's responsibilities.</p> <p>Under the Board Charter, the Company Secretary is responsible for:</p> <ul style="list-style-type: none"> • advising the Board and its committees on governance matters; • monitoring the Board and committee policy and procedures are followed; • coordinating the timely completion and dispatch of Board and committee papers; • ensuring the business at Board and committee meetings is accurately captured in the minutes; and • helping to organise and facilitate the induction and professional development of Directors and the Company Secretary.

ASX Recommendations	Compliance by Terragen
<p>Recommendation 1.5</p> <p>A listed entity should:</p> <ul style="list-style-type: none"> • have a diversity policy which includes requirements for the board or a relevant committee of the board to set measureable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; • disclose that policy or a summary of it; and • disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: <ul style="list-style-type: none"> (i) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (ii) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act. 	<p>Terragen has a diversity policy (Diversity Policy) in place.</p> <p>The Diversity Policy entrusts the Board with the responsibility for designing and overseeing the implementation of the Diversity Policy.</p> <p>Under the Diversity Policy, the Board is:</p> <ul style="list-style-type: none"> • required to develop initiatives that will promote and achieve diversity goals; • responsible for reviewing this diversity policy and will assess the status of diversity within Terragen and the effectiveness of this policy in achieving the measurable objectives which have been set to achieve diversity; and • responsible for assessing the effectiveness of Terragen's diversity objectives each year.
<p>Recommendation 1.6</p> <p>A listed entity should:</p> <ul style="list-style-type: none"> • have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and • disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	<p>Under the Board Charter, each Director's performance is assessed when standing for re-election. Before each annual general meeting, the Chairman of the Board assesses the performance of any Director standing for re-election and the Board will determine their recommendation to shareholders on the re-election of the Director (in the absence of the Director involved). The Board (excluding the Chairman) will conduct the review of the Chairman.</p>

6. Key individuals, interests and benefits and corporate governance continued

ASX Recommendations	Compliance by Terragen
<p>Recommendation 1.7</p> <p>A listed entity should:</p> <ul style="list-style-type: none"> • have and disclose a process for periodically evaluating the performance of its senior executives; and • disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	<p>Under the Board Charter, senior executives' performance will be considered by the independent Directors in a meeting separate to the Board meetings. The Chairman is responsible for ensuring independent Director meetings take place on a regular basis.</p>
<p>Principle 2 – Structure the board to add value <i>A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.</i></p>	
<p>Recommendation 2.1</p> <p>The board of a listed entity should:</p> <ul style="list-style-type: none"> • have a nomination committee which: <ul style="list-style-type: none"> (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: <ul style="list-style-type: none"> (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or • if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively. 	<p>The Board has adopted a dedicated Nomination and Remuneration Committee, which will have authority and power to exercise the roles and responsibilities granted to it under a nomination and remuneration committee charter (Nomination and Remuneration Committee Charter), and any other resolutions of the Board from time to time. At the Listing Date, the committee will be comprised of three Directors who are all non-executive Directors, the majority of whom are independent. The chairperson is one of the independent, non-executive Directors.</p> <p>At Listing the members of the Nomination and Remuneration Committee are:</p> <ul style="list-style-type: none"> • Chairperson Dr Gregory Robinson; • Member Ingrid van Dijken; and • Member Mr Sam Brougham, <p>The Nomination and Remuneration Committee Charter is available on Terragen's website.</p>

ASX Recommendations	Compliance by Terragen
<p>Recommendation 2.2</p> <p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>The Board has not, at this time, adopted a board skills matrix. However, Terragen will seek to appoint directors with an appropriate range of skills, experience and expertise and an understanding of and competence to deal with current and emerging issues of the business. In addition, the Board Charter provides that the Chairman is responsible for overseeing that membership of the Board is skilled and appropriate for Terragen's needs. The Nomination and Remuneration Committee is responsible for identifying candidates with appropriate skills, experience and expertise.</p>
<p>Recommendation 2.3</p> <p>A listed entity should disclose:</p> <ul style="list-style-type: none"> • the names of the directors considered by the board to be independent directors; • if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX CG Principles but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and • the length of service of each director. 	<p>Board members, Paul Schober, Greg Robinson and the Proposed Directors, John Ryals and Ingrid van Dijken are each considered to be independent Directors.</p> <p>The Board will regularly assess the independence of each Director in light of the interests disclosed by them. That assessment will be made at least annually at, or around the time, that the Board considers candidates for election to the Board, and each independent Director is required to provide the Board with all relevant information for this purpose.</p> <p>If the Board determines that a Director's independent status has changed, that determination will be disclosed to the market in a timely fashion.</p>
<p>Recommendation 2.4</p> <p>A majority of the board of a listed entity should be independent directors.</p>	<p>The Board and the Proposed Directors currently consists of four independent and two non-independent Directors and Proposed Directors; as such the Board at Listing will have a majority of independent directors.</p>
<p>Recommendation 2.5</p> <p>The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the Chief Executive Officer of the entity.</p>	<p>The Chairman of the Board from the Listing Date will be Paul Schober who is an independent, non-executive Director.</p> <p>Justus Homburg is the Chief Executive Officer.</p>
<p>Recommendation 2.6</p> <p>A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.</p>	<p>Under the Board Charter, the Directors are expected to participate in any induction or orientation programs on appointment, and any continuing education or training arranged for them.</p> <p>The Company Secretary is responsible for facilitating the induction and professional development of Directors.</p>

6. Key individuals, interests and benefits and corporate governance continued

ASX Recommendations	Compliance by Terragen
Principle 3 – Act ethically and responsibly <i>A listed entity should act ethically and responsibly.</i>	
Recommendation 3.1 A listed entity should: <ul style="list-style-type: none">• have a code of conduct for its directors, senior executives and employees; and• disclose that code or a summary of it.	<p>The Board has adopted a code of conduct (Code of Conduct) which sets out the values, commitments, ethical standards and policies of Terragen and outlines the standards of conduct expected of Terragen’s business and people, taking into account Terragen’s legal and other obligations to its stakeholders.</p> <p>The Code of Conduct applies to all Directors, as well as all officers, employees, contractors, consultants, other persons that act on behalf of Terragen, and associates of Terragen.</p> <p>The Code of Conduct covers the following:</p> <ul style="list-style-type: none">• Terragen’s core values;• conflicts of interest;• opportunities, benefits and ownership of work;• anti-bribery and gifts;• dealings with politicians and government officials;• confidentiality;• privacy;• fair dealing;• discrimination, bullying, harassment and vilification;• health and safety;• protection and use of Terragen’s assets and property;• compliance with laws;• responsibility to shareholders and other stakeholders;• related party transactions;• insider trading; and• whistleblower protection. <p>The Code of Conduct is available on Terragen’s website.</p>

ASX Recommendations**Compliance by Terragen****Principle 4 – Safeguard integrity in corporate reporting**

A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

Recommendation 4.1

The board of a listed entity should:

- have an audit committee which:
 - (i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and
 - (ii) is chaired by an independent director, who is not the chair of the board,and disclose:
 - (iii) the charter of the committee;
 - (iv) the relevant qualifications and experience of the members of the committee; and
 - (v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

The Board is committed to following Recommendation 4.1 and has established an Audit and Risk Committee. This committee is responsible for, amongst other things, appointing Terragen's external auditors and overseeing the integrity of Terragen's financial reporting systems and financial statements.

At Listing, the members of the Audit and Risk Committee are:

- Chairperson Dr Gregory Robinson;
- Member Dr Paul Schober; and
- Member Mr Sam Brougham,

all of whom are non-executive Directors and the majority who are also independent. The Chairperson is an independent director.

Terragen has also adopted an Audit and Risk Committee Charter that is available on Terragen's website.

Terragen intends to disclose, at the relevant time, the number of times the Audit and Risk Committee has met, and the attendance at those meetings, at the end of each relevant reporting period.

6. Key individuals, interests and benefits and corporate governance continued

ASX Recommendations	Compliance by Terragen
<p>Recommendation 4.2</p> <p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>The Board will implement a process to receive written assurances from its Chief Executive Officer and Chief Financial Officer that the declarations that will be provided under Section 295A of the Corporations Act are founded on a system of risk management and internal control and that the system is operating in all material respects in relation to financial reporting risks.</p> <p>The Board will seek these assurances prior to approving the annual financial statements for all half year and full year results that follow.</p>
<p>Recommendation 4.3</p> <p>A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	<p>Terragen has adopted a formal Disclosure and Communication Policy, where there is an express requirement that the external auditor will attend the AGM and be available to answer questions about the conduct of the audit and the preparation and content of the auditor's report.</p>
<p>Principle 5 – make timely and balanced disclosure <i>A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.</i></p>	
<p>Recommendation 5.1</p> <p>A listed entity should:</p> <ul style="list-style-type: none"> • have a written policy for complying with its continuous disclosure obligations under the ASX Listing Rules; and • disclose that policy or a summary of it. 	<p>Consistent with the Board's commitment to improving its disclosure policy, the Board has adopted a Disclosure and Communication Policy, which sets out Terragen's commitment to the objective of promoting investor confidence and the rights of shareholders by:</p> <ul style="list-style-type: none"> • complying with the continuous disclosure obligations imposed by law; • ensuring that company announcements are presented in a factual, clear and balanced way; • ensuring that all shareholders have equal and timely access to material information concerning Terragen; and • communicating effectively with shareholders and making it easy for them to participate in general meetings. <p>The Disclosure and Communication Policy is available on Terragen's website.</p>

ASX Recommendations**Compliance by Terragen****Principle 6 – Respect the rights of security holders**

A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

Recommendation 6.1

A listed entity should provide information about itself and its governance to investors via its website.

Terragen recognises the rights of its shareholders and other interested stakeholders to have easy access to balanced, understandable and timely information concerning the operations of the Terragen Group. The Chief Executive Officer and the Company Secretary will be primarily responsible for ensuring communications with shareholders are delivered in accordance with this strategy and with its current market disclosure policy.

Terragen will strive to communicate with shareholders and other stakeholders in a regular manner as outlined in Principle 5 of this statement.

Information concerning Terragen and its governance practices will be made available on its website in due course.

Recommendation 6.2

A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

As mentioned above under Recommendation 5.1, the Board has adopted a Disclosure and Communication Policy, which supports its commitment to effective communication with its shareholders. In addition, Terragen intends to communicate with its shareholders:

- by making timely market announcements;
- by posting relevant information on its website;
- by inviting shareholders to make direct inquiries to Terragen; and
- through the use of general meetings.

Recommendation 6.3

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

The Board encourages participation of shareholders at the Annual General Meeting or any other shareholder meetings to ensure a high level of accountability and identification with Terragen's strategy and goals. Upon the dispatch of any notice of meeting to shareholders, the Company Secretary will send out material with that notice stating that shareholders are encouraged to participate at the meeting.

Recommendation 6.4

A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

Terragen's Shareholders may elect to receive information from Terragen and its registry electronically. Otherwise, Terragen and its registry will communicate by post with shareholders who have not elected to receive information electronically.

6. Key individuals, interests and benefits and corporate governance continued

ASX Recommendations	Compliance by Terragen
<p>Principle 7 – Recognise and manage risk <i>A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.</i></p>	
<p>Recommendation 7.1</p> <p>The board of a listed entity should:</p> <ul style="list-style-type: none"> • have a committee or committees to oversee risk, each of which: <ul style="list-style-type: none"> (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director; <p>and disclose:</p> <ul style="list-style-type: none"> (i) the charter of the committee; (ii) the members of the committee; and (iii) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <ul style="list-style-type: none"> • if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework. 	<p>The Board has adopted a formal Audit and Risk Committee to, amongst other things, ensure Terragen has an effective risk management system in place and to manage key risk areas.</p> <p>As noted above, at Listing the members of the Audit and Risk Committee are:</p> <ul style="list-style-type: none"> • Chairperson Dr Gregory Robinson; • Member Dr Paul Schober; and • Member Mr Sam Brougham, <p>all of whom are non-executive Directors and the majority who are independent. The Chairperson is an independent non-executive director.</p> <p>Terragen intends to disclose, at the relevant time, the number of times the committee has met, and the attendance at those meetings, at the end of each reporting period.</p> <p>Terragen has adopted an Audit and Risk Committee Charter which is available on Terragen's website.</p>
<p>Recommendation 7.2</p> <p>The board or a committee of the board should:</p> <ul style="list-style-type: none"> • review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and • disclose, in relation to each reporting period, whether such a review has taken place. 	<p>Under the Board Charter, the Board will ensure that Terragen has in place an appropriate risk management framework and will set the risk appetite within which the Board expects management to operate.</p> <p>Further, it is intended that the Audit and Risk Committee will, among other things, regularly review and update the risk profile and ensure that Terragen has an effective risk management system.</p> <p>As part of this process, the Board will review, at least annually, Terragen's risk management framework in order to satisfy itself that it continues to be sound.</p> <p>Terragen intends to disclose, at the relevant time, whether a review of Terragen's risk management framework was undertaken during the relevant reporting period.</p>

ASX Recommendations	Compliance by Terragen
<p>Recommendation 7.3</p> <p>A listed entity should disclose:</p> <ul style="list-style-type: none"> • if it has an internal audit function, how the function is structured and what role it performs; or • if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes. 	<p>The Audit and Risk Committee is responsible for ensuring that Terragen has appropriate internal audit systems and controls in place, and for overseeing the effectiveness of these internal controls. The committee will also be responsible for conducting investigations of breaches or potential breaches of these internal controls.</p> <p>In addition, the Audit and Risk Committee will be responsible for preparing a risk profile which describes the material risks facing Terragen, regularly reviewing and updating this risk profile, and assessing and ensuring that there are internal controls in place for determining and managing key risks.</p>
<p>Recommendation 7.4</p> <p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>Terragen has disclosed all material risks facing Terragen in Section 5 of this Prospectus, including exposure to economic, environmental and social sustainability risks. Terragen will continue to disclose these material risks in the future in its annual report or elsewhere as appropriate.</p>
<p>Principle 8 – Remunerate fairly and responsibly</p> <p><i>A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives to align their interests with the creation of value for security holders.</i></p>	
<p>Recommendation 8.1</p> <p>The board of a listed entity should:</p> <ul style="list-style-type: none"> • have a remuneration committee which: <ul style="list-style-type: none"> (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director; • disclose: <ul style="list-style-type: none"> (i) the charter of the committee; (ii) the members of the committee; and (iii) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or • if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive. 	<p>Terragen has established a Nomination and Remuneration Committee. The committee is responsible for developing, reviewing and making recommendations on:</p> <ul style="list-style-type: none"> • the remuneration framework for Directors, including the process by which any pool of Directors’ fees approved by security holders is allocated to Directors; • the remuneration packages to be awarded to senior executives; • equity-based remuneration plans for senior executives and other employees; and • superannuation arrangements for Directors, senior executives and other employees. <p>As noted above, at Listing the members of the Nomination and Remuneration Committee are:</p> <ul style="list-style-type: none"> • Chairperson Dr Gregory Robinson; • Member Ingrid van Dijken; and • Member Mr Sam Brougham, <p>all of whom are non-executive Directors and the majority who are independent. The Chairperson is an independent non-executive Director.</p> <p>Terragen intends to disclose, at the relevant time, the number of times the committee has met, and the attendance at those meetings, at the end of each reporting period.</p> <p>Terragen has adopted a Nomination and Remuneration Committee Charter which is available on Terragen’s website.</p>

6. Key individuals, interests and benefits and corporate governance continued

ASX Recommendations	Compliance by Terragen
<p>Recommendation 8.2</p> <p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p>Each Director and senior executive has entered into a separate agreement with Terragen. The remuneration of Directors and senior executives is to be reviewed annually. As noted above, a Nomination and Remuneration Committee Charter is in place and it is anticipated that this committee will consider its approach to remuneration in due course.</p>
<p>Recommendation 8.3</p> <p>A listed entity which has an equity-based remuneration scheme should:</p> <ul style="list-style-type: none">• have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and• disclose that policy or a summary of it.	<p>Terragen's Trading Policy is a code that is designed to minimise the potential for insider trading.</p> <p>The Trading Policy explains when options or rights under an employee incentive scheme can be exercised and also outlines Terragen's restrictions around margin lending, short-term or speculative trading in Terragen and hedging.</p> <p>The Trading Policy is available on Terragen's website.</p>

6.14 Company secretary

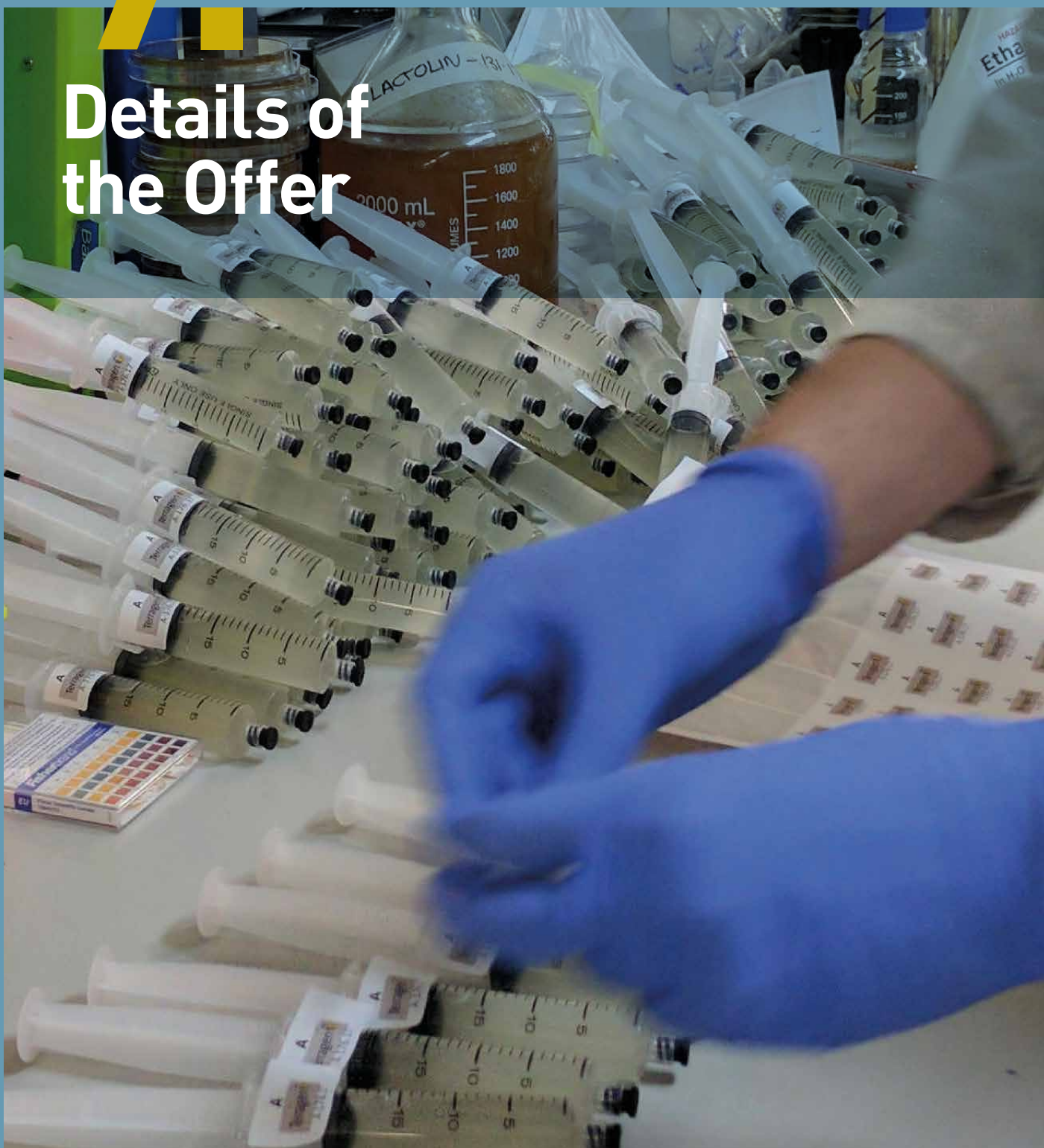
The Company Secretary is responsible for ensuring that Board procedures and policies are followed and provides advice to the Board including on matters involving corporate governance and the ASX Listing Rules. All Directors have unfettered access to the advice and services of the Company Secretary. As at the Prospectus Date, Stephen Kelly is the Company Secretary and Wayne Jeffs is the assistant Company Secretary.

6.15 Independent professional advice

To fulfil their duties and responsibilities as Directors, each Director (following consultation with the Chairman) may seek independent legal or other professional advice about any aspect of the Company's operations. Generally this advice will be available to all Directors. The cost of the advice is borne by the Company.

7

Details of the Offer



7. Details of the Offer

7.1 The Offer

This Prospectus relates to an initial public offering in Terragen at an Offer Price of \$0.25 per Share (**Offer Price**).

The Offer contained in this Prospectus is an invitation to apply for 80,000,000 new fully paid ordinary shares (**New Shares**) in the Company at \$0.25 per New Share (the **Offer**).

The total number of Shares on issue at completion of the Offer will be 186,820,902 and all Shares will, once issued, rank equally in all respects with the Existing Shares currently on issue. Detail of the capital structure of Terragen is contained in Section 12.2. A summary of the rights attaching to the Shares is set out in Section 12.4.

The minimum subscription for the Offer is 80,000,000 New Shares at the Offer Price of \$0.25 per New Share to raise a minimum of \$20 million. No New Shares will be allotted or issued until the Offer has reached the Subscription Amount of 80,000,000 New Shares.

If:

- (a) the Subscription Amount of the Offer of 80,000,000 New Shares has not been achieved within four months after the Prospectus Date (or any longer period as ASIC and ASX may permit); or
- (b) ASX approval of the ASX Application is not given within three months after such ASX Application is made (or any longer period as ASIC and ASX may permit),

all Application Money will be refunded without interest in accordance with the Corporations Act.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.2 Structure of the Offer

The Offer comprises:

Structure of the Offer details	Eligibility
Broker Firm Offer	The Broker Firm Offer is open onto to investors with a registered address in: <ul style="list-style-type: none">• Australia and New Zealand who are not Institutional Investors;• other eligible jurisdictions; and who have received an invitation from their Broker to participate.
Institutional Offer	The Institutional Offer consists of an invitation to apply for New Shares made to Institutional Investors in Australia, New Zealand, Hong Kong and a number of other eligible jurisdictions.
Chairman's List Offer	The Chairman's List Offer is open to selected investors in Australia, New Zealand and a number of other eligible jurisdictions who have received an invitation to participate in the Chairman's List Offer.

Details of the Broker Firm Offer and the allocation policy under it are described in Section 7.10.

Details of the Institutional Offer and the allocation policy under it are described in Section 7.11.

Details of the Chairman's List Offer and the allocation policy under it are described in Section 7.12.

No general public offer of New Shares will be made under the Offer.

The allocation of New Shares under the Broker Firm Offer, the Chairman's List Offer and the Institutional Offer will be made after consultations between the Joint Lead Managers and Terragen. No guarantee of allocation of any New Shares may be made to any Applicant.

Until the New Shares are issued to Successful Applicants, any Application Money for New Shares offered under the Offer will be held on trust for Applicants. If the Offer is withdrawn, Application Money will be fully refunded. No interest will be paid on the Application Money.

The Offer has been underwritten by the Joint Lead Managers and Underwriters. A summary of the Underwriting Agreement, including the events which would entitle the Joint Lead Managers and Underwriters to terminate the Underwriting Agreement, is set out in Section 9.1.

7.3 Application of proceeds

In satisfaction of the specific requirements of ASX Listing Rule 1.3.2(b) regarding the indicative future application of cash expected to be available to Terragen following completion of the Offer, the use of proceeds relating to the Offer is detailed below:

Based on the Subscription Amount of \$20 million, Terragen expects to receive approximately \$18.5 million of net proceeds from the Offer. The table below sets out the proposed use of funds from the Offer.

Sources of Funds	\$m	%	Uses of Funds	\$m	%
Gross Cash proceeds received from issue of New Shares	\$20.0	98%	Commercialisation Australia & New Zealand ¹	\$4.3	21.3%
Existing cash reserves	\$0.2	2%	Market Development Support Animal Nutrition Products ²	\$4.1	20.3%
			Market Development Support Animal Health Products ³	\$3.9	19.3%
			Market entry and commercialisation Europe ⁴	\$0.9	4.5%
			Market penetration and operating costs United States of America ⁵	\$1.1	5.4%
			Formulations and technology development support ⁶	\$1.9	9.4%
			Administration costs and working capital ⁷	\$2.5	12.4%
			Payment of costs of the Offer ⁸	\$1.5	7.4%
Total sources	\$20.2	100%	Total uses	\$20.2	100%

Notes:

1. Terragen intends to increase its scale and distribution networks in Australia and New Zealand, through an increased commercialisation strategy. Refer to Section 2.7 for detail.
2. Marketing programs supporting the commercial development of Mylo[®] in Australia, New Zealand and select new territories and the development of new animal applications such as dairy cattle, beef cattle, and others.
3. Marketing and registration programs supporting the commercial development of Lactolin for udder health in lactating dairy cattle and Halo for inflammatory conditions in dogs in Australia, New Zealand and select new territories.
4. Terragen intends to expedite the commercialisation of its product range through market assessment and partnering development in the key dairy countries of the EU (and other parts of Europe). Refer to Section 2.7 for detail.
5. Terragen intends to expand geographic reach of the Terragen Products, Mylo[®] and Lactolin, into the United States, initially in California, the largest dairy state in the US. Refer to Section 2.7 for detail.
6. Terragen intends to execute basic operations and research projects to improve production efficiency and formulations of the Terragen Products and continue to expand the platform of Terragen microbes. Refer to Section 2.7 for detail.
7. Working capital expenditure is to be applied towards funds required to expand the business, and towards administration costs associated with Terragen. These costs include costs for wages and salaries, occupancy costs, professional consultants' fees, compliance and reporting costs associated with running an ASX listed company, as well as other typical administration costs.
8. Refer to Section 12.14 for detail on the expenses of the Offer.

The above table is a statement of current intentions as at the date of this Prospectus. Investors should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the level of sales success, operational and development activities, regulatory developments, and market and general economic conditions. In light of this, the Board reserves its right to alter the way the funds are applied.

7. Details of the Offer continued

The use of further equity funding or share placements will be considered by the Board where it is appropriate to accelerate a specific project, transaction or expansion.

It is possible that future projects, transactions or expansions that may be contemplated may exceed the current projected financial resources of Terragen and it is expected that these activities would be funded by project finance and/or subsequent equity issues (subject to required shareholder approvals, if any).

7.4 Anticipated benefits of the Offer

The Offer is expected to generate future opportunities for the development of Terragen, including to provide:

- (a) capital to be applied as detailed in the table in Section 7.3;
- (b) a liquid market for its Shares and an opportunity for the general public to invest in the Company; and
- (c) additional financial flexibility and access to capital markets to pursue growth opportunities.

7.5 Pro Forma historical consolidated statement of financial position

Terragen's pro forma statement of financial position following completion of the Offer, including details of the pro forma adjustments, is set out in Section 4.4.

7.6 Shareholding structure

Refer to Section 12.3 for detail of the Shareholding structure.

Details of the Shares and Options that will be subject to escrow arrangements are set out in Section 12.12.

7.7 Control implications of the Offer

Refer to Section 12.9 for detail on section 606 of the Corporations Act and the potential control implications for the Underwriters.

Notwithstanding the above, the Directors do not expect any Shareholder to control Terragen on completion of the Offer (as defined in Section 50AA of the Corporations Act).

7.8 Potential effect of the Offer on the future of the Company

The Directors believe that, on completion of the Offer, Terragen will have sufficient working capital available from the cash proceeds of the Offer to fulfil the purposes of the Offer and meet Terragen's stated business objectives (refer to Section 2.4 and Section 2.7).

7.9 Key terms and conditions of the Offer

The key terms and conditions of the Offer are summarised in the table below:

What is the type of security being offered?	New Shares, being fully paid ordinary New Shares in the capital of Terragen.
What are the rights and liabilities attached to the security being offered?	A description of the New Shares, including the rights and liabilities attaching to them, is set out in Section 12.4.
What is the consideration payable for each security being offered?	The Offer Price is \$0.25 per New Share under the Broker Firm Offer, Chairman's List Offer and Institutional Offer.

<p>What is the Offer Period?</p>	<p>The key dates, including details of the Offer Period, are set out on page 3 in the Key Offer Information Section.</p> <p>This timetable is indicative only and may change. The Company, in consultation with the Joint Lead Managers, reserves the right to vary both of the times and dates without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Closing Date, to accept late Applications or bids, either generally or in particular cases, or to cancel or withdraw the Offer before settlement, in each case without notifying any recipient of this Prospectus or any Applicants).</p> <p>If the Offer is cancelled or withdrawn before the allocation of Shares, then all Application Money will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens.</p> <p>No New Shares will be issued on the basis of this Prospectus later than 13 months after the date of lodgement of this Prospectus.</p>
<p>What are the cash proceeds to be raised under the Offers?</p>	<p>Approximately \$20 million will be raised from the proceeds of the Offer.</p>
<p>Is the Offer underwritten?</p>	<p>Yes. The Joint Lead Managers have fully underwritten the Offer pursuant to the Underwriting Agreement. Details are provided in Section 9.1.</p>
<p>What is the minimum and maximum Application size under the Broker Firm Offer, Institutional Offer and Chairman's Offer?</p>	<p>The minimum Application under the Broker Firm Offer, Institutional Offer and Chairman's List Offer is \$2,000 (equivalent to 8,000 New Shares at the Offer Price), and in multiples of \$500 (equivalent to 2,000 New Shares) thereafter.</p> <p>There is no maximum number or value of New Shares that may be applied for under the Broker Firm Offer, Institutional Offer and Chairman's Offer.</p> <p>The Joint Lead Managers, in consultation with Terragen, reserve the right to reject any Application or to allocate a lesser number of New Shares than that applied for.</p> <p>Terragen and the Joint Lead Managers also reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person.</p>
<p>What is the allocation policy?</p>	<p>The allocation of Shares between the Broker Firm Offer, Institutional Offer and Chairman's List Offer will be determined by the Joint Lead Managers and the Company.</p> <p>For the Broker Firm Offer, the Joint Lead Managers and the Brokers will determine how Brokers allocate Shares among their clients.</p> <p>For the Chairman's List Offer, Terragen, in consultation with the Joint Lead Managers, will determine the allocation of New Shares among Applicants.</p> <p>Institutional Offer allocations were determined by Terragen in consultation with the Joint Lead Managers.</p>

7. Details of the Offer continued

<p>Valid Application Forms</p>	<p>An Application Form may only be distributed with, attached to or accompany a complete and unaltered copy of this Prospectus. An Application Form is an irrevocable acceptance of the Offer.</p> <p>By completing and lodging an Application Form received with this Prospectus, you as the Applicant represent and warrant that you have personally received a complete and unaltered copy of this Prospectus prior to completing the Application Form.</p> <p>The Company will not accept a completed Application Form if it has reason to believe the Applicant has not received a complete copy of the Prospectus or we have reason to believe that the Application Form has been altered or tampered with in any way.</p> <p>If an Application Form is not completed correctly, or if the accompanying payment of the Application Money is for the wrong amount, the Company may still treat it as a valid Application. The Directors' decision whether to treat the Application as valid and how to construe, amend or complete the Application Form is final. However, an Applicant will not be treated as having applied for more Shares than is indicated by the sum of the cheque for the Application Money.</p>
<p>Application Money</p>	<p>All Application Money will be held by the Company on trust in a separate account until the Offer Shares are issued to Successful Applicants. Application Money will be refunded in Australian dollars to the extent that an Application is rejected or scaled back, or the Offer is withdrawn. No interest will be paid on refunded amounts. The Company will retain any interest earned on Application Money.</p>
<p>Will the Shares be quoted?</p>	<p>Terragen will apply to the ASX for admission to the Official List and Quotation of New Shares on the ASX under the code "TGH".</p> <p>Completion of the Offer is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Money received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</p> <p>Terragen will be required to comply with the ASX Listing Rules, subject to any waivers obtained by Terragen from time to time.</p> <p>The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit Terragen to the official list is not to be taken as an indication of the merits of Terragen or the New Shares offered for subscription.</p>
<p>When are the Shares expected to commence trading?</p>	<p>It is expected that the New Shares will commence trading on the date detailed on page 3 in the Key Offer Information Section.</p> <p>It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial statement of holding do so at their own risk.</p> <p>Terragen and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding, whether on the basis of a confirmation of allocation provided by any of them, by the Offer Information Line, by a Broker or otherwise.</p>
<p>When will I receive confirmation that my Application has been successful?</p>	<p>It is expected that initial Holding Statements will be despatched by standard post on the date detailed on page 3 in the Key Offer Information Section. If you sell your New Shares before receiving an initial Holding Statement, you do so at your own risk.</p>
<p>Are there any escrow arrangements?</p>	<p>Yes. Details are provided in Section 12.12.</p>

<p>Is there brokerage, commission or stamp duty considerations?</p>	<p>No brokerage, commission or stamp duty is payable by Applicants on acquisition of New Shares under the Offer.</p> <p>See Section 6.5 for details of various commissions, fees and expenses payable by Terragen to the Joint Lead Managers.</p>
<p>Tax implications of investing in the Company</p>	<p>Please refer to Section 11 and note that it is recommended that all potential investors consult their own independent tax advisers regarding the income tax (including capital gains tax), stamp duty and GST consequences of acquiring, owning and disposing of New Shares, having regard to their specific circumstances.</p>
<p>Acknowledgements</p>	<p>Each Applicant under the Offer will be deemed to have:</p> <ul style="list-style-type: none"> • agreed to become a member of the Company and to be bound by the Constitution and the terms and conditions of the Offer; • acknowledged having personally received a printed or electronic copy of this Prospectus (and any supplementary or replacement prospectus) including or accompanied by the Application Form and having read them all in full; • declared that all details and statements in their Application Form are complete and accurate; • declared that the Applicant(s), if a natural person, is/are over 18 years of age; • acknowledged that, once the Company or a Broker receives an Application Form, it may not be withdrawn; • applied for the number of New Shares at the Australian dollar amount shown on the front of the Application Form; • agreed to being allocated and issued the number of New Shares applied for (or a lower number allocated in a way described in this Prospectus) or no New Shares at all; • authorised the Company, the Underwriters and their respective officers or agents, to do anything on behalf of the Applicant(s) necessary for New Shares to be allocated to the Applicant(s), including to act on instructions received by the Share Registry upon using the contact details in the Application Form; • acknowledged that, in some circumstances, the Company may not pay dividends, or that any dividends paid may not be franked; • acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that New Shares are suitable for Applicant(s), given the investment objectives, financial situation and particular needs (including financial and taxation issues) of the Applicant(s); • if they are a retail investor, declared that the Applicant(s) is/are a resident of Australia or New Zealand; • acknowledged and agreed that the Offer may be withdrawn by the Company or may otherwise not proceed in the circumstances described in this Prospectus; • acknowledged and agreed that if Listing does not occur for any reason, the Broker Firm Offer, Institutional Offer and Chairman's List Offer will not proceed;

7. Details of the Offer continued

Acknowledgements continued	<ul style="list-style-type: none">• acknowledged and agreed that:<ul style="list-style-type: none">(a) understands that the New Shares (i) have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States; and (ii) may not be offered, sold or resold in the United States except in transactions exempt from, or not subject to, registration requirements of the US Securities Act and any other applicable US securities laws;(b) has not sent and will not send this Prospectus or any other material relating to the Offer to any person in the United States; and(c) will not offer or sell the New Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration requirements of the US Securities Act and in compliance with all applicable laws in the jurisdiction which New Shares are offered and sold. <p>Each Applicant, will be taken to have represented, warranted and agreed as follows:</p> <ul style="list-style-type: none">• it understands that the New Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold, pledged, transferred in the United States, except in accordance with the US Securities Act regulation requirements or in a transaction exempt from, or not subject to, registration under the US Securities Act and any other applicable state securities laws;• it is not in the United States;• it has not sent and will not send this Prospectus or any other material relating to the Offer to any person in the United States; and• it will not offer or sell the New Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration requirements of the US Securities Act and in compliance with all applicable laws in the jurisdiction in which Shares are offered and sold. <p>Each Applicant under the Institutional Offer will be required to make certain representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.</p>
What should you do with any enquiries?	<p>All enquiries in relation to this Prospectus should be directed to Terragen's Offer Information Line on 1800 653 805 (within Australia) +61 1800 653 805 (from outside Australia) between 8:30am and 5.00pm Brisbane time, Monday to Friday.</p> <p>All enquiries in relation to the Broker Firm Offer should be directed to your Broker.</p> <p>If you require assistance to complete the Application Form, require additional copies of this Prospectus, have any questions in relation to the Offer or you are uncertain as to whether obtaining Shares in Terragen is a suitable investment for you, you should seek professional advice from your stockbroker, solicitor, accountant, tax adviser, financial adviser or other independent professional adviser before deciding whether to invest.</p>

7.10 Broker Firm Offer

(a) Who may apply

The Broker Firm Offer is open to persons who have received a firm allocation of Shares from their Broker and who have a registered address in Australia or New Zealand and a number of other eligible jurisdictions to apply for New Shares.

If you have received an invitation to participate from your Broker, you will be treated as a Broker Firm Offer Applicant in respect of that allocation. You should contact your Broker to determine whether you can receive an allocation of New Shares from them under the Broker Firm Offer.

(b) How to apply

If you have received an invitation to participate from your Broker and wish to apply for New Shares under the Broker Firm Offer, you should contact your Broker for information about how to complete and lodge your Broker Firm Offer Application Form and for payment instructions.

Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the Application Form. Applicants under the Broker Firm Offer must not send their Application Forms or payment to the Share Registry.

Applicants under the Broker Firm Offer should contact their Broker or the Offer Information Line on 1800 653 805 (within Australia) +61 1800 653 805 (from outside Australia) to request a Prospectus and Broker Firm Offer Application Form. Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Broker Firm Offer Application Form and Application Money are received before 5.00pm on the Closing Date or any earlier closing date as determined by your Broker.

If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Broker Firm Offer Application Form with the Broker from whom you received your invitation to participate. Broker Firm Offer Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Application Form.

By making an Application, you declare that you were given access to this Prospectus (or any supplementary or replacement prospectus), together with a Broker Firm Offer Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is included in, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

The minimum application under the Broker Firm Offer is \$2,000 worth of Shares. There is no maximum value of Shares that may be applied for under the Broker Firm Offer. However, Terragen and the Joint Lead Managers reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person. Terragen may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer Application procedures or requirements, in its discretion in compliance with applicable laws.

Terragen, the Joint Lead Managers and the Share Registry take no responsibility for any acts or omissions committed by your Broker in connection with your Application.

The Broker Firm Offer opens at 9.00am on the Opening Date and is expected to close at 5.00pm (AEST) on the Closing Date. Terragen and the Joint Lead Managers may elect to close the Offer or any part of it early, extend the Broker Firm Offer or any part of it, or accept late Applications either generally or in particular cases. The Broker Firm Offer, may be closed at any earlier date and time, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Please contact your Broker for instructions.

(c) How to pay

Applicants under the Broker Firm Offer must pay their Application Money in accordance with the instructions received from their Broker.

(d) Application Money

Terragen reserves the right to decline any Application in whole or in part, without giving any reason. Application Money received under the Broker Firm Offer will be held in a special purpose account until New Shares are issued or transferred to Successful Applicants.

Applicants under the Broker Firm Offer whose Applications are not accepted, or who are allocated a lesser number of New Shares than the amount applied for, will receive a refund of all or part of their Application Money, as applicable. No refunds pursuant solely to rounding will be provided. Interest will not be paid on any monies refunded and any interest earned on Application Money pending the allocation or refund will be retained by Terragen.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Money provided by the Offer Price. Where the Offer Price does not divide evenly into the Application Money, the number of Shares to be allocated will be determined by the Applicant's Broker.

7. Details of the Offer continued

(e) Acceptance of Applications

An Application in the Broker Firm Offer is an offer by an Applicant to Terragen to apply for Shares specified on the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Application Form (including the conditions regarding Quotation on ASX in Section 7.13 and the acknowledgements in Section 7.9). To the extent permitted by law, an Application by an Applicant is irrevocable.

An Application may be accepted in respect of the full amount, or any amount lower than that specified in the Application Form, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract on allocation of New Shares to Successful Applicants.

The Joint Lead Managers, in agreement with Terragen, reserve the right to reject any Application which is not correctly completed or which is submitted by a person who they believe is ineligible to participate in the Broker Firm Offer, or to waive or correct any errors made by the Applicant in completing their Application.

(f) Allocation policy under the Broker Offer

The allocation of New Shares to Brokers was determined by Terragen and the Joint Lead Manager.

New Shares which have been allocated to Brokers for allocation to their retail clients with a registered address in Australia or New Zealand will be issued to the Applicants who have received a valid allocation of Shares from those Brokers. It will be a matter for each Broker as to how they allocate firm Shares among their retail clients, and they (and not Terragen or the Joint Lead Managers) will be responsible for ensuring that retail clients who have received a firm allocation from them, receive the relevant New Shares.

7.11 Institutional Offer

(a) Who may apply

The Institutional Offer consisted of an invitation to certain Institutional Investors in Australia, New Zealand, Hong Kong and a number of other eligible jurisdictions to apply for New Shares.

(b) How to apply

You must complete the Institutional Offer Application Form and deliver it with your Application Money in accordance with the instructions on the Institutional Offer Application Form. The Joint Lead Managers have separately advised Institutional Investors of the application procedure for the Institutional Offer.

(c) Allocation policy under the Institutional Offer

The allocation of New Shares among Applicants in the Institutional Offer was determined by the Joint Lead Managers in consultation with Terragen. Terragen and the Joint Lead Managers had absolute discretion regarding the basis of allocation of New Shares among Institutional Investors and there was no assurance that any Institutional Investor would be allocated any New Shares, or the number of New Shares for which it had bid.

Participants in the Institutional Offer have been advised of their allocation of Shares, if any, by the Joint Lead Managers. The allocation policy was influenced, but not constrained, by a number of factors including:

- number of New Shares bid for by particular Applicants;
- the timeliness of the bid by particular Applicants;
- Terragen's desire for an informed and active trading market following Listing;
- Terragen's desire to establish a wide spread of institutional Shareholders;
- overall level of demand under the Broker Firm Offer and Institutional Offer;
- the size and type of funds under management of particular Applicants;
- the likelihood that particular Applicants will be long-term Shareholders; and
- any other factors that Terragen and the Joint Lead Managers considered appropriate.

7.12 Chairman's List Offer

(a) Who may apply

The Chairman's List Offer is open to Applicants resident in Australia and New Zealand and a number of other eligible jurisdictions to apply for New Shares.

(b) How to apply

If you have received a personalised invitation to apply for New Shares under the Chairman's List Offer and you wish to apply for all or some of those New Shares, you should follow the instructions on your personalised invitation for how to apply under the Chairman's List Offer.

You may apply for an amount up to and including the amount indicated on your invitation. Applications under the Chairman's List Offer must be for a minimum of \$2,000 worth of Shares and in multiples of \$500 worth of New Shares thereafter.

By making an Application, you declare that you were given access to this Prospectus (or any supplementary or replacement prospectus), together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is included in, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

(c) How to pay

Recipients of an invitation to participate in the Chairman's List Offer may only apply for New Shares by applying using the online Application Form and by paying their Application Money by BPAY in accordance with instructions on their personalised invitation and the online Chairman's List Application Form. For more details, invitation recipients should contact the Offer Information Line on 1800 653 805 (within Australia) +61 1800 653 805 (from outside Australia) between 8.30am and 5.00pm, Monday to Friday (Business Days only).

When completing your BPAY payment, please make sure to use the specific biller code and unique Customer Reference Number (CRN) generated by the online Application Form. Application Money paid via BPAY must be received by the Share Registry by no later than 5.00pm on the Closing Date and it is your responsibility to ensure that this occurs.

You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment and you should therefore take this into consideration when making payment. Neither Terragen nor the Joint Lead Managers take any responsibility for any failure to receive Application Money or payment by BPAY before the Chairman's List Offer closes arising as a result of, among other things, delays in processing of payments by financial institutions.

(d) Application Money

Terragen reserves the right to decline any Application in whole or in part, without giving any reason. Applicants under the Chairman's List Offer whose Applications are not accepted, or who are allocated a lesser number of New Shares than the amount for which they applied, will receive a refund of all or part of their Application Money, as applicable. Interest will not be paid on any monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of New Shares calculated by dividing the Application Money provided by the Offer Price. Where the Offer Price does not divide evenly into the Application Money, the number of Shares to be allocated will be rounded down and any excess refunded (without interest).

If the amount of your Application Money that you pay via BPAY is less than the amount specified on your online Application Form, you may be taken to have applied for such lower Australian dollar amount of New Shares as for which your cleared Application Money will pay (and to have specified that amount on your online Application Form) or your Application may be rejected.

(e) Acceptance of Applications

An Application in the Chairman's List Offer is an offer by an Applicant to Terragen to apply for New Shares in the amount specified on the Chairman's List Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Chairman's List Application Form (including the conditions regarding Quotation on ASX in Section 7.13 and the acknowledgements in Section 7.9). To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.

7. Details of the Offer continued

An Application may be accepted by Terragen and the Joint Lead Managers in respect of the full number of New Shares specified on the Chairman's List Application Form or any of them, without further notice to the Applicant. Terragen reserves the right to decline any Application in whole or in part, without giving any reason. Applicants under the Chairman's List Offer who are allocated a lesser number of New Shares than the amount applied for will receive a refund of all or part of their Application Money, as applicable. Interest will not be paid on any monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of New Shares calculated by dividing the Application Money provided by the Offer Price. Where the Offer Price does not divide evenly into the Application Money, the number of New Shares to be allocated will be rounded down. Any excess funds due solely to rounding will not be refunded.

If the amount of your Application Money that you pay is less than the amount specified on your Application Form, you may be taken to have applied for such lower Australian dollar amount of New Shares as for which your cleared Application Money will pay (and to have specified that amount on your online Application Form) or your Application may be rejected.

Acceptance of an Application will give rise to a binding contract.

(f) Chairman's List Offer allocation policy

Chairman's List Offer Applicants may be eligible to receive a guaranteed allocation up to and including the amount indicated on their Chairman's List Offer Invitation or such lesser amount for which they applied. Beyond this, the allocations under the Chairman's List Offer will be at the absolute discretion of Terragen in consultation with the Joint Lead Managers.

The Company reserves the right in its absolute discretion not to issue any New Shares to Applicants under the Chairman's List Offer and may reject any Application or allocate a lesser number of New Shares than those applied for at its absolute discretion.

7.13 The Offer Is Conditional – Application for admission to the Official List of the ASX

The Offer set out in this Prospectus is conditional on permission being granted for the Quotation of the New Shares on the ASX.

Within 7 days after the date of this Prospectus, Terragen will lodge an application with the ASX for admission of Terragen to the Official List of the ASX and Quotation of all Shares (including New Shares issued pursuant to this Prospectus) on the ASX. Terragen's ASX code will be TGH.

If Terragen's application for listing is accepted by the ASX, it is anticipated that Terragen will be listed on the ASX on or about 11 December 2019.

It is the responsibility of the Applicants to check their allocation of New Shares prior to trading.

No issue of New Shares will be made until permission is granted for Quotation of the New Shares on the ASX. If the New Shares are not admitted for Quotation within 3 months after the date of this Prospectus or if any of the other conditions precedent to the Offer are not met, no funds will be raised pursuant to this Prospectus. Therefore, the Offer will not proceed, no New Shares will be issued pursuant to the Offer and Applications received for New Shares may need to be dealt with in accordance with Section 724 of the Corporations Act.

7.14 Offer is fully underwritten

The Offer is fully underwritten by the Joint Lead Managers, Bell Potter Securities Limited and Evans Dixon Corporate Advisory Pty Limited. If the Company does not receive valid applications for the full amount of 80,000,000 New Shares under those Offers, the Underwriters will subscribe for, or procure subscriptions for, any shortfall.

The Company and the Underwriters have entered into an Underwriting Agreement with respect to those Offer, details of which are set out in Section 9.1.

The Company has agreed to pay a fee to the Underwriters equal to 5.0% of the gross proceeds of the Underwritten Offer in connection with their role as Joint Lead Managers and Underwriters (**Underwriting Fee**).

The Underwriting Fee will be payable to the Joint Lead Managers on the settlement date for the Offer. The terms of the Underwriting Agreement are summarised more fully in Section 9.1. Refer to Section 12.9 with respect to implications on control in the event of a shortfall under the Offer.

7.15 Issue of New Shares

Conditional on the matters referred to in Section 7.13 of this Prospectus, Terragen expects to issue the New Shares in accordance with the indicative timetable set out in Key Offer Information on page 3.

The New Shares, from the time they are issued, will be fully paid Shares and will rank equally with Existing Shares. Full details of the rights attaching to the New Shares are contained in the Corporations Act and Terragen's Constitution. A summary of Terragen's Constitution is set out in Section 12.4.

No Shares will be allotted or issued on the basis of this Prospectus later than 13 months after the date of issue of this Prospectus.

7.16 Escrow arrangements

Refer to Section 12.12 for a summary of the escrow arrangements.

7.17 Discretion regarding the Offer

Terragen reserves the right to waive strict compliance with or vary any provision of the terms of the Offer, or to vary, suspend or terminate the Offer at any time without notice. If the Offer does not proceed, Application Money will be refunded. No interest will be paid on any Application Money refunded as a result of the withdrawal or termination of the Offer.

Failure to notify Shareholders or investors of changes to, suspension or termination of the Offer or the terms of the Offer will not invalidate the change, suspension or termination.

Terragen reserves the right to issue no New Shares or fewer New Shares than for which an Applicant applies under the Offer if the Board believes the issue of those New Shares would contravene an ASIC Class Order, requirements or policies, any law or any ASX Listing Rule.

7.18 CHESS and issuer sponsored holdings

Terragen will apply to participate in the ASX's Clearing House Electronic Sub-register System (**CHESS**) and will comply with ASX Listing Rules and ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on the ASX under which transfers are affected in an electronic form.

When the Shares become approved financial products (defined in the ASX Settlement Operating Rules), holdings will be registered in one of two sub-registers, an electronic CHESS sub-register or an issuer-sponsored sub-register. For all Successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS sub-register. All other Shares will be registered on the issuer-sponsored sub-register.

Following completion of the Offer, Shareholders will be sent a Holding Statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHESS holders or, where applicable, the Shareholder Reference Number (**SRN**) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their Shareholding. Certificates will not be issued.

Shareholders will receive subsequent statements at the end of each month in which a transaction has occurred for a particular holding and as otherwise required under ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring Broker in the case of a holding on the CHESS sub-register or through the Share Registry in the case of a holding on the issuer sponsored sub-register. The Share Registry may charge a fee for these additional statements.

7. Details of the Offer continued

7.19 Deferred settlement trading and selling Shares on market

It is expected that trading of the Shares on the ASX (on a conditional and deferred basis) will commence on or about the date detailed in the timetable in page 3 of the Key Offer Information.

It is the responsibility of each person who trades in Shares to confirm their holding before trading in Shares. If Shares are sold before receiving a Holding Statement, Successful Applicants do so at their own risk. The Company, the Share Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, if a Shareholder sells Shares before receiving a Holding Statement, even if the Shareholder obtained details of their holding through the Joint Lead Managers or their Broker.

Shares are expected to commence trading on the ASX on a normal settlement basis on the date detailed in the timetable on page 3 under Key Offer Information.

7.20 Foreign selling restrictions

This Prospectus does not constitute an offer or invitation to subscribe for New Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

No action has been taken to register or qualify this Prospectus, the New Shares or the Offer or otherwise to permit a public offering of the New Shares in any jurisdiction outside Australia or New Zealand. In particular, this Prospectus may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia or New Zealand except to the extent permitted below:

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the SFO). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

United States

The New Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States. This Prospectus may not be distributed in the United States or Canada unless it is attached to, or constitutes part of, the Offering Circular for distribution to institutional and professional investors in accordance with the laws of those jurisdictions.

8.

Investigating Accountant's Report



8. Investigating Accountant's Report

Deloitte.

Deloitte Corporate Finance Pty Ltd
ACN 003 833 127
550 Bourke Street
Melbourne, VIC, 3000
Australia

Phone: +61 3 9671 7000

www.deloitte.com.au

17 October 2019

The Directors
Terragen Holdings Limited
Unit 6, 41 Access Crescent
COOLUM BEACH QLD 4573
Australia

Dear Directors

INVESTIGATING ACCOUNTANT'S REPORT AND FINANCIAL SERVICES GUIDE

Introduction

This report has been prepared at the request of the Directors of Terragen Holdings Limited (the **Company**) for inclusion in the Prospectus to be issued by the Company and controlled entities in respect of the initial public offering of fully paid ordinary shares in the Company (the **Offer**) and subsequent listing on the Australian Securities Exchange.

Deloitte Corporate Finance Pty Limited is wholly owned by Deloitte Touche Tohmatsu and holds the appropriate Australian Financial Services licence under the Corporations Act 2001 for the issue of this report.

References to the Company and other terminology used in this report have the same meaning as defined in the Glossary of the Prospectus.

Scope

Statutory Historical Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of the Company to review:

- the statutory historical consolidated statements of profit or loss and other comprehensive income and statutory historical consolidated statement of cash flows for the financial years ended 30 June 2017, 30 June 2018 and 30 June 2019; and
- the statutory historical consolidated statement of financial position as at 30 June 2019.

as set out in tables 1, 2 and 4 of Section 4 of the Prospectus (together the **Statutory Historical Financial Information**).

The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, as described in section 4.2, being the recognition and measurement principles contained in Australian Accounting Standards and the adopted accounting policies of the Company.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities. DTTL (also referred to as "Deloitte Global") and each of its member firms and their affiliated entities are legally separate and independent entities. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

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The Statutory Historical Financial Information has been extracted from the financial reports of Terragen Holdings Limited and controlled entities for the financial years ended 30 June 2017, 30 June 2018 and 30 June 2019, which were audited by Deloitte Touche Tohmatsu in accordance with Australian Auditing Standards. Deloitte Touche Tohmatsu issued an unmodified audit opinion on the financial report for the financial years ended 30 June 2017 and 30 June 2018 with an Emphasis of Matter in respect of going concern and the basis of accounting. Deloitte Touche Tohmatsu issued an unmodified audit opinion on the financial report for the financial year ended 30 June 2019 with an Emphasis of Matter in respect of going concern.

The Statutory Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

Pro-forma Historical Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of the Company to review the pro forma consolidated statement of financial position as at 30 June 2019 as set out in Table 2 of Section 4 of the Prospectus (the **Pro Forma Historical Financial Information**).

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information after adjusting for the effects of pro forma adjustments described in section 4.2 and 4.4 of the Prospectus.

The stated basis and preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the Statutory Historical Financial Information and the events and transactions to which the Pro Forma Adjustment relate, as if these events and transaction has occurred as at the date of the Statutory Historical Financial Information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial position.

Directors' Responsibility

The Directors are responsible for:

- the preparation and presentation of the Statutory Historical Financial Information and the Pro-forma Historical Financial Information, including the selection and determination of pro-forma adjustments made to the Statutory Historical Financial Information and included in the Pro-forma Historical Financial Information; and
- the information contained within the Prospectus.

This responsibility includes for the operation of such internal controls as the Directors determine are necessary to enable the preparation of the Statutory Historical Financial Information and the Pro-forma Historical Financial Information, that are free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Statutory Historical Financial Information and the Pro-forma Historical Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with Australian Standard on Assurance Engagement (ASAE) 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we will not express an audit opinion.

8. Investigating Accountant's Report continued

Deloitte.

Page 3
17 October 2019

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the Statutory Historical Financial Information and the Pro Forma Historical Financial Information.

We have performed the following procedures as we, in our professional judgement, considered reasonable in the circumstances:

Statutory Historical Financial Information

- A review of the extraction of Statutory Historical Financial Information from the audited financial statements of Terragen Holdings Limited and controlled entities for the financial years ended 30 June 2017, 30 June 2018 and 30 June 2019;
- Analytical procedures on the Statutory Historical Financial Information for the financial years ended 30 June 2017, 30 June 2018 and 30 June 2019;
- A consistency check of the application of the stated basis of preparation, as described in the Prospectus, to the Statutory Historical Financial Information;
- A review of work papers, accounting records and other documents of Terragen Holdings Limited and its auditors, including those dealing with the extraction of Statutory Historical Financial Information from the relevant audited financial statements of Terragen Holdings Limited and controlled entities;
- A review of the accounting policies adopted and used by Terragen Holdings Limited over the relevant periods for consistency of application; and
- Enquiry of Directors, management and others in relation to the Statutory Historical Financial Information.

Pro-forma Historical Financial Information

- Consideration of the work papers, accounting records and other documents, including those dealing with the extraction of Statutory Historical Financial Information from the audited financial statements of Terragen Holdings Limited and controlled entities for the financial years ended 30 June 2017, 30 June 2018 and 30 June 2019;
- Consideration of the appropriateness of Pro Forma Adjustments described in sections 4.2 and 4.4 of the Prospectus;
- Enquiry of Directors, management, personnel and advisors; and
- The performance of analytical procedures applied to the Pro-forma Historical Financial Information.

Conclusions

Statutory Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information is not presented fairly, in all material respects, in accordance with the stated basis of preparation as described in Section 4.2 of the Prospectus.

Pro-forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro-forma Historical Financial Information is not presented fairly, in all material respects, in accordance with the stated basis of preparation as described in Section 4.2 of the Prospectus.

Restrictions of Use

Without modifying our conclusions, we draw attention to the 'Important Notices' of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Investigating Accountant's Report may not be suitable for use for another purpose.

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Consent

Deloitte Corporate Finance Pty Limited has consented to the inclusion of this limited assurance report in the Prospectus in the form and context in which it is included.

Disclosure of Interest

Deloitte Corporate Finance Pty Limited does not have any interest in the outcome of this Offer other than the preparation of this report and participation in the due diligence procedures for which normal professional fees will be received.

Deloitte Touche Tohmatsu is the auditor of the Company.

Yours sincerely



Craig Bryan
Director
Authorised Representative of Deloitte Corporate Finance Pty Limited (AFSL Number 241457)

8. Investigating Accountant's Report continued



November 2018

Financial Services Guide (FSG)

What is an FSG?

An FSG is designed to provide information about the supply of financial services to you.

Deloitte Corporate Finance Pty Limited (DCF) (AFSL 241457) provides this FSG to you, so you know how we are remunerated and who to contact if you have a complaint.

Who supplies the financial services?

We provide this FSG to you where you engage us to act on your behalf when providing financial services.

Alternatively, we may provide this FSG to you because our client has provided financial services to you that we delivered to them.

The person who provides the financial service to you is our Authorised Representative (AR) and DCF authorises the AR to distribute this FSG.

What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds, to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

General financial product advice

We provide general advice when we have not taken into account your personal objectives, financial situation or needs, and you would not expect us to have done so. In this situation, you should consider whether our general advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If we provide advice to you in connection with the acquisition of a financial product, you should read the relevant offer document carefully before making any decision about whether to acquire that product.

Personal financial product advice

When we give you advice that takes into account your objectives, financial situation and needs, we will give you a Statement of Advice to help you understand our advice, so you can decide whether to rely on it.

How are we remunerated?

Our fees are usually determined on a fixed fee or time cost basis plus reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us.

Clients may request particulars of our remuneration within a reasonable time after being given this FSG.

Apart from these fees, DCF, our directors and officers, and any related bodies corporate, affiliates or associates, and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary, and, while eligible for annual salary increases and bonuses based on overall performance, they do not receive any commissions or other benefits as a result of the services provided to you.

The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associations and relationships

The Deloitte member firm in Australia (Deloitte Touche Tohmatsu) controls DCF. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu.

We, and other entities related to Deloitte Touche Tohmatsu, do not have any formal associations or relationships with any entities that are issuers of financial products. However, we may provide professional services to issuers of financial products in the ordinary course of business.

What should you do if you have a complaint?

Please contact us about a concern:

The Complaints Officer
PO Box N250
Grosvenor Place
Sydney NSW 1220
complaints@deloitte.com.au
Phone: +61 2 9322 7000

If an issue is not resolved to your satisfaction, you can lodge a dispute with the Australian Financial Complaints Authority (AFCA). AFCA provides fair and independent financial services dispute resolution free to consumers.

www.afca.org.au
1800 931 678 (free call)
Australian Financial Complaints Authority Limited
GPO Box 3 Melbourne VIC 3001

What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services we provide. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

Deloitte Corporate Finance Pty Limited, ABN 19 003 833 127, AFSL number 241457 of Level 1 Grosvenor Place, 225 George Street, Sydney NSW 2000
Member of Deloitte Touche Tohmatsu Limited
Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity.

9.

Material Contracts



9. Material Contracts

9.1 Underwriting Agreement

The Joint Lead Managers have agreed to manage and underwrite the Offer pursuant to the terms of the underwriting agreement signed by the Joint Lead Managers and the Company on the Prospectus Date (**Underwriting Agreement**).

The following are the key terms of the Underwriting Agreement:

(a) Fees, costs and expenses

Subject to the terms of the Underwriting Agreement, Terragen has agreed to pay the Joint Lead Managers a management and underwriting fee equal to 5% of the gross Offer proceeds (**Gross Proceeds**). This fee is comprised of a:

- (i) management fee of 2.0% of the Gross Proceeds; and
- (ii) selling and underwriting fee of 3.0% of the Gross Proceeds.

In addition to the fees described above, Terragen has agreed to pay or reimburse the Joint Lead Managers for the reasonable costs and expenses incurred by the Joint Lead Managers in respect of the Underwriting Agreement and Offer.

(b) Shortfall

Subject to certain notice and review requirements to be performed by Terragen, the Joint Lead Managers are required to apply and make payment for any shares under the Offer that did not receive valid applications (**Shortfall Shares**).

(c) Termination Events

The Joint Lead Managers may at any time terminate the Underwriting Agreement, without cost or liability to itself, by notice to Terragen if any of the following events occurs before 5:00pm on the date of completion of the Offer:

- (i) **(failure to lodge a Prospectus)** Terragen fails to lodge this Prospectus with ASIC in a form approved by the Joint Lead Managers;
- (ii) **(disclosures in Offer documents)** a statement contained in this Prospectus is misleading or deceptive (including by omission) or is likely to mislead or deceive, or becomes misleading or deceptive, or a material matter is omitted from this Prospectus which cannot be remedied by the issue of a supplementary prospectus;
- (iii) **(Supplementary or replacement prospectus)** The Joint Lead Managers reasonably forms the view that a supplementary prospectus must be lodged and Terragen fails to lodge a supplementary or replacement prospectus in the form and, with the content, and within the time, reasonably required by the Joint Lead Managers;
- (iv) **(market fall)** the S&P/ASX 200 Index falls to a level that is 90% or less of the level of that index as at the close of trading on the business day immediately preceding the date of the Underwriting Agreement and remains below that level at the closing of trading on ASX for 2 consecutive business days or at the close of trading on ASX on the business day immediately prior to the date for settlement of the Offer;
- (v) **(listing and quotation)** Terragen is not granted approval, is granted approval other than subject to customary conditions, or if granted, the approval is subsequently withdrawn or qualified by other than customary conditions, to be admitted to the official list, or for the quotation of the Shares of ASX on or before the ASX approval date;
- (vi) **(notifications)** ASIC issues a stop order or commences an investigation or hearing, or a person applies for a court order (except where the application does not become public and is dismissed or withdrawn at least 1 business day before the date for settlement of the offer), in relation to the Offer;
- (vii) **(withdrawal)** Terragen withdraws this Prospectus, any supplementary or replacement prospectus or the Offer;
- (viii) **(unable to issue Offer Shares)** Terragen is or becomes unable, for any reason, to issue the New Shares on the allotment date;
- (ix) **(notice regarding deficiencies in the prospectus)** a director, proposed director named in the Prospectus (with their consent) or a person named in the Prospectus (with their consent as having made a statement) gives notice during the application period that they have become aware that, a material statement in the Prospectus is misleading or deceptive, there is material omission from the Prospectus or that a material new circumstance has arisen since the date of the Prospectus which requires disclosure;

- (x) **(insolvency)** an insolvency event occurs with respect to Terragen or any other material member of the Terragen Group;
- (xi) **(Certificate not provided)** Terragen does not provide a certificate setting out, among other things, that Terragen has complied with its obligations under the Underwriting Agreement and statute or otherwise and the representations and warranties remain true and correct (Certificate), as and when required by the Underwriting Agreement;
- (xii) **(Certificate incorrect)** A statement in any Certificate is false, misleading, inaccurate or untrue or incorrect; or
- (xiii) **(change in management)** there is a change in Terragen's Chief Executive Officer, Chief Financial Officer or board of directors.

The Joint Lead Managers are also entitled to terminate on the occurrence of certain standard events if the Joint Lead Managers have reasonable grounds to believe that the event has or is likely to have a materially adverse effect on the success or outcome of the Offer, or the ability of the Joint Lead Managers to settle the Offer; or will, or is likely to, give rise to a liability of the Joint Lead Managers under, or a contravention by the Joint Lead Managers of, any applicable law. Such events include (amongst others):

- (i) the occurrence of adverse changes in the Terragen Group's business or financial position or performance from that disclosed in this Prospectus;
- (ii) any material contracts, including those contracts disclosed in Section 9 of this Prospectus or the escrow agreements being terminated, breached or varied without the Joint Lead Manager's consent or the material contracts become void, voidable, illegal or unenforceable;
- (iii) any event set out in the timetable in this Prospectus is delayed for more than two business days, unless the Joint Lead Managers consents to a variation (that consent not to be unreasonably withheld or delayed);
- (iv) trading on the ASX, the Hong Kong Stock Exchange, the London Stock Exchange or the New York Stock Exchange being suspended for at least one day on which it is open for trading; and
- (v) directors or senior executives of Terragen being charged with indictable offences, or Terragen or its directors or officers engaging in fraudulent conduct.

In the event the Joint Lead Managers terminate their obligations under the Underwriting Agreement, the Joint Lead Managers will be immediately relieved of their obligations under the Underwriting Agreement, but the termination of their obligations under the Underwriting Agreement will not limit or prevent the exercise of any other rights or remedies which any of the parties may otherwise have under the Underwriting Agreement.

(d) Conditions precedent

The Underwriting Agreement contains a number of common conditions precedent that Terragen must satisfy, such as:

- (i) the receipt by the Joint Lead Managers of the final, signed due diligence committee report;
- (ii) all necessary ASX waivers and ASIC modifications being obtained;
- (iii) no material contracts in Sections 9.2 and 9.3 of this Prospectus having been terminated and no counterparty to any such material contract indicating that it intends to or will terminate;
- (iv) Terragen obtaining all necessary regulatory approvals required to enable the Offer to proceed; and
- (v) the ASX indicating that it will grant permission for quotation of Shares on the ASX.

(e) Representations, warranties and undertakings

The Underwriting Agreement contains certain standard representations, warranties and undertakings given by Terragen to the Joint Lead Managers.

The representations and warranties given by Terragen relate to matters such as the conduct of the Terragen Group, power and authorisations, information provided by Terragen, information in this Prospectus and compliance with laws and the ASX Listing Rules. Terragen also provides additional representations and warranties in connection with the business and affairs of the Terragen Group, including in relation to historical financial performance, litigation, assets, compliance with laws and authorisations, and eligibility for listing.

9. Material Contracts continued

Terragen's undertakings include that it will not, until 120 days after the completion of the Offer:

- (i) issue (or agree to issue) or indicate in any way that it may or will issue any Shares or securities without the prior written consent of the Joint Lead Managers. This undertaking is subject to certain exceptions, such as any issue made pursuant to the Offer, an employee share plan or a non-underwritten dividend reinvestment or bonus share plan;
- (ii) change how the Terragen Group carries on its business or dispose of any material part of its business or property except in the ordinary course of business;
- (iii) alter the capital structure of Terragen, amend its Constitution, or dispose of its business or property in whole or substantial part without the approval of the Joint Lead Managers; and
- (iv) vary any term of a material contract in a material respect without the prior consent of the Joint Lead Managers.

(f) Indemnity

Subject to certain exclusions relating to, among other things, fraud, wilful misconduct or gross negligence of any indemnified party, Terragen agrees to keep the Joint Lead Managers and its representatives indemnified from losses suffered by them in connection with the Offer and the Underwriting Agreement.

9.2 Retail Agency Agreement

Terragen Biotech has entered into Retail Agency Agreements with each of the following:

Parties	Date	Product provided under the Retail Agency Agreement	Jurisdiction of product distribution	Branches Accredited
Ruralco Holdings Ltd	10 September 2019	Great Land and Mylo®	Australia	25
Advanced Ag Pty Ltd	10 September 2019	Great Land and Mylo®	Northern Victoria	1
Agrifert Pty Ltd	1 October 2019	Great Land and Mylo®	Northern Tasmania	1
Delta Agribusiness Pty Ltd	3 September 2019	Great Land and Mylo®	NSW	1
EE Muir and Sons Pty Ltd	15 October 2019	Great Land and Mylo®	Tas, Vic, SA, Qld	4
Elders Rural Services Australia Limited	23 January 2019	Great Land and Mylo®	Australia	3
Spring Head Merchant Pty Ltd Trading as Farmer Johns	4 September 2019	Great Land and Mylo®	SA	1
FP Agriservices Pty Ltd	4 September 2019	Great Land and Mylo®	SA	5
The Trustee for CT Russell Family Trust trading as Kelpomix	10 September 2019	Great Land and Mylo®	Tasmania	1
RCW Nominees Pty Ltd trading as Kober	24 September 2019	Great Land and Mylo®	Northern Victoria	1
Lanzerac Pty Ltd as Trustee for the Jordean Unit Trust trading as Limo's Home Hardware and Rural Supplies	4 September 2019	Great Land and Mylo®	Northern Victoria	1
Mount Gambier Rural Supplies Pty Ltd	20 September 2019	Great Land and Mylo®	South East SA	1
MG Trading Pty Ltd	24 September 2019	Great Land and Mylo®	Victoria and Tasmania	17
National Herd Development Co-op Ltd	5 September 2019	Great Land and Mylo®	Victoria and SA	4
Riverland Milk Unit Trust trading as Riverland Trading Pty Ltd	20 September 2019	Great Land and Mylo®	Northern Victoria	1
Robby Zeissig Pty Ltd Trading as Watch Your Grass Grow	4 September 2019	Great Land and Mylo®	Victoria and SA	1
TOTAL				68

The Retail Agency Agreements for all entities with the exception of Elders Rural Services Australia Limited are entered into on the following standard terms:

- (a) **Purpose:** The Retail Agency Agreement gives Terragen the right to authorise the Agent to act as Terragen's agent for various activities, principally:
- (i) the sale of Terragen Products (as set out in Product Schedules which Terragen may provide the Agent from time to time) (**Terragen Products**). Terragen's current Product Schedule includes the products Great Land and Mylo®;
 - (ii) the warehousing of Terragen Products, and the fulfilment of orders referred by Terragen (or another agent), as Terragen's fulfilment agent; and/or
 - (iii) the dealing with Terragen Products on a consignment basis (i.e. as both sales agent and warehousing and fulfilment agent).
- (b) **Sales:** Where the Agent is authorised to act as Terragen's sales agent, the following terms apply.
- (i) Any sale made by the Agent are made on Terragen's standard customer terms and conditions of sale. The Agent must not make or give any promise, warranty, or guarantee other than those contained in the terms and conditions of sale.
 - (ii) The Agent must not solicit or accept orders from persons other than end users of the Terragen Products or any person outside the Agent's authorised territory.
 - (iii) Terragen will supply the Agent with appropriate catalogues, price lists, and other promotional materials, and equipment for trade fairs. The Agent must co-operate with Terragen in any promotional activity or project, and not use any advertising or marketing material except as supplied by Terragen.
 - (iv) Terragen represents and warrants that:
 - (A) each Product will correspond with the description, be fit for the purpose described in any written label, instructions for use or invoice published;
 - (A) meets a high level of quality control testing during the manufacturing process; and
 - (B) has achieved a true to label colony forming unit count at the time of manufacturing.
 - (v) The price at which the Agent is authorised to sell products is set out in the Product Schedule provided to the Agent from time to time.
 - (vi) The Agent is authorised to invoice in its own name and collect payments from customers on a GST agency basis pursuant to Division 153-B of the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).
- (c) **Fulfilment:** Where an Agent is authorised to warehouse products and/or fulfil orders (whether or not the agent is also authorised to sell the Terragen Products on a consignment basis, or merely acts as a fulfilment agent), the following terms apply.
- (i) Terragen may approve (or withdraw approval of) and inspect the premises at which the Agent proposes to warehouse Terragen Products, which the Agent must keep in good repair.
 - (ii) All Terragen Products must be stored and warehoused in accordance with Terragen's instructions, in compliance with all applicable laws, and separately and identifiably as Terragen's property.
 - (iii) The Agent is responsible for fulfilling orders (whether placed directly with it as a sales agent or those referred to it by Terragen or another sales agent), including selection of stock, packaging, and freight, within the times specified in the agreement.
 - (iv) The Agent must maintain sufficient stock of Terragen Products to fulfil any orders (whether placed directly with it as a sales agent or those referred to it by Terragen or another sales agent). If it does not do so, it must notify Terragen and Terragen may provide additional stock, or otherwise arrange for the order to be fulfilled by Terragen or another fulfilment agent.
 - (v) Terragen may pay fees for warehousing and fulfilment (which, subject to agreement, where payments are also due to Terragen by the Agent e.g. on a sales agency basis, may be set-off against the payments due to Terragen).
 - (vi) The Agent must inspect Terragen Products delivered to it and report to Terragen if any product is damaged, defective, or not of merchantable quality. Terragen will provide replacement Product if necessary.

9. Material Contracts continued

(d) **Payment:**

- (i) Where the Agent acts as Terragen's sales agent, the Agent is paid according to the commission structure set out in the Product Schedules provided to the Agent from time to time. The following commission structure is presently set out in Terragen's current Product Schedule:
 - (A) Base – 20% (Guaranteed)
 - (B) Payment on time – 5% (Performance)
 - (C) Sales target – 4% (Performance)
 - (D) Customer details – 1% (Performance)
- (ii) Where the Agent acts as a fulfilment agent, Terragen may pay fees to the Agent as agreed between Terragen and the Agent.
- (iii) Where the Agent holds Terragen Products on consignment or otherwise acts as both a fulfilment agent and a sales agent, the fees and commissions payable by and to each party in respect of warehousing and fulfilment, and sales agency, may be set off against each other.

(e) **Termination:** Either party may terminate by giving 3 months' notice in writing or terminate immediately for cause.

(f) **Sub-agents:** The Agent may perform their obligations through sub-agents provided that the Agent first obtains the written consent of Terragen. Terragen may revoke the appointment of a sub-agent by giving notice or for cause.

(g) **Indemnity:** The Agent indemnifies Terragen against any loss, damage or liability resulting from either a breach of the Retail Agency Agreement by the Agent or from some other event connected with the sale, marketing, storage, or transportation, of the Terragen Products in the Territory by the Agent. The Agent (where authorised to act as a sales agent) further indemnifies Terragen against any non-payment by Customers.

(h) **Intellectual property:** The Agent acknowledges that the Intellectual Property belongs exclusively to the Principal and if the Agent should create any new intellectual property relating to the Terragen Products, then that too shall belong to Terragen. The Agent agrees to take any action necessary to confirm or vest the title of the Principal to that intellectual property.

The Retail Agency Agreement for Elders Rural Services Australia Limited is on the following terms:

(a) **Purpose:** The Elders Retail Agency Agreement gives Terragen the right to authorise Elders (the Agent) to act as Terragen's agent, in Australia, for various activities, principally to:

- (i) identify prospective Customers for the Products. The current Product Schedule for the Elders Retail Agency Agreement includes the products Great Land and Mylo®;
- (ii) negotiate sales contracts within the parameters set by Terragen and notified to the Agent from time to time; and
- (iii) monitor contract performance by Terragen and the Customer, including acceptance of contract terms, delivery of Products, payment, and other matters covered in Terragen's contract terms with the Customer.

(b) **Sales:** The Agent is authorised to act as Terragen's sales agent, and the following terms apply.

- (i) Any sale made by the Agent are made on Terragen's standard customer terms and conditions of sale. The Agent must not make or give any promise, warranty, or guarantee other than those contained in the terms and conditions of sale.
- (ii) The Agent shall not solicit or accept orders for the Products from outside Australia.
- (iii) The Agent must co-operate with Terragen in any promotional activity or project, and not use any advertising or marketing material except as supplied by Terragen.
- (iv) Terragen represents and warrants that each Product:
 - (A) will correspond with the description, be fit for the purpose described in any written label, instructions for use or invoice published;
 - (B) meets a high level of quality control testing during the manufacturing process; and
 - (C) has achieved a true to label colony forming unit count at the time of manufacturing.
- (v) The price at which the Agent is authorised to sell products is set out in the Product Schedule provided to the Agent from time to time.

(c) **Payment:**

(i) The Agent is paid according to the commission structure set out in the Product Schedules provided to the Agent from time to time. The following commission structure is presently set out in the Elders Retail Agency Agreement current Product Schedule:

(A) Base – 20% (Guaranteed)

(B) Payment on time – 5% (Performance)

(C) Sales target – 4% (Performance)

(D) Customer details – 1% (Performance)

(d) **Termination:** Either party may terminate by giving 3 months' notice in writing or terminate immediately for cause.

(e) **Sub-agents:** The Agent may perform their obligations through sub-agents provided that the Agent first obtains the written consent of Terragen. Terragen may revoke the appointment of a sub-agent by giving 30 days' notice or immediately for cause.

(f) **Indemnity:** The Agent indemnifies Terragen against any loss, damage or liability resulting from either a breach of the Elders Retail Agency Agreement by the Agent or from some other event connected with the sale of Products in Australia, including:

(i) any act, neglect or default by the Agent's sub agents, employees, licensees or customers;

(ii) the Agent's breach of the intellectual property rights of any person;

(iii) the Agent's failure to comply with the law of any part of the Territory;

(iv) any successful claim by any third party alleging libel or slander in respect of any matter arising from the supply of Products.

(g) **Intellectual property:** The Agent acknowledges that the Intellectual Property belongs exclusively to Terragen and if the Agent should create any new intellectual property relating to the Products, then that too shall belong to Terragen. The Agent agrees to take any action necessary to confirm or vest the title of Terragen to that intellectual property.

9.3 Key employment and appointment agreements (all related party contracts)

Justus Homburg, Chief Executive Officer

On 29 August 2019, Terragen and Justus Homburg entered into an executive employment agreement under which Justus Homburg was appointed Chief Executive Officer. Justus will be paid a salary package of \$301,125 per annum including statutory superannuation. Justus' appointment is not for a fixed term.

The agreement is subject to a mutual 6-month notice period (but which may be immediately terminated by Terragen in the event of serious misconduct). Terragen may elect to make a lump sum payment in lieu of notice.

Justus' executive employment agreement also includes a post-employment non-compete and non-solicitation restraint of trade, which operates worldwide (as the maximum area) for 12 months from the date on which his employment ceases (as the maximum period).

Stephen Kelly, Chief Financial Officer and Company Secretary

On 2 August 2019, Terragen and KCG Advisors Pty Ltd ABN 85 604 754 690 entered into a consultancy agreement under which the consultant, through its key person, Stephen Kelly, agreed to fulfil the duties of Chief Financial Officer and Company Secretary. The Consultant will be paid a fee of \$10,000 per month (excluding GST). If, in any month, the Consultant is required to provide services for more than 60 hours, then Terragen will pay the Consultant an additional fee of \$225 per hour for each additional hour approved by Terragen.

The consultancy agreement is subject to a mutual 3-month notice period (but which may be immediately terminated by Terragen in the event of serious misconduct).

9. Material Contracts continued

Sam Brougham, Non-Executive Director

On 9 August 2019, Sam Brougham, entered into a Letter of Appointment to serve as a Non-Executive Director of Terragen.

Sam Brougham's Letter of Appointment provides for, amongst other things:

- (a) Sam Brougham's appointment as a Non-Executive Director of Terragen.
- (b) Sam Brougham is to be paid an annual director's fee of \$36,000 plus \$4,000 per annum for all Board sub-committees of which Sam is a member.
- (c) The Letter of Appointment is effective from the date of Sam Brougham's appointment as Non-Executive Director of Terragen and continues until the date that Sam Brougham ceases to hold office as a director of Terragen.
- (d) Sam Brougham may resign as a director of Terragen at any time by written notice.

The Letter of Appointment otherwise contains provisions that are usual for appointment letters of this nature.

Paul Schober, Non-Executive Director

On 14 August 2019, Paul Schober, entered into a Letter of Appointment to serve as a Non-Executive Director of Terragen.

Paul Schober's Letter of Appointment provides for, amongst other things:

- (a) Paul Schober's appointment as a Non-Executive Director of Terragen.
- (b) Paul Schober is to be paid an annual director's fee of \$48,000 plus \$4,000 per annum for all Board sub-committees of which Paul is a member.
- (c) The Letter of Appointment is effective from the date of Paul Schober's appointment as Non-Executive Director of Terragen and continues until the date that Paul Schober ceases to hold office as a director of Terragen.
- (d) Paul Schober may resign as a director of Terragen at any time by written notice.

The Letter of Appointment otherwise contains provisions that are usual for appointment letters of this nature.

Greg Robinson, Non-Executive Director

On 19 August 2019, Greg Robinson, entered into a Letter of Appointment to serve as a Non-Executive Director of Terragen.

Greg Robinson's Letter of Appointment provides for, amongst other things:

- (a) Greg Robinson's appointment as a Non-Executive Director of Terragen.
- (b) Greg Robinson is to be paid an annual director's fee of \$36,000 plus \$4,000 per annum for all Board sub-committees of which Greg is a member.
- (c) The Letter of Appointment is effective from the date of Greg Robinson's appointment as Non-Executive Director of Terragen and continues until the date that Greg Robinson ceases to hold office as a director of Terragen.
- (d) Greg Robinson may resign as a director of Terragen at any time by written notice.

The Letter of Appointment otherwise contains provisions that are usual for appointment letters of this nature.

Ingrid van Dijken, Non-Executive Director (Proposed Director)

On 12 September 2019, Ingrid van Dijken, entered into a Letter of Appointment to serve as a Non-Executive Director of Terragen.

Ingrid van Dijken's Letter of Appointment provides for, amongst other things:

- (a) Ingrid van Dijken's appointment as a Non-Executive Director of Terragen will commence on the Listing Date.
- (b) Ingrid van Dijken is to be paid an annual director's fee of \$36,000 plus \$4,000 per annum for all Board sub-committees of which Ingrid is a member.
- (c) The Letter of Appointment is effective from the date of Ingrid van Dijken's appointment as Non-Executive Director of Terragen and continues until the date that Ingrid van Dijken ceases to hold office as a director of Terragen.
- (d) Ingrid van Dijken may resign as a director of Terragen at any time by written notice.

The Letter of Appointment otherwise contains provisions that are usual for appointment letters of this nature.

John Ryals, Non-Executive Director (Proposed Director)

On 4 September 2019, John Ryals, entered into a Letter of Appointment to serve as a Non-Executive Director of Terragen.

John Ryals's Letter of Appointment provides for, amongst other things:

- (a) John Ryals's appointment as a Non-Executive Director of Terragen will commence on the Listing Date.
- (b) John Ryals is to be paid an annual director's fee of \$36,000 plus \$4,000 per annum for all Board sub-committees of which John is a member.
- (c) The Letter of Appointment is effective from the date of John Ryals's appointment as Non-Executive Director of Terragen and continues until the date that John Ryals ceases to hold office as a director of Terragen.
- (d) John Ryals may resign as a director of Terragen at any time by written notice.

The Letter of Appointment otherwise contains provisions that are usual for appointment letters of this nature.

10.

Intellectual Property Report



Dr Karen Jury, Head of the Terragen Biotech Research and Development Team, at Terragen's Integrated Research and Development and Manufacturing facility in Coolumb on the Sunshine Coast.

10. Intellectual Property Report

Intellectual Property (Patents) Report – Terragen Holdings Pty Ltd Prepared by Davies Collison Cave

About Davies Collison Cave (DCC)

DCC is one of Australia's leading intellectual property firms. It specialises in providing advice relating to protecting and enforcing intellectual property rights. DCC has over 200 professionals and staff working for the firm and can trace its history back more than 130 years, making it one of Australia's longest established IP firms.

The services provided by DCC cover aspects of IP including patents, registered designs, trade marks, copyright and plant breeders' rights, and is provided by attorneys possessing a diverse range of technical skills in areas including chemistry and materials, clean energy, engineering, physics and electronics, information technology, life sciences, pharmaceuticals, medical devices, nanotechnology and plant innovation.

Intellectual Property Overview

Intellectual property is a collective term used to refer to a number of different rights including patents, registered designs, trade marks, copyright and trade secrets.

DCC is currently engaged to manage patent related matters on behalf of Terragen and this report will focus on patent rights only.

Patents

A patent is a legally enforceable and exclusive right to commercially exploit an invention for a defined period of time in a particular territory.

In Australia, where the invention is a product, exploitation includes making, hiring, selling or otherwise disposing of the product, or offering to make, sell, hire or otherwise dispose of the product, using or importing the product, or keeping the product for the purpose of doing any of those things. For a method or process, exploitation includes using the method or process or exploiting a product resulting from performing the method or process. Other countries have their own laws regarding the rights afforded by a granted patent, and advice should be sought on a country by country basis if further information is required.

A patent is granted for inventions that meet defined criteria. The laws of different countries generally have different criteria, and hence make their own assessment as to the patentability of an invention. In general, the requirements include that the claimed invention is novel, involves an inventive step and meets subject matter eligibility requirements.

Patent Application Process

In order to obtain patent protection, it is ultimately necessary for an application to be filed with a Patent Office in each country where protection is to be sought. However, international conventions exist that enable a patent application to be initially filed in a single country, with subsequent applications being filed individually in each country within a defined time limit.

For example, the Paris Convention provides a mechanism that allows patent applications to be filed to cover additional countries within 12 months of the date of lodging a first patent application. Thus, one or more provisional patent applications can be filed in a single country, and then subsequent applications can be filed covering other countries

10. Intellectual Property Report continued

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within 12 months of the earliest provisional patent application, using a process known as claiming priority.

The subsequent applications can be separate applications in each country of interest. Alternatively, a single International Patent Cooperation Treaty ("**PCT**") application can be filed covering a number of contracting states. The PCT application does not ultimately get granted as a patent, but rather allows the filing of national patent applications in individual countries to be deferred up to a set date, typically 30 months from the filing date of the first patent application, such as the first provisional patent application.

Once filed, the PCT application undergoes an assessment process, in which a designated patent office performs a search and issues an International Search Report and associated International Search Opinion, providing a preliminary view on whether the patent application meets novelty, inventive step and industrial applicability requirements. Responses to the International Search Opinion can be optionally filed during a subsequent examination process, before an International Preliminary Report on Patentability issues, providing an opinion of patentability.

It should be noted however that the outcome of this process is not binding and subsequent assessment is typically performed by patent offices in each country, after individual national patent applications have been filed. In this regard, each country will typically perform an independent search, and then assess whether the patent application meets the patentability requirements, additionally taking into account their own local law.

Whilst most countries require a local patent application to be filed, in some cases regional patent applications can be filed covering a group of individual countries. For example, a European patent application can be filed, which can allow subsequent patents to be granted in over 35 countries.

Assuming any objections are overcome, a patent can then be granted on the application allowing this to be subsequently enforced to prevent third parties exploiting the invention.

Terragen Patent Portfolio

Details of the patents and patent applications owned by Terragen ("**the Portfolio**") are provided in the Patent Schedule below.

The information has been prepared based on our records and on information supplied by overseas IP firms and Patent Offices in relevant jurisdictions. DCC cannot take responsibility for missing or erroneous data that is provided by other firms and Patent Offices.

In summary, the Portfolio includes two families of related patents and applications.

Family 1 – Microbial inoculants and fertilizer compositions comprising the same

This patent family derives from a United States provisional patent application, US 61/555,535, filed on 4 November 2011. PCT application PCT/AU2012/001355, claiming priority from this provisional application, was filed on 5 November 2012 (4 November fell on a Sunday).

The abstract of the PCT application states the invention relates to microbial inoculants and fertilizer compositions for use in increasing plant growth, plant productivity and/or soil quality, comprising strains of one or more bacterial species selected from *Lactobacillus parafarraginis*, *Lactobacillus buchneri*, *Lactobacillus rafi* and *Lactobacillus zeae*.

Optionally the microbial inoculants also comprise a strain of *Acetobacter fabarum* and/or a strain of *Candida ethanolica*.

As at the date of this letter this family includes granted patents in Australia, Canada, China, Europe, Japan, Mexico and New Zealand. There are pending applications Brazil, Chile, and the United States.

Family 2 – Bacterial strains having antimicrobial activity and biocontrol compositions comprising the same

This patent family derives from a United States provisional patent application, US 61/815,038, filed on 23 April 2013. PCT application PCT/AU2014/050019, claiming priority from this provisional application, was filed on 22 April 2014. A stand-alone application was filed in Argentina on 25 September 2014.

The abstract of the PCT application states the invention relates to methods for treating and preventing infections and diseases caused by microbial pathogens and methods for inhibiting the growth of microorganisms, comprising the administration or application of compositions comprising one or more of *Lactobacillus parafarraginis*, *Lactobacillus buchneri*, *Lactobacillus raji*, *Lactobacillus zeae*, *Lactobacillus casei*, *Lactobacillus paracasei*, the bacterial strain designated by NMI Accession Number V12/022850 and the bacterial strain designated by NMI Accession Number V12/022849.

As at the date of this letter this family includes granted patents in Australia and New Zealand and eight pending applications as shown in the Schedule.

10. Intellectual Property Report continued

TERRAGEN HOLDINGS LIMITED PATENT PORTFOLIO SCHEDULE AUGUST 2019

FAMILY 1 - Microbial inoculants and fertilizer compositions comprising the same

Owner: Terragen Holdings Limited

Country	Application No.	Patent No.	Priority Date	Filing Date	Next renewal due	Status
Australia	2012321092	2012321092	04.11.2011	05.11.2012	05.11.2019	Patent granted
Brazil	BR1120140106509		04.11.2011	05.11.2012	05.11.2019	Application pending
Canada	2854362	2854362	04.11.2011	05.11.2012	05.11.2019	Patent granted
Chile	01162-2014		04.11.2011	05.11.2012	-	Application pending
China	201280062624.5	ZL201280062624.5	04.11.2011	05.11.2012	05.11.2019	Patent granted
Europe	12844819.8	2773599	04.11.2011	05.11.2012	05.11.2019	Patent granted
Japan	2014-540271	6139544	04.11.2011	05.11.2012	12.05.2020	Patent granted
Mexico	MX/a/2014/005344	361006	04.11.2011	05.11.2012	05.11.2023	Patent granted
New Zealand	614079	614079	04.11.2011	05.11.2012	05.11.2019	Patent granted
United States	13/984,488		04.11.2011	05.11.2012	-	Application pending

FAMILY 2 - Bacterial strains having antimicrobial activity and biocontrol compositions comprising the same

Owner: Terragen Holdings Limited

Country	Application No.	Patent No.	Priority Date	Filing Date	Next renewal due	Status
Argentina	P140103543		25.09.2014	25.09.2014	-	Application pending
Australia	2014256851	2014256851	23.04.2013	22.04.2014	22.04.2020	Patent granted
Brazil	BR1120150267734		23.04.2013	22.04.2014	22.04.2020	Application pending
Canada	2909982		23.04.2013	22.04.2014	22.04.2020	Application pending
China	201480031784.2		23.04.2013	22.04.2014	-	Application pending
Europe	14788557.8		23.04.2013	22.04.2014	22.04.2020	Application pending
Hong Kong	16110412.1		23.04.2013	22.04.2014	22.04.2023	Application pending
New Zealand	630117	630117	23.04.2013	22.04.2014	22.04.2020	Patent granted
South Africa	2015/08479		23.04.2013	22.04.2014	22.04.2020	Application pending
Vietnam	1-2015-04461		23.04.2013	22.04.2014	-	Application pending

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Limitations

Patent Office Information

The schedule has been prepared based on information supplied by Patent Offices in relevant jurisdictions, either through official communications or through publication on official databases. We cannot take responsibility for missing or erroneous data that is provided by the Patent Offices and as such DCC is not responsible for the accuracy of the information provided.

Scope of Patents

DCC can provide no assurance that any of the patent applications listed in the Schedule will result in the grant of a patent, or that the scope of protection provided by any patent that is granted will be identical to the scope of the claims in an application as originally filed.

Validity of Patents

It is important to understand that granting of a patent is not a guarantee of validity and patents can be held subsequently unenforceable, for example during court proceedings or third party oppositions in some jurisdictions. DCC can provide no assurance as to the validity of the patent applications or any patent granted based thereon.

Commercial Activities

DCC can provide no assurance that any patents or patents granted on the patent applications listed in the Schedule, even if valid, will cover the commercial activities of Terragen, or that exploitation of the inventions described and claimed in the patent applications listed in the Schedule, or any patents granted thereon, will not infringe any rights held by third parties.

It is important to understand that granting of a patent provides a monopoly right to prevent exploitation of the invention by third parties, but provides no guarantee that the invention can be commercialised without infringing other third party rights. DCC can therefore provide no assurances as to Terragen's freedom to operate in respect to their commercial activities.

Patent Searches

Searches may be conducted in respect of patents or patent applications to ascertain their validity or to identify other third party patent rights. No search can provide completely comprehensive results and it is not possible to guarantee the accuracy of any such results, conducted by any parties, due to a range of limitations. DCC cannot therefore provide assurances as to the accuracy of any searches that may have been performed.

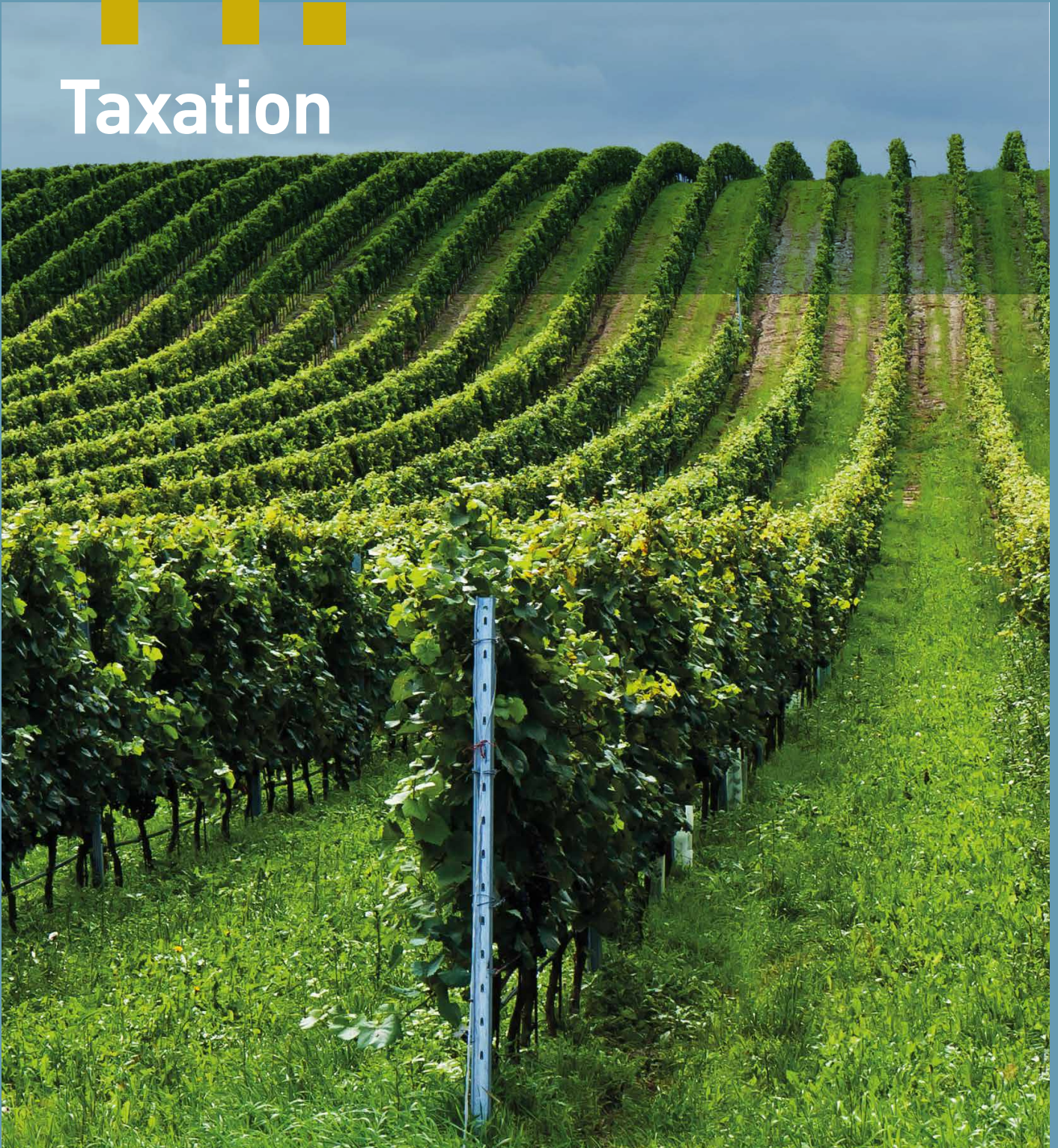
DAVIES COLLISON CAVE PTY LTD



DR GAVIN RECCHIA
Principal

11.

Taxation



11. Taxation

11.1 Australian tax considerations

This Section provides a general overview of the Australian tax consequences for investors who acquire Shares through the Offer. The comments in this Section are based on current Australian taxation legislation (including established interpretations of those legislation) in force at the Prospectus Date, which may change.

This Section is general in nature and is not intended to be an authoritative or a complete statement of Australian taxation legislation. It should be noted that Australian taxation legislation is complex and the investor's own circumstances will affect the taxation outcomes of making an investment in Shares through the Offer. It is recommended that investors seek independent professional advice, having regard to their own specific circumstances, in considering an investment in Shares through the Offer.

The categories of Shareholders considered in this summary are limited to individuals, companies and trusts (other than superannuation or pension funds), each of whom holds their shares on capital account and are residents of Australia.

This summary does not consider the consequences for Shareholders who are partnerships, complying superannuation or pension funds, insurance companies, banks, Shareholders that hold their shares on revenue account (or any deemed revenue holding rules) or carry on a business of trading in shares, Shareholders who acquired shares in connection with an employee share scheme or investors who are exempt from Australian tax. This summary also does not cover the consequences for Shareholders who are subject to Division 230 of the *Income Tax Assessment Act 1997* (the Taxation of Financial Arrangements /TOFA regime). Investors should seek professional advice to determine if Shares are held in this capacity and the corresponding income tax implications should this apply.

Deloitte Private Pty Ltd, a registered tax agent, has provided the tax comments below. Deloitte Private Pty Ltd is not licensed under Chapter 7 of the Corporations Act to provide financial product advice. Taxation issues, such as those covered by this Section, are only some of the matters you need to consider when making a decision about a financial product. You should consider taking advice from someone who holds an Australian Financial Services Licence before making such a decision.

11.2 Dividends on a Share – Australian tax residents

Dividends may be paid to Shareholders in respect of their Shares. "Franking credits" may be attached to such dividends. Franking credits broadly represent the extent to which a dividend is paid out of profits that have been subject to Australian income tax. It is possible for a dividend to be fully franked, partly franked or unfranked.

Generally, Australian tax resident Shareholders are required to include dividends in their assessable income in the income year in which the dividends are paid. To the extent that the dividends are franked, subject to the comments below, the attached franking credits should also be included in the Australian tax resident Shareholder's assessable income (i.e. the dividends are required to be "grossed-up"). In such circumstances, Shareholders are subject to tax at their applicable rate of tax on the grossed-up dividends received (and entitled to a tax offset for the associated franking credits as discussed below).

To the extent that the dividends are unfranked, Australian tax resident Shareholders should be subject to tax at their applicable rate of tax on the unfranked dividends received.

The distribution statement for the dividends paid should advise of the franking status of the dividends.

Australian resident individuals

To the extent that the Shareholders are Australian tax resident individuals, such Shareholders should be entitled to a tax offset equal to the franking credit received. The tax offset should apply to reduce the income tax payable on the Shareholder's taxable income. Where the tax offset exceeds the amount of total income tax payable on the Shareholder's taxable income in an income year, such Shareholders should be entitled to a tax refund from the ATO equal to the excess. Where the franking credits are less than the tax payable on the dividends, those Shareholders should be required to pay an additional amount of tax ("top-up tax") on the excess.

Trusts

In relation to Shareholders who are trustees of a trust (other than trustees of complying superannuation entities or trusts treated as companies for tax purposes), such Shareholders should include any dividends and franking credits in their assessable income in determining the net income of the trust. Generally, the relevant beneficiary presently entitled to the income of the trust may then be entitled to a corresponding tax offset equal to the beneficiary's share of franking credits received, subject to certain requirements being satisfied.

In relation to trusts, the legislation surrounding the taxation of dividends are complex and independent professional advice should be sought to confirm the appropriate taxation considerations and treatment based on the Shareholder's particular circumstances.

Corporate Shareholders

Shareholders that are Australian tax resident companies (including those which are deemed to be companies for income tax purposes) should be entitled to a tax offset equal to the amount of franking credits received on dividends.

However, unlike non-corporate Shareholders, they are unable to claim tax refunds for any excess franking credits. Where excess franking credits exist, a corporate Shareholder may be able to convert the surplus franking credits into carry forward tax losses.

Corporate Shareholders (including those which are deemed to be companies for income tax purposes) should also be entitled to a credit in their franking accounts equal to the franking credits received in respect of the dividends. A corporate Shareholder may be able to subsequently pass on the benefit of the franking credits by making franked distributions to its own Shareholders.

Qualified person rules

There are certain limitations imposed by Australian taxation legislation, which may prevent a Shareholder from obtaining the benefit of any franking credits. In this regard, Shareholders seeking to claim tax offsets for franking credits must be "qualified persons" in respect of the relevant dividends.

Broadly, to satisfy the qualified person rules, a Shareholder must satisfy the holding period rule or, if necessary, the related payment rule.

The holding period rule broadly requires Shareholders to have held their Shares continuously "at risk" for at least 45 days (excluding the dates of acquisition and disposal) at some time during the period of ownership of the Shares. Very broadly, Shares should be considered to be held "at risk" to the extent that no material "positions" are adopted in relation to the Shares which have the effect of diminishing the economic exposure associated with holding the Shares (for example, certain option and derivative agreements, or agreements to sell the Shares).

Under the related payment rule, a different testing period applies where a Shareholder or an associate of the Shareholder has made, or is under an obligation to make, a related payment in relation to a dividend. A related payment is one where a Shareholder or their associate effectively passes on the benefit of the dividend to another person.

The related payment rule requires the Shareholder to have held the Shares continuously at risk for at least 45 days (excluding the dates of acquisition and disposal). Practically, the related payment rule should not affect Shareholders who do not pass the benefit of the dividend to another person. Shareholders should seek independent advice to determine if the related payment rule applies in their particular circumstances.

In the event that no related payments are made with respect to a particular dividend, an individual Shareholder may satisfy the qualified person rules on an alternative basis, provided that the Shareholder satisfies the small holdings exemption. This exemption should generally be satisfied where the Shareholder is entitled to total franking credits (from all sources) of no more than \$5,000 in the relevant year of income.

Investors should seek independent professional advice to determine if the qualified person requirements, as they apply to them, have been satisfied.

11. Taxation continued

Integrity rules

A specific integrity rule prevents taxpayers from obtaining a tax benefit from franking credits where dividends are received as a result of “dividend washing”.

Broadly, dividend washing is a practice through which taxpayers seek to claim two sets of franking credits by selling shares held on the ASX ex-dividend and then effectively re-purchasing a substantial equivalent parcel of shares cum-dividend on a special ASX trading market.

Shareholders should consider the impact of integrity provisions and seek independent advice having regard to their own personal circumstances.

11.3 Taxation on disposal of Shares – Australian tax resident Shareholders

The disposal of a Share by a Shareholder should constitute a capital gains tax (CGT) event. A capital gain should arise to the extent that the capital proceeds on disposal exceeds the cost base of the Share (broadly, the amount paid to acquire the Share plus certain non-deductible transaction costs). In the case of an arm’s length on-market sale, the capital proceeds should generally equal the cash proceeds from the sale.

A CGT discount may be applied against any capital gain (after reduction of the capital gain by applicable capital losses) where the entity which realises the capital gain is an individual or trustee. The CGT discount may be applied in these circumstances, provided that the Shares have been held for at least 12 months (not including the date of acquisition or disposal for CGT purposes) and certain other requirements have been satisfied. Where the CGT discount applies, any capital gain arising to individuals and entities acting as trustees (other than trustees of a complying superannuation entity) may be reduced by 50%, after offsetting current year or prior year capital losses.

If the Shareholder who realises the capital gain and is entitled to the CGT discount is the trustee of a trust (other than the trustee of a complying superannuation entity), the CGT discount may flow through to the beneficiaries of the trust, provided those beneficiaries are not corporate entities (with the exception of corporate entities in their capacity as trustee of a trust). Shareholders that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains.

A capital loss should be realised to the extent that the reduced cost base of a Share (which should generally be calculated in a similar manner to the cost base) exceeds the capital proceeds from its disposal. Capital losses may only be offset against capital gains realised in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other assessable income.

Australian tax resident investors who hold Shares on revenue account should seek separate independent professional advice.

11.4 Non-resident CGT withholding

A non-final withholding tax of 12.5% may be applied on the disposal of certain taxable Australian property under contracts entered into on or after 1 July 2016. However, this should not apply to the disposal of a Share on the ASX (in accordance with a specific exemption).

11.5 Tax File Number and Australian Business Number

An Australian tax resident Shareholder is not obliged to quote a Tax File Number (TFN), or where relevant, an Australian Business Number (ABN), to the Company. However, if a TFN or ABN is not provided to the Company and no exemption is applicable to the Shareholder, pursuant to the TFN withholding rules, income tax may be required to be withheld by the Company at the highest marginal rate on unfranked dividends and/or other applicable distributions. Australian tax resident Shareholders may be able to claim a tax credit/rebate (as applicable) in respect of any tax withheld in their income tax returns.

No withholding requirements should apply in respect of fully franked dividends paid in respect of the Shares.

11.6 Stamp duty

On the basis that the Company is not a landholder in any Australian jurisdiction, no stamp duty should be payable on the Listing of the Company on the ASX.

Under current stamp duty legislation, stamp duty should also not ordinarily be payable on any subsequent acquisition of Shares in the Company by a Shareholder and, even if the Company is a landholder for stamp duty purposes, provided the Company remains listed on the ASX and less than 90% of the shares are acquired, no landholder duty should be payable on any subsequent acquisition of Shares in the Company by a Shareholder.

Shareholders should seek their own independent advice as to the impact of stamp duty in their own particular circumstances.

11.7 Goods and services tax (GST)

Under current Australian GST legislation, GST should not be applicable to the acquisition or disposal of any Shares. The ability of Shareholders to recover any GST incurred as an input tax credit in relation to costs associated with the Offer (such as costs relating to professional advice obtained by Shareholders regarding the Offer) would vary according to individual circumstances and as such, Shareholders should seek GST advice in this respect.

No GST should be payable by Shareholders on receiving dividends (or other distributions) paid by the Company.

12.

Additional information



12. Additional information

12.1 Registration

Terragen was incorporated on 7 May 1996 as a private company limited by shares. On 10 January 2014, Terragen converted to a public company limited by shares.

Terragen Biotech, the 100% owned Subsidiary of Terragen, was incorporated on 3 December 2009 as a private company limited by shares.

On 26 January 2018, Terragen Biotech was registered in New Zealand as an overseas company under New Zealand Company Number (NZCN) 6674173.

12.2 Capital structure

The capital structure of the Company, as at the Prospectus Date and on completion of the Offer is set out in the table below.

Shares

Shares	Shares held on the Prospectus Date	Shares held on the completion of the Offer	Percentage held on completion of the Offer
Existing Shares	106,820,902	106,820,902	57.18%
Shares issued under the Offer	Nil	80,000,000	42.82%
Total	106,820,902	186,820,902	100%

Options

Options	Options held on the Prospectus Date	Options held on the completion of the Offer	Percentage of Options held on completion of the Offer
Options (Incentive A)	4,090,000	4,090,000	21.29%
Options (Incentive B)	2,805,000	2,805,000	14.60%
Options (Investment)	12,314,043	12,314,043	64.11%
Total	19,209,043	19,209,043	100%

Shares on a fully diluted basis

Shares	Shares held on the Prospectus Date	Shares held on the completion of the Offer	Percentage held on completion of the Offer
Existing Shares	106,820,902	106,820,902	51.84%
Shares issued under the Offer	Nil	80,000,000	38.83%
Shares on exercise of Options (Incentive A)	4,090,000	4,090,000	1.99%
Shares on exercise of Options (Incentive B)	2,805,000	2,805,000	1.36%
Shares on exercise of Options (Investment)	12,314,043	12,314,043	5.98%
Total	126,029,945	206,029,945	100%

12. Additional information continued

12.3 Shareholding structure

The top 20 Shareholders of the Company as at the Prospectus Date is set out in the below table. The table also sets out the percentage of Shares in the Company that will be held at completion of the Offer. The table below assumes that the Existing Shareholders listed below will not apply for and receive New Shares under the Offer.

Rank	Existing Shareholder	Current balance	% issued capital	% post-Offers
1	STAMINA PTY LTD ¹	6,627,616	6.2%	3.5%
2	RUBI HOLDINGS PTY LTD <JOHN RUBINO SUPERANNUATION FUND>	4,200,000	3.9%	2.2%
3	DEMPSEY CAPITAL PTY LTD <ALIUM ALPHA FUND>	4,000,000	3.7%	2.1%
4	MR SCOBIE D WARD	4,000,000	3.7%	2.1%
5	ACTION ALWAYS PTY LTD	3,795,690	3.6%	2.0%
6	THORNEY TECHNOLOGIES LTD	3,500,000	3.3%	1.9%
7	P M DESMOND PTY LTD <DESROB SUPERANNUATION FUND>	3,195,000	3.0%	1.7%
8	MR RODNEY LOONE + MRS DIANNE LOONE	3,020,000	2.8%	1.6%
9	WESTRIBE INVESTMENTS PTY LTD	3,009,335	2.8%	1.6%
10	EAST MT ADA <THE BURSTON FAMILY SUPER FUND>	2,920,000	2.7%	1.6%
11	STEPHEN MAHKEN <THE THREE FISH TRUST>	2,662,500	2.5%	1.4%
12	GARDIOLE PTY LTD <R.H. MYER SUPERANNUATION FUND>	2,600,002	2.4%	1.4%
13	MR JOHN ANDREW ROGERS	2,500,000	2.3%	1.3%
14	VAUTEX PTY LTD	2,500,000	2.3%	1.3%
15	FIFTY-SECOND CELEBRATION PTY LTD <MCBAIN FAMILY TRUST>	2,400,000	2.2%	1.3%
16	MILNAR PTY LTD	2,300,000	2.2%	1.2%
17	CROFTON PARK DEVELOPMENTS PTY LTD <BROUGHAM SUPERANNUATION FUND> ²	2,250,000	2.1%	1.2%
18	CROFTON PARK DEVELOPMENTS PTY LTD <SAM BROUGHAM FAMILY TRUST> ²	1,744,000	1.6%	0.9%
19	TELICA NOMINEES PTY LTD	1,714,657	1.6%	0.9%
20	DERRIL PTY LTD	1,700,000	1.6%	0.9%
Total:		60,638,800	56.8%	32.1%
	All other Existing Shareholders	46,182,102	43.2%	67.9%
Grand Total		106,820,902	100%	100%

Notes:

1. Stamina Pty Ltd is controlled by Sam Brougham.
2. Crofton Park Development Pty Ltd and each of the Brougham Superannuation Fund and Sam Brougham Family Trust are controlled by Sam Brougham.

Details of the Shares that will be subject to escrow arrangements are set out in Section 12.12.

12.4 Rights attaching to Shares

Detailed provisions relating to the rights attaching to the Shares are set out in the Constitution and the Corporations Act. A copy of the Constitution can be inspected during office hours at the registered office of the Company and Shareholders can obtain a copy of the Constitution, free of charge.

The following is a summary of the principal rights of Shareholders. It is not intended to be exhaustive or to constitute a definitive statement of the rights and liabilities of Shareholders which can involve complex questions of law arising from the interaction of the Company's Constitution with statutory and common law requirements.

If you wish to seek a definitive assessment of the rights and liabilities that attached to your Shares in any specific circumstance, you should seek your own advice.

<p>Voting:</p>	<p>At a meeting of shareholders, subject to any rules prescribed by the directors pursuant to the Constitution, a resolution of members must be decided on a show of hands unless a poll is effectively demanded or the chairman decides that a poll will be held.</p> <p>Subject to the Constitution, the Corporations Act, any rules prescribed by the Directors pursuant to the Constitution, the Listing Rules and to any rights or restrictions for the time being attached to any class or classes or shares, on a show of hands each member present in person or by proxy, attorney or representative has one vote and on a poll each member present in person or by proxy has one vote for each fully paid share held by that member (and for each partly paid share a fraction of a vote equivalent to the proportion of the share which is paid).</p> <p>A member is not entitled to vote at a general meeting unless all calls and other sums presently payable by the member in respect of shares in the Company have been paid.</p>
<p>Proxy:</p>	<p>An instrument appointing a proxy and the power of attorney or other authority must be deposited with the Company not less than 48 hours before the meeting unless otherwise determined by the Board.</p>
<p>General meetings and notices:</p>	<p>A Director of the Company may call a general meeting and the Directors must call an annual general meeting in accordance with the Corporations Act. Shareholders may request or call and arrange to hold a general meeting in accordance with the Corporations Act.</p> <p>Each Shareholder is entitled to receive notice of, attend and vote at general meetings of the Company and to receive all notices, financial statements and other documents required to be sent to Shareholders under the Company's Constitution and the Corporations Act.</p> <p>The quorum for a meeting of Shareholders is three Shareholders.</p>
<p>Dividends and share plans:</p>	<p>Subject to the Corporations Act and the Constitution, the Directors may pay to Shareholders any dividends as they see fit. The Directors may fix the amount, the time for payment and the method of payment.</p> <p>The Directors may grant Shareholders the right to elect to reinvest cash dividends paid by the Company by subscribing for shares in the Company on terms decided by the Directors.</p>
<p>Issue of Shares:</p>	<p>Subject to the Corporations Act, the Listing Rules and any special rights and restrictions conferred on the holders of any securities or class of shares, the issue of shares in the Company is under the control of the Directors who may issue or dispose of shares in the company or grant options in respect of unissued shares in the Company.</p> <p>Subject to the Corporations Act and the Listing Rules, the Company may issue preference shares on the terms set out in the Constitution or as otherwise approved by a resolution of the Company in accordance with the Corporations Act. Such preference shares may be, or at the option of the Company be, liable to be redeemed or converted into other shares.</p>
<p>Transfer of Shares:</p>	<p>Generally, all shares are freely transferrable subject to the procedural requirements of the Constitution and to the provisions of the Listing Rules. If permitted by the Listing Rules or the Operating Rules, the Directors may decline to register an instrument of transfer received.</p>
<p>Shareholder liability:</p>	<p>As the Shares under the Prospectus are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.</p>

12. Additional information continued

<p>Proportional takeover provisions:</p>	<p>The registration of a transfer of Shares which would give effect to a proportional takeover bid is prohibited unless and until an approving resolution approving the proportional takeover bid is passed. The proportional takeover provisions will cease to have effect on the third anniversary of the adoption of the Constitution, unless renewed.</p>
<p>Winding up:</p>	<p>If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.</p> <p>The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.</p>
<p>Variation of rights:</p>	<p>The rights attached to any class of Shares (unless otherwise provided by the terms of issue of the Shares of that class), may be varied or cancelled with the consent in writing of the holders of three-quarters of the issued Shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the Shares of that class.</p>
<p>Directors – Appointment, retirement and removal:</p>	<p>The minimum number of Directors is three (3) and the maximum number of Directors is ten (10).</p> <p>The Company may by resolution increase or decrease the minimum and maximum number of Directors but the minimum must never be less than 3.</p> <p>Directors may be appointed by resolution of Shareholders at a general meeting. The Directors may appoint a Director either in addition to existing Directors or to fill a casual vacancy, and such Director will hold office until the next annual general meeting.</p> <p>At each annual general meeting one-third of the Directors (except for the managing director), or, if their number is not three or a multiple of three, then the number nearest but not exceeding one-third, shall retire from office by rotation. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day shall (unless they otherwise agree between themselves) be determined by lot.</p> <p>The retiring Directors shall be eligible for re-election.</p> <p>In addition to the circumstances in which the office of a Director becomes vacant under the Corporations Act, Directors may be removed from office by pursuant to Section 203D of the Corporations Act. Additionally, employment agreements for executive directors can stipulate that if they cease to be employed by the Company, they must resign from their position as director. This provision is included in the employment agreement of Justus Homburg as the chief executive officer.</p>
<p>Decisions of Directors:</p>	<p>The quorum for a meeting of Directors is two (2).</p> <p>Questions arising at any meeting of Board shall be decided by a majority of votes. A determination of a majority of Board is for all purposes taken to be a determination of the Board. The Chair of a board meeting does not have a casting vote.</p>
<p>Alteration to the constitution:</p>	<p>The Constitution can only be amended by a special resolution passed by at least 75% of Shareholders present and voting at a general meeting or by a court order pursuant to the Corporations Act.</p>

Continuing rights under 2012 Shareholder Agreement

On 17 January 2012, the then shareholders of the Company and the Company entered into a shareholders' agreement (2012 Shareholders Agreement). The 2012 Shareholders Agreement can only be terminated by agreement with the Shareholders. It does not automatically terminate on the occurrence of a liquidity event.

On or around September 2013, a deed of termination was circulated to all the then shareholders of the Company of the Company purporting to terminate the 2012 Shareholders' Agreement. A signed copy of the deed of termination cannot be located by the Company. To resolve this issue, in August 2019, a new deed of termination was circulated to all current shareholders of the Company that signed the 2012 Shareholders' Agreement (Relevant Shareholders). All Relevant Shareholders, with the exception of one very small shareholder (with a holding of 100,000 Shares) signed the deed of termination. The Company followed up this particular shareholder a number of time but received no response. On the basis that this shareholder has not agreed to terminate the 2012 Shareholders' Agreement, the following obligations continue to apply:

- For any new share issues, the Company will offer shares to that shareholder in proportion to her holding in the Company; and
- Unless waived by the Company and that shareholder, before that shareholder sells their shares in the Company, that shareholder must first offer those shares for sale to all shareholders of the Company.

The Shareholder in question holds 100,000 Shares in the Company, being 0.093%. As such, the Company will offer that shareholder 74,400 New Shares (equal to \$18,600) under the Chairman's Offer.

12.5 Options (Investment)

The 12,314,043 Options (Investment) were issued in June 2019 and July 2019. 8,300,000 Options (Investment) issued in June 2019 as part of the 2019 Capital Raise and a further 4,014,043 Options (Investment) were issued to the shareholders who had subscribed for shares in October 2018.

The Options (Investment) were issued to sophisticated and professional investors under Section 708 of the Corporations Act.

Each Option (Investment) holder entered into the Option (Investment) Subscription Deed, which specified the rights attaching to the Options (Investment).

The following is a summary of the principal details and principal rights of the Options (Investment):

Item	Detail
Number on issue:	12,314,043
Issue price:	Nil
Exercise price:	\$0.25 per Option (Investment).
Exercise period:	From the date of issue until the Expiry Date. The Expiry Date: <ul style="list-style-type: none">• if Listing occurs by 31 December 2019, the third anniversary of the Listing Date; or• if Listing does not occur by 31 December 2019, the third anniversary of the date of issue of the Option (Investment).
Exercise:	Each Option (Investment) is exercisable at any time on or before the Expiry Date by delivering an option exercise form to Terragen (or Terragen's Share Registry, if applicable) together with payment for the Share and the certificate or Holding Statement for that Option (Investment).
Lapse:	An Option (Investment) not exercised by the Expiry Date shall automatically lapse.
Ranking of shares:	The Shares issued upon exercise of an Option (Investment) will rank equally in all respects with Terragen's then existing Shares. If Terragen is admitted to the Official List of ASX, Terragen will apply to ASX for the Share issued upon exercise of the Option (Investment) to be admitted to Quotation.
Transfer:	The holder of an Option (Investment) may only transfer an Option (Investment) and the Shares resulting from the exercise of an Option (Investment) to a person in circumstances where such sale does not require Terragen to issue any form of disclosure document under Part 6D.2 of the Corporations Act or in any other jurisdiction.

12. Additional information continued

Item	Detail
Rights offers:	There are no participating rights or entitlements inherent in the Option (Investment) to participate in any new issues of securities which may be made or offered by Terragen to its shareholders from time to time prior to the Expiry Date unless and until the Option (Investment) is exercised. If Terragen is admitted to the Official List of ASX, Terragen will ensure that during the exercise period of the Option (Investment) Terragen will notify holders of the record date for the purposes of determining entitlements to any such issue in accordance with the applicable timetable set out in the ASX Listing Rules.
Reconstruction:	If Terragen is admitted to the Official List of ASX, in the event of a reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of Terragen, all rights of the Option (Investment) holder shall be reconstructed in accordance with the ASX Listing Rules.
Bonus issue:	There will be no change to the exercise price of an Option (Investment) or the number of Shares over which an Option (Investment) is exercisable in the event of Terragen making a pro-rata issue of Shares or other securities to holders of ordinary shares in Terragen (other than a bonus issue). If during the currency of the Option (Investment), there is a bonus issue of Shares to the holders of Shares in Terragen, the number of Shares for which an Option (Investment) is exercisable will be increased by the number of Shares which the holder would have received if the Option (Investment) had been exercised before the record date of the bonus issue.
No quotation of Options (Investment):	Terragen will not apply for Quotation of the Options (Investment) on ASX and accordingly each Option (Investment) will be unlisted.

For detail on the Options (Investment) held by Directors, refer to Section 6.6.

12.6 Options (Incentive A)

The 4,090,000 Options (Incentive A) were issued in October 2016, January 2017, August 2017, January 2018 and July 2018.

At the time the Options (Incentive A) were issued, they were subject to terms that did not comply with the requirements of the ASX Listing Rules. As such, in August 2019, each Options (Incentive A) holder entered into a deed (**Deed of Acknowledgement and Agreement**), under which they agreed that the Options (Incentive A) would be subject to the terms of the ASX Listing Rule-compliant Employee Incentive Plan.

The following is a summary of the principal details and principal rights of the Options (Incentive A):

Item	Detail																					
Number on issue:	4,090,000																					
Issue price:	Nil																					
Exercise price:	930,000 at \$0.075 and 3,160,000 at \$0.05. The ASX issued an in-principle waiver on 12 September 2019 to allow the Options (Incentive A) to have an exercise price of less than \$0.20. Refer to Section 12.15 for further information.																					
Exercise period:	Commence: From the issue date End:																					
	<table border="1"> <thead> <tr> <th>Options (Incentive A)</th> <th>Expiry Date</th> <th>Exercise price</th> </tr> </thead> <tbody> <tr> <td>400,000</td> <td>27 October 2020</td> <td>\$0.05</td> </tr> <tr> <td>395,000</td> <td>30 June 2021</td> <td>\$0.05</td> </tr> <tr> <td>365,000</td> <td>30 September 2021</td> <td>\$0.05</td> </tr> <tr> <td>2,000,000</td> <td>17 January 2022</td> <td>\$0.05</td> </tr> <tr> <td>930,000</td> <td>30 June 2022</td> <td>\$0.075</td> </tr> <tr> <td>TOTAL 4,090,000</td> <td></td> <td></td> </tr> </tbody> </table>	Options (Incentive A)	Expiry Date	Exercise price	400,000	27 October 2020	\$0.05	395,000	30 June 2021	\$0.05	365,000	30 September 2021	\$0.05	2,000,000	17 January 2022	\$0.05	930,000	30 June 2022	\$0.075	TOTAL 4,090,000		
Options (Incentive A)	Expiry Date	Exercise price																				
400,000	27 October 2020	\$0.05																				
395,000	30 June 2021	\$0.05																				
365,000	30 September 2021	\$0.05																				
2,000,000	17 January 2022	\$0.05																				
930,000	30 June 2022	\$0.075																				
TOTAL 4,090,000																						

Item	Detail
Exercise ratio:	1:1
Other:	The holders of the Options (Incentive A) have agreed that their Options (Incentive A) are subject to the terms of the Employee Incentive Plan. Refer to Section 12.8 for further detail.

For detail on the Options (Incentive A) held by Directors, refer to Section 6.6.

12.7 Options (Incentive B)

The 2,805,000 Options (Incentive B) were issued in October 2016, January 2017, August 2017 and July 2018.

At the time the Options (Incentive B) were issued, they were subject to terms that did not comply with the requirements of the ASX Listing Rules. The Options (Incentive B) holders are no longer employees of Terragen. As such, in August 2019, each Options (Incentive B) holder entered into a Deed of Acknowledgement and Agreement whereby they agreed that the Options (Incentive B) would be subject to substantially the same terms as the Options (Investment) with the exception of the exercise price.

The following is a summary of the principal details and principal rights of the Options (Incentive B):

Item	Detail																					
Number on issue:	2,805,000																					
Exercise price:	100,000 at \$0.075 and 2,705,000 at \$0.05. The ASX issued an in-principle waiver on 12 September 2019 to allow the Options (Incentive B) to have an exercise price of less than \$0.20. Refer to Section 12.15 for further information.																					
Exercise period:	Commence: From the issue date End: <table border="1" data-bbox="483 1261 1453 1547"> <thead> <tr> <th>Options (Incentive B)</th> <th>Expiry Date</th> <th>Exercise price</th> </tr> </thead> <tbody> <tr> <td>1,990,000</td> <td>28 October 2021</td> <td>\$0.05</td> </tr> <tr> <td>600,000</td> <td>16 August 2022</td> <td>\$0.05</td> </tr> <tr> <td>30,000</td> <td>30 June 2021</td> <td>\$0.05</td> </tr> <tr> <td>85,000</td> <td>30 September 2021</td> <td>\$0.05</td> </tr> <tr> <td>100,000</td> <td>30 June 2022</td> <td>\$0.075</td> </tr> <tr> <td>TOTAL 2,805,000</td> <td></td> <td></td> </tr> </tbody> </table>	Options (Incentive B)	Expiry Date	Exercise price	1,990,000	28 October 2021	\$0.05	600,000	16 August 2022	\$0.05	30,000	30 June 2021	\$0.05	85,000	30 September 2021	\$0.05	100,000	30 June 2022	\$0.075	TOTAL 2,805,000		
Options (Incentive B)	Expiry Date	Exercise price																				
1,990,000	28 October 2021	\$0.05																				
600,000	16 August 2022	\$0.05																				
30,000	30 June 2021	\$0.05																				
85,000	30 September 2021	\$0.05																				
100,000	30 June 2022	\$0.075																				
TOTAL 2,805,000																						
Exercise:	Each Option (Incentive B) is exercisable at any time on or before the Expiry Date by delivering a notice to exercise the Options (Incentive B) to Terragen together with payment for the Shares.																					
Lapse:	An Option (Incentive B) not exercised by the Expiry Date shall automatically lapse.																					
Ranking of shares:	The Share issued upon exercise of an Option (Incentive B) will rank equally in all respects with Terragen's then existing Shares. If Terragen is admitted to the Official List of ASX, Terragen will apply to ASX for the Share issued upon exercise of the Option (Incentive B) to be admitted to Quotation.																					
Transfer:	The holder of an Option (Incentive B) may only transfer an Option (Incentive B) and the Shares resulting from the exercise of an Option (Incentive B) to a person in circumstances where such sale does not require Terragen to issue any form of disclosure document under Part 6D.2 of the Corporations Act or in any other jurisdiction.																					

12. Additional information continued

Item	Detail
Rights offers:	<p>There are no participating rights or entitlements inherent in the Option (Incentive B) to participate in any new issues of securities which may be made or offered by Terragen to its shareholders from time to time prior to the Expiry Date unless and until the Option (Incentive B) is exercised.</p> <p>If Terragen is admitted to the Official List of ASX, Terragen will ensure that during the exercise period of the Option (Incentive B) Terragen will notify holders of the record date for the purposes of determining entitlements to any such issue in accordance with the applicable timetable set out in the ASX Listing Rules.</p>
Reconstruction:	If Terragen is admitted to the Official List of ASX, in the event of a reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of Terragen, all rights of the Option (Incentive B) holder shall be reconstructed in accordance with the ASX Listing Rules.
Bonus issue:	There will be no change to the exercise price of an Option (Incentive B) or the number of Shares over which an Option (Incentive B) is exercisable in the event of Terragen making a pro-rata issue of Shares or other securities to holders of ordinary shares in Terragen (other than a bonus issue). If during the currency of the Option (Incentive B), there is a bonus issue of Shares to the holders of Shares in Terragen, the number of Shares for which an Option (Incentive B) is exercisable will be increased by the number of Shares which the holder would have received if the Option (Incentive B) had been exercised before the record date of the bonus issue.
No quotation of Options (Incentive B):	Terragen will not apply for Quotation of the Options (Incentive B) on ASX and accordingly each Option (Incentive B) will be unlisted.

No Options (Incentive B) are held by any Directors or Proposed Directors.

12.8 Employee Incentive Plan

On 17 July 2019, Terragen adopted an Employee Incentive Plan to assist in the motivation, reward and retention of its Directors, executive staff and other selected employees.

The key terms of the Employee Incentive Plan are detailed below. These terms govern the Options (Incentive A). As at the Prospectus Date, no incentives other than the Options (Incentive A), have been issued under the Employee Incentive Plan.

Terms	Description
Purpose:	The purpose of the Employee Incentive Plan is to provide competitive, performance-based remuneration to assist in the motivation, reward and retention of those eligible to receive it.
Eligibility:	<p>Incentives under the Employee Incentive Plan may be offered to an Eligible Employee which means:</p> <ul style="list-style-type: none"> • 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. <p>In selecting Eligible Employees to apply for, or otherwise receive, Incentives, the Board will have regard to:</p> <ul style="list-style-type: none"> • 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.
Form of equity:	<p>The following incentives (Incentives) may be issued under the Employee Incentive Plan:</p> <ul style="list-style-type: none"> • a performance right; • an option; and • a Share.

Terms	Description
Terms of award:	<p>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.</p> <p>The Board must give to each Eligible Employee who is invited to apply for Incentives under the Employee Incentive Plan an application form together with an offer letter setting out the following information in relation to the Incentives:</p> <ul style="list-style-type: none"> • whether the Incentives are performance rights, options or Shares; • the number of Incentives for which the Eligible Employee may apply; • the consideration (if any) for the grant of the Incentives; • if the Incentives are options or performance rights: <ul style="list-style-type: none"> – the exercise price of the options and performance rights (if any) or the method of determining such exercise price; – the latest time at which the options and performance rights may be exercised; – any applicable vesting conditions (including, without limitation, the period or periods during which the options and performance rights or any of them may be exercised and any applicable Performance Hurdles); • the conditions of any holding lock which apply to the Incentives; • any other terms and conditions relating to the invitation or the Incentives, which in the opinion of the Board, are fair and reasonable and not inconsistent with these Rules; • the time within which the invitation may be accepted by the Eligible Employee (Acceptance Period); • in respect of the initial application made by an Eligible Employee, a summary of, or a copy of, these Rules; and • any other information or documents that the Applicable Law require the Company to give to the Eligible Employee.
Vesting and Exercise:	<p>The vesting of options and performance rights and the exercise of any options or performance rights granted under the Employee Incentive Plan may only be effected in such form and manner as the Board prescribes.</p> <p>An option or performance rights granted under the Employee Incentive Plan may only be exercised if, at the time of exercise:</p> <ul style="list-style-type: none"> • the option or performance rights has vested; • the option or performance rights has not been forfeited or lapsed; and • the exercise price (for option or performance right (as adjusted if applicable)) has been paid. <p>The exercise of some options or performance rights only does not affect the holder's right to exercise other options or performance rights at a later time.</p> <p>Following exercise of an option or performance rights, the Company must, within such time as the Board determines, issue to the person exercising the option or performance rights, that number of Shares in respect of which the option or performance rights has been exercised, credited as fully paid.</p>

12. Additional information continued

Terms	Description
Lapse or forfeiture:	<p>End of exercise period</p> <p>Subject to the following, an option or performance rights automatically lapses as at the moment immediately after:</p> <ul style="list-style-type: none"> • (if that option or performance rights is not a vested option or performance rights) the latest time at which that option or performance rights may become a Vested option or performance rights, as specified by the Board in the offer letter; or • (if that option or performance rights is a vested option or performance rights) the latest time at which that option or performance rights may be exercised, as specified by the Board in the offer letter. <p>Good leaver</p> <p>If a holder of options or performance rights is a good leaver, then:</p> <ul style="list-style-type: none"> • all options or performance rights held by the holder that are Vested options or performance rights at the date of cessation of employment or office or contractual relations may be exercised by the holder during the 30 day period (or such longer period as is specified in the applicable documentation) following the date of cessation of employment or office or contract (notwithstanding that the exercise period specified in the offer letter may end during the 30 day period), after which those options or performance rights will automatically lapse; • all other options or performance rights held by the holder will be automatically forfeited and automatically lapse on the date of cessation of employment or office or contract; and • all offer letter which have not been accepted by the holder are automatically revoked on the date of cessation of employment or office, <p>unless the Board determines otherwise.</p> <p>Bad leaver</p> <p>If a holder of options or performance rights is a bad leaver, then on the date of cessation of employment or office or contract:</p> <ul style="list-style-type: none"> • all options and performance rights held by the holder will be automatically forfeited and automatically lapse; • the holder automatically forfeits all of his/her rights, title and interest in all options, performance rights and entitlements; and • all offer letters which have not been accepted by the holder are automatically revoked.
Alteration of capital and reconstructions	<p>Subject to all applicable laws and the ASX Listing Rules, if the Company makes any new issue of securities or alterations to its capital by way of a rights issue, bonus issue or other distribution of capital, reduction of capital or reconstruction of capital then the Board may make adjustments to the rights attaching to those options or performance rights (including, without limitation, to the number of Shares which may be acquired on exercise of the options or performance rights and the exercise price of an option or performance right) on any basis it deems fit in its discretion.</p>
New issue	<p>Subject to all applicable laws and the ASX Listing Rules, unless the Board determines otherwise, a holder is only entitled to participate (in respect of options or performance rights granted under the Employee Incentive Plan) in a new issue of Shares to existing shareholders of the Company if the holder has validly exercised its options or performance rights and become a Shareholder prior to the relevant record date, and is then only entitled to participate in relation to Shares of which the holder is the registered holder.</p>
Shares	<p>All Shares (including incentive Shares and Shares issued on exercise of options or performance rights) issued under the Employee Incentive Plan will rank equally in all respects with all existing Shares from the date of allotment.</p>

As detailed above, Directors are entitled to participate in the Employee Incentive Plan. For detail on the Options (Incentive A) held by Directors, refer to Section 6.6. Following the Listing Date, any issue of Options to a Director under an incentive plan will require prior shareholder approval under ASX Listing Rule 10.14.

12.9 Implications on control

Section 606 of the Corporations Act prohibits the acquisition of a relevant interest in voting shares if, because of that acquisition, a person's voting power in the company:

- (a) increases from under 20% to over 20%; or
- (b) increases from a starting point that is over 20% and below 90%.

Subject to the below, no New Shares will be issued to an Applicant if the issue would contravene the takeover prohibition in Section 606 of the Corporations Act.

There are a number of exceptions to the prohibition in section 606 of the Corporations Act, including acquisitions that result from an issue, under a prospectus, of shares in a company if the issue is to a person as underwriter to the issue or sub-underwriter and the document disclosed the effect that the acquisition would have on the person's voting power in the company (section 611, item 13 of the Corporations Act).

Under the Underwriting Agreement, the Underwriters are obliged to subscribe (50% each) for all of the shortfall shares (maximum of 80,000,000 New Shares). The relevant interest of the Underwriters will vary depending on the take-up of investors and the placing of shortfall shares. Below is a table detailing various scenarios.

	100% take-up by Applicants under this Prospectus	50% take-up by Applicants under this Prospectus	0% take-up by Applicants under this Prospectus
Relevant interest of Bell Potter Securities Limited	0%	10.71%	21.42%
Relevant interest of Evans Dixon Corporate Advisory Pty Limited	0%	10.71%	21.42%

The Underwriters have confirmed that on the facts and circumstances presently known to them, they are supportive of the current direction and objectives of the Company and they do not currently intend to make any changes to the Company's direction and objectives.


12.10 Litigation

As at the Prospectus Date, neither the Company nor Terragen Biotech are involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company or Terragen Biotech.

12. Additional information continued

12.11 Trademarks

As at the Prospectus Date, the Terragen Group has a number of trademarks and trademark applications in a number of jurisdictions as detailed below:

Mark	Registration number	Status	Class	Country name	Date filed	Renewal due
	1441341	Registered	1	Australia	08 August 2011	08 August 2021
	1221329	Registered	1	International Registration designating: <ul style="list-style-type: none"> • Colombia • European Union • Mexico • New Zealand • United States of America 	18 July 2014	18 July 2024
GREAT LAND	2029309	Pending	1	Australia	9 August 2019	
MYLO®	1813255	Registered	5	Australia	12 December 2016	12 December 2026
	1,841,788	Allowed	5	Canada	09 June 2017	09 June 2020
	1359529	Registered	5	International Registration designating: <ul style="list-style-type: none"> • China • European Union • Mexico • New Zealand • United Kingdom • Vietnam 	09 June 2017	09 June 2027

12.12 Escrow

Terragen has a number of Shares in which the holders will be restricted from dealing in. These restrictions are either imposed by the ASX or have been agreed to voluntarily.

In respect to ASX imposed restrictions, the ASX Listing Rules require that certain persons such as seed capitalists and related parties enter into restriction agreements under which they are restricted from dealing in a specified number of Shares or Options in Terragen held by them, including all of their Shares, for up to 24 months from the date of Quotation of those Shares.

The restriction agreements or restriction notice will be in the form required by the ASX Listing Rules over a number of Shares and a period determined by the ASX and will restrict the ability of those persons to dispose of, create any security interest in or transfer effective ownership or control of the Shares or Options. In respect to voluntary restrictions, a number of entities have also agreed to voluntary restrictions for a specific period of time.

The table below sets out the periods during which the Existing Shareholders will be restricted from dealing in their Shares pursuant to ASX restrictions and voluntary restrictions. The percentages are provided assuming the Offer is completed.

Restricted shareholders

	Escrow Period							
	ASX restriction				Voluntary restriction			
	24 months commencing from date of Quotation	%	12 months commencing from date of issue	%	24 months commencing from date of execution of the voluntary escrow agreement	%	12 months commencing from date of execution of the voluntary escrow agreement	%
Escrowed Shares	7,936,856	4.25%	1,812,000	0.98%	8,547,046	4.57%	21,779,292	11.66%

Restricted option holders

Number of Escrowed Securities	Escrow Period			
	ASX restriction		Voluntary restriction	
	24 months commencing from date of Quotation	12 months commencing from date of issue	24 months	12 months
Escrowed Options (Investment)	1,980,000	10,134,043	Nil	Nil
Escrowed Options (Incentive A)	2,000,000	Nil	Nil	Nil
Escrowed Options (Incentive B)	Nil	Nil	Nil	Nil
TOTAL	3,980,000	10,134,043	N/A	N/A

If a restricted Optionholder exercises their Options while they are subject to mandatory ASX-imposed escrow, they will enter into a restriction agreement in relation to Shares issued on exercise of those Options for the remainder of the Escrow Period.

Subject to the ASX Listing Rules and, in the case of mandatory ASX-imposed escrow, ASX's consent, the escrow arrangements do not preclude a holder of Escrowed Securities from transferring their securities in certain circumstances, including pursuant to a transaction which results in an individual or entity acquiring more than 50% of the total fair market value of voting power of Terragen's Shares, provided that the holders of at least 50% of Terragen's Shares that are not subject to escrow arrangements have accepted the Offer.

Moreover, key management personnel, officers or Directors of Terragen, and certain others, and their family and associates will be restricted from dealing in Shares in accordance with Terragen's Trading Policy.

12. Additional information continued

12.13 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Securities), the Directors, the persons named in the Prospectus with their consent as Proposed Directors, any Underwriters, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (b) to the maximum extent permitted by law, each of the parties named in this Section:
- (i) states that it has not authorised or caused the issue of this Prospectus;
 - (ii) is not taken to have made, or purported to have made, any representation or warranty in relation to Terragen or Terragen Biotech either express or implied or any statement in this Prospectus or on which a statement made in the Prospectus is based other than as specified in this Section; and
 - (iii) expressly disclaims and takes no responsibility for any part of this Prospectus other than as referred to in this Prospectus as having been made by such party.

Capacity in relation to Terragen	Consenting party
Proposed Directors	Ingrid Van Dijken and John Ryals
Joint Lead Managers and Underwriters to the Offer	Bell Potter Securities Limited and Evans Dixon Corporate Advisory Pty Limited
Australian Legal Advisor for the Offer	Thomson Geer
Investigating Accountant and inclusion of its Investigating Accountant's Report in Section 8	Deloitte Corporate Finance Pty Limited
Auditor	Deloitte Touch Tohmatsu
Provider of financial and tax due diligence and inclusion of its taxation summary in Section 11	Deloitte Corporate Finance Pty Limited
Share Registry	Link Market Services Limited
Patent Attorney that prepared the Intellectual Property Report in Section 10	Davies Collison Cave
New Zealand Legal Advisor for limited aspects of the legal due diligence on the Company's New Zealand operations and on registration of the Offer in New Zealand.	Lowndes Ltd
Author of the independent reports referenced in Section 2.8.1:	Ag Logic Pty Ltd
<ul style="list-style-type: none"> • Ag Logic (2016) Assessments of the Impact of Great Land Applied at the Time of Sowing, on Flood Irrigated Maize. • Ag Logic (2016) Lucerne Seedling Vigour – Pot Trial. 	
Author of the independent report referenced in Section 2.8.1:	Farmacist Pty Ltd
March 2015, Farmacist, Great Land Product Trials – Pot Trial Report.	
Author of the independent report referenced in Section 2.8.1:	Weedensol (a member of Argo Industries Pty Ltd)
Weedensol (2016) Eucalyptus Trial Report – Great Land on Plantation Forestry	

Capacity in relation to Terragen	Consenting party
Author of the independent report referenced in Section 2.8.1:	Dr John Alawneh and the University of Queensland Good Clinical Practice Research Centre
<ul style="list-style-type: none"> • Good Clinical Practice Research Centre, University of Queensland (31 July 2017) "The effect of Terragen Great Land probiotic product on the milk quality of dairy cows". • Good Clinical Practice Research Centre, University of Queensland (2019) Effect of probiotic supplementation on calves live weight. 	

12.14 Expenses of the Offer

The total expenses of the Offer (excluding GST) are estimated to be approximately \$1,500,000 and are expected to be applied towards the items set out in the table below:

Item of Expenditure	(\$)
ASIC fees	5,000
ASX fees	105,000
Broker Commissions ¹	1,000,000
Legal Fees	209,000
Patent Attorney's Fees	15,000
Investigating Accountant's Fees	75,000
Printing and Distribution	15,750
Miscellaneous ²	75,250
TOTAL	1,500,000

Notes:

1. Broker commissions will only be paid on applications made through a licensed securities dealers or Australian financial services licensee and accepted by the Company (refer to Section 7.9 of this Prospectus for further information). The amount calculated is based on 100% of applications being made in this manner. For those applications made directly to and accepted by the Company no broker commissions will be payable and the expenses of the Offer will be reduced and the additional funds will be put towards working capital.
2. This includes Share Registry costs, marketing and roadshow costs.

12.15 Regulatory relief

The Company has sought various in-principle advice, waivers and relief in respect of its application for Listing as follows:

- (a) On 12 September 2019, the Company received an in-principle waiver from the ASX from ASX Listing Rule 1.1 Condition 12 to the extent necessary for the Company to have on issue the Options (Incentive A) and Options (Incentive B) (6,895,000 in total) with an exercise price of less than \$0.20 each on the condition that the material terms and conditions of the Options (Incentive A) and Options (Incentive B) are clearly disclosed in the Prospectus.
- (b) On 12 September 2019, the Company received an in-principle waiver from the ASX from ASX Listing Rule 9.1.4 to the extent necessary to allow the Company to issue to holders of restricted securities who fall into category 2 (unrelated seed capitalist who are not substantial (10%+) holders) and category 4 (unrelated vendors where there are more than 10 vendors, save where the vendor at the point of Listing is or will be a "substantial (10%+) holder" in the entity) of Appendix 9B of the ASX Listing Rule a restriction notice (in the ASX required form) instead of requiring the holders to enter into a restriction deed pursuant to Appendix 9A of the ASX Listing Rule. This in-principle waiver was provided on the condition that the Company's constitution contains the provisions required by ASX Listing Rule 15.12 (as proposed to be amended and in effect by 2 December 2019). This was confirmed by the ASX.
- (c) On 12 September 2019, the Company received an in-principle waiver from the ASX from ASX Listing Rule 15.12 to permit the Company's constitution to not include all of the provisions on the condition that the Company's constitution includes all of the provisions in ASX Listing Rule 15.12 in annexure A to ASX's Public Consultation Simplifying, clarifying, and enhancing the integrity and efficiency of the ASX Listing Rule dated 28 November 2018.

12. Additional information continued

- (d) On 9 October 2019, the Company received relief from ASIC to:
- (i) modify or vary Section 609 of the Corporation Act so that the Company is held not to have a relevant interest in its own securities merely because the Company has entered into one or more voluntary escrow agreements or deeds with each holder of those securities being escrowed to apply restrictions on the disposal of the securities in connection with the proposed admission of the Company's securities to the Official List of the ASX; and
 - (ii) modify Sections 9 and 671B of the Act to make it clear that the modification to Section 609 of the Corporation Act referred to above does not extend to the substantial holding requirements in Section 671B of the Corporation Act.

12.16 Continuous disclosure obligations

Following admission of the Company to the Official List, the Company will be a 'disclosing entity' (as defined in Section 111AC of the Corporations Act) and, as such, will be subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company will be required to continuously disclose to the market any information it has which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

Price sensitive information will be publicly released through the ASX before it is disclosed to shareholders and market participants. Distribution of other information to shareholders and market participants will also be managed through disclosure to the ASX. In addition, the Company will post this information on its website after the ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.

12.17 Electronic prospectus

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of this Prospectus, or both. Alternatively, you may obtain a copy of this Prospectus from the website of the Company at <http://www.terragen.com.au/Corporate/ProspectusandApplicationForm-442/>.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

12.18 Privacy statement

If you complete an Application Form, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your securities in the context of takeovers, regulatory bodies including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Share Registry.

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the Share Registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

12.19 Governing law

This Prospectus and the contracts that arise from the acceptance of Applications under the Offer are governed by the law applicable in Queensland, Australia and each Applicant submits to the non-exclusive jurisdiction of the courts of Queensland, Australia.

12.20 Supplementary information

A supplementary prospectus will be issued if Terragen becomes aware of any of the following between the issue of this Prospectus and the date the Shares are quoted which is materially adverse from the point of view of an investor:

- (a) a material statement in this Prospectus is misleading or deceptive;
- (b) there is a material omission from this Prospectus;
- (c) there has been a significant change affecting a matter included in this Prospectus; or
- (d) a significant new circumstance has arisen and it would have been required to be included in this Prospectus.

12.21 Documents available for inspection

Copies of the following documents are available for inspection during normal office hours free of charge at the registered office of Terragen for a period of not less than 12 months from the date of this Prospectus:

- (a) each Director's consent for the lodgement of this Prospectus;
- (b) the Constitution; and
- (c) the consents referred to in Section 12.13 of this Prospectus.

13.

Directors' authorisation



Anushka Groom of the Terragen Biotech Manufacturing Group at Terragen's Good Manufacturing Practices (GMP) facility in Coolum on the Sunshine Coast.

13. Directors' authorisation

The Directors state that they have made all reasonable enquires and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive and that in respect of any other statements made in the Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that the persons making the statement or statements were competent to make such statements, those persons have given their consent to the statements being included in the Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with ASIC, or to the Directors' knowledge, before any issue of New Shares pursuant to this Prospectus.

Each Director and Proposed Director has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

This Prospectus is authorised by each of the Directors of Terragen, pursuant to a resolution of the Board.

Signed for and on behalf of:

Terragen Holdings Limited



Justus Homburg
Managing Director

For and on behalf of
Terragen Holdings Limited

14.

Glossary



14. Glossary

Where the following terms are used in this Prospectus they have the following meanings:

\$	means an Australian dollar.
2019 Capital Raise	means the fundraising undertaken by the Company during June 2019 under which: (a) 8,300,000 Shares were issued at a price of \$0.25 per Share; and (b) 12,114,043 Options (Investment) were issued for the June 2019 and October 2018 Share issues.
Agent	means the agent detailed in the Retail Agency Agreements.
APVMA	means the Australian Pesticides and Veterinary Medicines Authority.
Applicants	means a persons who submits an Application Form under the Offer.
Application	means an application made under the Offer under an Application Form.
ASX Application	means the application to the ASX to be made within seven days of the Prospectus Date, for admission to the Official List and quotation of the New Shares on ASX.
Application Form	means the application form attached to or accompanying this Prospectus relating to the Offer consisting of any of the Chairman's List Offer Application Form, Broker Firm Offer Application Form and Institutional Offer Application Form.
Application Money	means application money paid to acquire New Shares.
ASIC	means Australian Securities and Investments Commission.
ASX	means ASX Limited (ABN 98 008 624 691) or the financial market operated by it as the context requires.
ASX Listing Rules	means the official listing rules of ASX.
ATO	means the Australian Taxation Office.
Broker	means an ASX participating organisation selected by the Company to act as a broker to the Offer.
Broker Firm Applicants	means Applicants under the Broker Firm Offer.
Broker Firm Offer	means the offer of Shares under this Prospectus to Brokers, or, following lodgement of this Prospectus, to Australian or New Zealand resident investors who are professional or sophisticated investors or retail investors and who have received a firm allocation from their Broker described in Section 7.10.
Broker Firm Offer Application Form	the Application Form in respect of the Broker Firm Offer in the form attached to this Prospectus.
Board	means the board of Directors as constituted from time to time.
Chairman's List Offer	means the online offer described in Section 7.12.
Chairman's List Offer Application Form	means the Application Form in respect of the Chairman's List Offer.
Closing Date	means the closing date of the Offer as set out in the indicative timetable in the Key Offer Information at page 3 of this Prospectus (subject to the Company reserving the right to extend the Closing Date or close the Offer early).

14. Glossary continued

Company or Terragen	means Terragen Holdings Limited ACN 073 892 636.
Constitution	means the constitution of the Company.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
Directors	means the directors of the Company at the Prospectus Date.
Employee Incentive Plan	means the ASX Listing Rule-compliant incentive plan for employees of the Company adopted by the Board on 17 July 2019. Refer to Section 12.8 for detail.
Escrowed Securities	means the Shares of the Escrowed Shareholders that are subject to the escrow arrangements detailed in Section 12.12.
Escrowed Shareholders	means the Shareholders who are subject to the escrow arrangements detailed in Section 12.12.
Existing Shares	means Shares held by Existing Shareholders at the Prospectus Date.
Existing Shareholders	means the owners of Shares as at the Prospectus Date.
Exposure Period	means the period of 7 days after the date of lodgement of this Prospectus, which period may be extended by ASIC by not more than 7 days pursuant to Section 727(3) of the Corporations Act.
FIAAA	means Feed Ingredients and Additives Association of Australia.
GMP	means Good Manufacturing Practice.
Great Land	means the Terragen Product called 'Great Land'. Refer to Section 2.4 for detail.
Group Company	means each of Terragen and Terragen Biotech.
Halo	means the Terragen Product called 'Halo'. Refer to Section 2.4 for detail.
Holding Statements	means the holding statements to be issued to Successful Applicants as set out in the indicative timetable in the Key Offer Information at page 3 of this Prospectus (subject to the Company reserving the right to vary the Opening Date).
Intellectual Property Report	means the report on intellectual property contained in Section 10.
Institutional Investors	means an Applicant to whom offers or invitations in respect of securities can be made without the need for a lodged prospectus (or other formality, other than a formality which the Company is willing to comply with), including in Australia persons to whom offers or invitations can be made without the need for a lodged prospectus under Section 708 of the Corporations Act (disregarding Section 708AA).
Institutional Offer Applicants	means Applicants under the Institutional Offer.
Institutional Offer	means the invitation to bid for Shares made to Institutional Investors under this Prospectus to acquire New Shares as described in Section 7.11(c).
Institutional Offer Application Form	means the Application Form in respect of the Institutional Offer separately provided by the Joint Lead Managers to Institutional Investors.

Investigating Accountant	means Deloitte Corporate Finance Pty Limited ACN 003 833 127.
Investigating Accountant's Report	means the investigating accountant's report contained in Section 8.
Joint Lead Managers	means Bell Potter Securities Limited ACN 006 390 772 and Evans Dixon Corporate Advisory Pty Limited ACN 137 980 520.
Key Offer Information	means the information at page 3 of this Prospectus.
Lactolin	means the Terragen Product called 'Lactolin'. Refer to Section 2.4 for detail.
Listing	means the admission of the Company to the Official List, quotation of the Shares on the ASX and commencement of unconditional trading of the Shares on the ASX.
Listing Date	means the date of Listing.
Mylo®	means the Terragen Product called 'Mylo®'. Refer to Section 2.4 for detail.
New Shares	means Shares issued pursuant to the Offer.
Offer	means the offer of 80,000,000 New Shares under this Prospectus to raise \$20 million, comprising the Broker Firm Offer, the Institutional Offer and the Chairman's List Offer.
Offer Information Line	means the Terragen Offer Information Line on 1800 653 805 (within Australia) +61 1800 653 805 (from outside Australia).
Offer Price	means the price per New Share (being \$0.25 per New Share).
Official List	means the official list of ASX.
Opening Date	means the opening date of the Offer as set out in the indicative timetable in the Key Offer Information at page 3 of this Prospectus (subject to the Company reserving the right to vary the Opening Date).
Option	means an option to acquire a Share and includes an Option (Incentive A), Option (Incentive B) or an Option (Investment).
Option (Incentive A)	means the options issued on the terms detailed in Section 12.6.
Option (Incentive B)	means the options issued on the terms detailed in Section 12.7.
Option (Investment)	means the options issued on the terms detailed in Section 12.5.
Option (Investment) Subscription Deed	means the document with that name between the Company and each Option (Investment) holder entered into on or about June 2019 to July 2019 as part of the 2019 Capital Raise, which details the rights attaching to the Options (Investment).
Optionholder	means a holder of an Option.
Proposed Directors	means each of John Ryals and Ingrid van Dijken.
Prospectus	means this document (including the electronic form of this Prospectus) and any supplementary or replacement prospectus in relation to this document.

14. Glossary continued

Prospectus Date	means the date of this Prospectus detailed under 'Important Information' on the inside cover of this Prospectus.
Quotation	means official quotation by ASX in accordance with the ASX Listing Rules;
Retail Agency Agreement	means each agreement entered into with retail distributors as detailed in Section 9.2.
Section	means a section of this Prospectus.
Share	means a fully paid ordinary share in the capital of the Company.
Share Registry	means Link Market Services Limited.
Shareholder	means a holder of Shares.
Subscription Amount	means the amount of the Offer, namely 80,000,000 New Shares under this Prospectus to raise \$20 million.
Substantial Shareholder	means a Shareholder with a 'substantial holding' in the Company as defined in the Corporations Act.
Successful Applicants	means Applicants who are issued New Shares under the Offer.
Subsidiaries	has the meaning given in the Corporations Act.
Terragen or Company	means Terragen Holdings Limited ACN 073 892 636.
Terragen Biotech	means Terragen Biotech Pty Ltd ACN 140 928 972.
Terragen Group	means Terragen and Terragen Biotech.
Terragen Products	means each of Great Land, Mylo [®] , Lactolin and Halo.
Underwriters	means Bell Potter Securities Limited ACN 006 390 772 and Evans Dixon Corporate Advisory Pty Limited ACN 137 980 520.
Underwriting Agreement	means the agreement between the Company and the Underwriters in respect of the Offer, a summary of which is included in Section 9.1.
Underwriting Fee	means the fees payable to the Underwriters under the Underwriting Agreement detailed in Section 9.1.
U.S. Person	has the meaning given to that term in Rule 902(k) under the US Securities Act.
US Securities Act	means the US Securities Act of 1933 (as amended).



Grid for Broker Code

Grid for Adviser Code

Broker Firm Offer Application Form

This is an Application Form for Shares in Terragen Holdings Limited under the Broker Firm Offer on the terms set out in the Prospectus dated 18 October 2019. You may apply for a minimum of 8,000 Shares and multiples of 2,000 thereafter. This Application Form and your cheque or bank draft must be received by your Broker by the deadline set out in their offer to you.

If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information relevant to a decision to invest in Shares and you should read the entire Prospectus carefully before applying for Shares.

A Shares applied for at **A\$0.25** **B A\$** Application Monies

(minimum 8,000, thereafter in multiples of 2,000)

PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names)

C Applicant #1
Surname/Company Name

Title First Name Middle Name

Joint Applicant #2
Surname

Title First Name Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

D TFN/ABN/Exemption Code
First Applicant Joint Applicant #2 Joint Applicant #3

TFN/ABN type – if NOT an individual, please mark the appropriate box Company Partnership Trust Super Fund

PLEASE COMPLETE ADDRESS DETAILS

PO Box/RMB/Locked Bag/Care of (c/-)/Property name/Building name (if applicable)

E Unit Number/Level Street Number Street Name

Suburb/City or Town State Postcode

Email address (only for purpose of electronic communication of shareholder information)

CHESS HIN

F

If you have a Broker Sponsored account and would like your securities to be allocated to this account, it is important that you enter your HIN at this step. Failure to do so will result in your securities being allocated to a new Issuer Sponsored account. You will not be able to change this until after the stock exchange listing takes place and you will need to request your broker to do this for you.

G Telephone Number where you can be contacted during Business Hours Contact Name (PRINT)

Cheques or bank drafts should be drawn up according to the instructions given by your Broker.

H Cheque or Bank Draft Number BSB - Account Number

Total Amount **A\$**

LODGEMENT INSTRUCTIONS

You must return your application so it is received by your Broker by the deadline set out in their offer to you.

Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Shares to which this Application Form relates are Terragen Holdings Limited Shares. Further details about the Shares are contained in the Prospectus dated 18 October 2019 issued by Terragen Holdings Limited. The Prospectus will expire 13 months after the date of this Prospectus. While the Prospectus is current, Terragen Holdings Limited will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investments Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares.

- A** Insert the number of Shares you wish to apply for. The Application must be for a minimum of 8,000 Shares and thereafter in multiples of 2,000. You may be issued all of the Shares applied for or a lesser number.
- B** Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.
- C** Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- D** Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, Terragen Holdings Limited will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.
- E** Please enter your postal address for all correspondence. All communications to you from Terragen Holdings Limited and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** If you are already a CHES participant or sponsored by a CHES participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHES for this HIN is different to the details given on this form, your Shares will be issued to Terragen Holdings Limited's issuer sponsored subregister.
- G** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- H** Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B.
- If you receive a firm allocation of Shares from your Broker make your cheque payable to your Broker in accordance with their instructions.

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

15. Corporate directory

Directors

Justus Homburg
Managing Director and Chief Executive Officer

Paul Schober
Independent Non-Executive Director

Sam Brougham
Non-Executive director

Greg Robinson
Independent Non-Executive Director

Proposed Directors

Dr John Ryals
Proposed Independent Non-Executive Director

Ingrid van Dijken
Proposed Independent Non-Executive Director

Registered Office

Terragen Holdings Limited

Unit 6, 41 Access Crescent
Coolum Beach QLD 4573

Telephone: + 61 7 5446 1615
Email: info@terragen.com.au
Website: <http://www.terragen.com.au/>

Company Secretary

Stephen Kelly
Wayn Jeffs (assistant Company Secretary)

Proposed ASX Code

TGH

Share Registry

Link Market Services Limited

Level 12, 680 George Street
Sydney NSW 2000

Solicitor for the Offer (Australia)

Thomson Geer

Level 28, 1 Eagle Street
Brisbane QLD 4000

Solicitor for the Offer (New Zealand)

Lowndes Ltd

Level 5, Lowndes House, 18 Shortland Street,
Auckland 1010, New Zealand

Patent attorneys for the Intellectual Property Report

Davies Collison Cave

255 Elizabeth Street
Sydney NSW 2000

Investigating Accountant

Deloitte Corporate Finance Pty Limited

550 Bourke Street
Melbourne VIC 3001

Joint Lead Managers and Underwriters

Bell Potter Securities Limited

AFSL 243480
Level 29, 101 Collins Street
Melbourne VIC 3000

Evans Dixon Corporate Advisory Pty Limited

AFSL 338885
Level 27, 1 O'Connell Street
Sydney NSW 2000

Auditor

Deloitte Touch Tohmatsu

550 Bourke Street
Melbourne VIC 3001

