Terragen

ASX Announcement

For immediate release

28 February 2020

Appendix 4D and Half-Year Financial Statements

Coolum Beach, QLD, 28 February 2020 – Australian agtech company Terragen Holdings Ltd ("Terragen"), is pleased to release its financial statements and Appendix 4D for the half-year ended 31 December 2019. The financial statements report an 81 per cent increase in sales revenues during the six-month period to 31 December 2019, compared to the same period the previous year.

Justus Homburg, Terragen Managing Director, said: "We are very pleased with this upward trend in sales and continue to focus on driving our sales and marketing capabilities to bring our value-creating technologies to farmers to help the agricultural industry prosper and reward our shareholders."

The Company plans to hold an Investor Call on Monday 9 March 2020. Justus Homburg, the Company's Managing Director, and Stephen Kelly, the Company's Chief Financial Officer, will discuss the results for the half-year and provide an update on the Company's planned activities for calendar 2020.

ENDS

About Terragen Holdings Ltd

Terragen develops and markets a portfolio of biological technologies that use live microbes to address soil health and help boost the growth, quality and resilience of farm production animals. The Company aims to reduce farmers reliance on chemical-based fertilisers, pesticides and antibiotics.

Terragen believes that its biological technologies will help generate better outcomes for farmers and their crops and livestock to provide improved environmental outcomes that will be more acceptable to consumers.

Terragen Holdings Ltd
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Terragen has two products on the market in Australia and New Zealand: soil conditioner 'Great Land' and microbial feed supplement 'Mylo®'. Terragen is also developing veterinary medicines: Lactolin, a teat conditioner 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 impairments.

For further information, please contact:

Terragen Holdings Ltd	**Authorisation & Additional information:**
Justus Homburg Managing Director Terragen Holdings Ltd Chief Executive Officer, Terragen Biotech Pty Ltd + 61 7 5446 1615 media@terragen.com.au	This announcement was authorised by the Board of Directors of Terragen Holdings Ltd

TERRAGEN HOLDINGS LIMITED
APPENDIX 4D
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Terragen

1. Company details

Name of entity:	TERRAGEN HOLDINGS LIMITED
ABN:	36 073 892 636
Reporting period:	HALF-YEAR ENDED 31 DECEMBER 2019
Previous period:	HALF-YEAR ENDED 31 DECEMBER 2018

2. Results for announcement to the market

Revenues from ordinary activities	up	80.1% to	$794,453
Loss after income tax benefit for the half-year attributable to the owners of Terragen Holdings Limited	up	17.99% to	($2,360,111)

3. Review of results

Please refer to the "Review of Operations" at page 3 of the attached consolidated financial statements for the half-year ended 31 December 2019.

4. Dividends

There were no dividends paid, recommended or declared during the half-year ended 31 December 2019 or in the prior half-year ended 31 December 2018.

The Company does not currently have an active dividend reinvestment plan.

5. Net tangible assets

	31 Dec 19 Cents	31 Dec 18 Cents
Net tangible assets per ordinary security	10.23	2.30

6. Review report

The financial report for the half-year ended 31 December 2019 has bene subject to review by the Company's external auditor whose review report is at page 7 of the attached consolidated financial statements.

7. Details of associates and joint venture entities

Not applicable

8. Foreign entities

Not applicable

Terragen

9. Attachments

The financial report of Terragen Holdings Limited for the half-year ended 31 December 2019 is attached.

Signed _____ Date: 27 February 2020

Justus Homburg
Managing Director

Terragen Holdings Ltd and Controlled Entities

ABN 36 073 892 636

Interim financial report for the half-year ended 31 December 2019

Terragen

Financial report
for the half-year ended 31 December 2019

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Directors' report

The directors of Terragen Holdings Ltd submit herewith the interim financial report of the consolidated entity consisting of Terragen Holdings Ltd (referred to hereafter as the "company" or "parent entity") and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

Directors

The following persons were directors of Terragen Holdings Ltd during the whole of the half-year and up to the date of this report, unless otherwise stated:

- Paul Schober (Non-Executive Chairman)
- Sam Brougham
- Gregory Robinson
- Justus Homburg
- John Ryals (appointed 11 December 2019)
- Ingrid van Dijken (appointed 11 December 2019)

Principal activities

The consolidated entity's principal activities during the financial year were research, development and early market development of biological products in the agriculture sector.

The Company's shares commenced trading on the ASX on 11 December 2019 after the Company raised $20 million through the issue of 80 million fully paid ordinary shares. Terragen intends to use the proceeds from its IPO to accelerate growth by increasing its sales and distribution networks in Australia and New Zealand and launching commercial trials of Mylo® and Lactolin in the United States.

Review of operations

The loss of the consolidated entity for the half-year ended 31 December 2019 after providing for income tax amounted to $2,360,111 (2018: $2,000,143).

The results from operations reflect the following:

- Revenues, net of rebates, of $794,953 from the sale of the Company's Mylo® and Great Land products in Australia and New Zealand. This represents growth of 81% over sales revenue of $439,347 in the half-year ended 31 December 2018.

  Australian sales growth has been underpinned by the launch, in February 2019, of the business-to-business distribution strategy which now includes 16 national and regional agricultural retail organisations including Elders Rural Services and Murray Goulburn.

  In total, 73 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.

  Sales in Australia and New Zealand also reflect the rollout of the 'Mylo®' microbial feed supplement. The strong growth of Mylo® sales has been accompanied by positive feedback from farmers who have been trialing Mylo®, reinforcing the results of the studies that have been undertaken in conjunction with the University of Queensland. Several farmers have committed to expanding the application of Mylo® to their herds.

- Grant income of $158,143 (2018: $176,663) received under a Commonwealth of Australia CRC Funding program for a specific research project being undertaken in relation to banana crops.

- Income tax benefit of $296,060 (2018: $244,664) comprising the accrued research and development tax incentive in relation to research and development expenditure incurred by the Group during the half-year.

- Operating expenses of $3,621,841 in the half-year have increased from the prior half-year operating expenses of $2,873,837 due principally to costs associated with the Company's IPO and listing on the ASX including:

  - Initial public offering costs of $437,758 expensed through profit and loss. These costs include legal fees, printing and publishing costs and a portion of the costs of managing the initial public offer process.

  - ASX listing fees and share registry fees of $69,992 (2018: $Nil) incurred in the half-year in connections with the initial public offering and listing of the Company's shares on the ASX.

Cash flows

Significant cash flow items half-year ended 31 December 2019 include:

- Equity proceeds of $20,000,000 received pursuant to the IPO that was completed on 11 December 2019

- IPO related costs totalling $1,408,643 paid during the half-year which was in line with the forecast IPO related costs of $1,500,000 in the Company's Prospectus. These costs included $437,758 in costs expensed through the profit and loss and $914,457 in costs that were deducted against the value of equity.

- In the December quarter, the Company received an Australian research and development credit in the amount of $645,321 in relation to qualifying research and development expenditure incurred in the 2019 financial year.

Capital structure

The significant changes in the Company's capital structure during the half-year were:

- In December the Company completed an initial public offering which raised $20,000,000, before transaction costs, through the issue of 80 million ordinary shares at $0.25 per share.

- In August, holders of 1 million Class B shares converted their shares into 1 million ordinary shares. No consideration was received by the Company in relation to the conversion.

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

Board and Management Changes

During the half-year the Company strengthened its Board and management to reflect its transition to an ASX Listed Company with the following appointment :

- Dr John Ryals and Ingrid van Dijken were appointed as Non-Executive Directors on 11 December 2019.

- Dr Matthew Pollard has been employed as Head of Manufacturing Operations.

- The Company has employed an additional Sales Manager to drive sales growth in the Gippsland region of Victoria and in Tasmania.

- Mr Stephen Kelly was appointed as the Company Secretary and Chief Financial Officer.

Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Signed in accordance with a resolution of directors made pursuant to s.306(3)(a) of the *Corporations Act 2001*.

On behalf of the Directors

Justus Homburg
Managing Director
Brisbane, 27 February 2020

Deloitte Touche Tohmatsu
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The Board of Directors
Terragen Holdings Ltd
Unit 6, 39 Access Crescent
Coolum Beach QLD 4573

27 February 2020

Dear Board Members,

Terragen Holdings Ltd

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

As lead audit partner for the review of the financial statements of Terragen Holdings Ltd for the half-year year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Peter Glynn
Partner
Chartered Accountants

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Independent Auditor's Review Report to the Members of Terragen Holdings Limited

We have reviewed the accompanying half-year financial report of Terragen Holdings Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2019, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Terragen Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report 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 assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Terragen Holdings Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Terragen Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

DELOITTE TOUCHE TOHMATSU

Peter Glynn
Partner
Chartered Accountants
Melbourne, 27 February 2020

Directors' declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the *Corporations Act 2001*.

On behalf of the Directors

Justus Homburg
Managing Director
Brisbane, 27 February 2020

Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2019

	Notes	Consolidated 31 Dec 19 $	Consolidated 31 Dec 18 $
Revenue	2	794,953	439,347
Other income	2	205,560	189,683
Accounting and audit expenses		(148,751)	(62,229)
Advertising and marketing expenses		(62,125)	(30,910)
ASX and share registry expenses		(69,992)	-
Computer costs		(27,867)	(26,117)
Depreciation and amortisation expense		(201,480)	(51,805)
Direct research expenses		(472,741)	(424,324)
Employee benefits expense		(1,418,066)	(1,366,560)
Finance costs		(20,910)	(11,941)
Insurance costs		(8,015)	(56,128)
Initial public offering costs		(437,758)	-
Legal costs		(36,310)	(52,546)
Motor vehicle costs		(39,338)	(80,203)
Occupancy costs		(91,526)	(83,730)
Raw materials and consumables used		(214,151)	(243,568)
Transport costs		(76,974)	(101,429)
Travel and accommodation		(82,182)	(111,608)
Other expenses		(248,498)	(170,739)
Loss before tax		**(2,656,171)**	**(2,244,807)**
Income tax benefit		296,060	244,664
Loss after income tax for the half-year		**(2,360,111)**	**(2,000,143)**
Other comprehensive losses for the half-year			
Loss on translation of foreign operations		(8)	-
Total comprehensive loss for the half-year		**(2,360,119)**	**(2,000,143)**
Loss per share			
Basic and diluted loss per share (cents per share)	11	(2.05)	(2.15)

The accompanying notes form part of these financial statements.

Condensed consolidated statement of financial position at 31 December 2019

	Notes	Consolidated	
		31 Dec 19 $	30 Jun 19 $
Current assets			
Cash and bank balances	3	19,029,363	1,837,241
Trade and other receivables		316,894	410,315
Inventories		51,719	35,836
Other current assets	4	173,496	-
Current tax asset	5	296,059	645,321
Total current assets		19,867,531	2,928,713
Non-current assets			
Right of use assets	6	483,054	-
Property, plant and equipment	7	651,406	824,955
Intangible assets		115,175	72,685
Other assets		122,256	122,256
Total non-current assets		1,371,891	1,019,896
Total assets		21,239,422	3,948,609
Current liabilities			
Trade and other payables		823,535	653,901
Borrowings	8	195,839	125,430
Employee provisions		209,329	185,212
Total current liabilities		1,228,703	964,543
Non-current liabilities			
Borrowings	8	336,953	102,345
Employee provisions		62,078	45,457
Total non-current liabilities		399,031	147,802
Total liabilities		1,626,734	1,112,345
Net assets		19,611,688	2,836,264
Equity			
Issued capital	9	41,564,258	22,222,619
Reserves	10	1,636,846	1,877,793
Accumulated losses		(23,589,416)	(21,264,148)
Total equity		19,611,688	2,836,264

The accompanying notes form part of these financial statements.

Condensed consolidated statement of changes in equity for the half-year ended 31 December 2019

Consolidated	Issued capital $	Accumulated losses $	Reserves $	Total $
2018				
Balance at 1 July 2018	19,718,579	(18,053,407)	1,129,170	2,794,342
Loss for the half-year	-	(2,000,143)	-	(2,000,143)
Other comprehensive losses	-	-	-	-
Total comprehensive losses for the half-year	-	(2,000,143)	-	(2,000,143)
Transactions with owners in their capacity as owners				
Issue of share capital	1,204,386	-		1,204,386
Capital raising costs	-	-	-	-
Fair value of share options issued	-	-	234,831	234,831
Balance at 31 December 2018	**20,922,965**	**(20,053,550)**	**1,364,001**	**2,233,416**
2019				
Balance at 1 July 2019	22,222,619	(21,264,148)	1,877,793	2,836,264
Loss after income tax benefit for the half-year	-	(2,360,111)	-	(2,360,111)
Other comprehensive losses for the half-year	-	-	(8)	(8)
Total comprehensive income for the half-year	**-**	**(2,360,111)**	**(8)**	**(2,360,119)**
Transactions with owners in their capacity as owners				
Issue of share capital	20,050,000	-	-	20,050,000
Capital raising costs	(914,457)	-	-	(914,457)
Options exercised or lapsed in relation to employee incentive arrangements	206,096	34,843	(240,939)	-
Balance at 31 December 2019	**41,564,258**	**(23,589,416)**	**1,636,846**	**19,611,688**

The accompanying notes form part of these financial statements.

Condensed consolidated statement of cash flows for the half-year ended 31 December 2019

	Notes	Consolidated	
		31 Dec 19 $	31 Dec 18 $
Cash flows from operating activities			
Receipts from customers		1,043,559	664,366
Payments to suppliers and employees		(3,379,465)	(2,961,538)
Interest and other costs of finance paid		(8,999)	(31,172)
Interest received		16,477	7,929
Research and development tax concessions received		645,322	1,213,540
Net cash used in operating activities		(1,683,106)	(1,106,875)
Cash flows from investing activities			
Payment for property, plant & equipment		(94,433)	(258,880)
Payment for intangible assets		(47,753)	-
Net cash used in investing activities		(142,186)	(258,880)
Cash flows from financing activities			
Proceeds from issue of share capital, net of costs		20,050,000	1,181,886
Capital raising costs		(914,457)	
Repayments of borrowings		(39,723)	-
Repayment of lease liabilities		(78,406)	(42,092)
Net cash provided by financing activities		19,017,414	1,139,794
Net increase / (decrease) in cash and cash equivalents		17,192,122	(225,961)
Cash and cash equivalents at the beginning of the year		1,837,241	1,677,868
Cash and cash equivalents at the end of the half-year		19,029,363	1,451,907

The accompanying notes form part of these financial statements.

1. Significant accounting policies

The financial statements are for the consolidated Group, consisting of Terragen Holdings Ltd (the Company) and its controlled subsidiaries. Terragen Holdings Ltd is a company limited by shares whose shares are publicly traded on the Australian Securities Exchange (ASX).

(i) Basis of preparation

The consolidated interim financial report for the half-year reporting period ended 31 December 2019 is a general purpose financial report prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

The principal accounting policies and methods of computation adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year, as set out in the annual financial report for the year ended 30 June 2019, except for the impact of the Standards and Interpretations described in section (ii) below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The consolidated financial statements have been prepared based on historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted. Comparatives have been reclassified where appropriate to ensure consistency and comparability with current period. The consolidated interim financial report does not include all notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Terragen Holdings Ltd during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

(ii) New accounting standards and interpretations

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

- AASB 16 Leases
- Interpretation 23 Uncertainty over Income Tax Treatments and AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatment. The adoption of this interpretation did not have a material effect on the financial statements.

<u>AASB 16 Leases</u>

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

Applying that model, a lessee is required to:

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

The Group has elected to apply the modified retrospective approach for leases. For leases, which were classified as operating leases under AASB 117, the Group has recognised right-of-use assets and lease liabilities as at the transition date (1 July2019). The Group has reclassified assets previously classified as finance leases on the adoption date which were previously classified as property, plant & equipment.

The Group has elected to apply the recognition exemption for leases of low-value assets or short-term leases.

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

1. Significant accounting policies (continued)

(ii) New accounting standards and interpretations (continued)

	1 July 2019 ($)
Increase in right of use assets	421,926
Decrease in assets from property, plant & equipment	(143,755)
Increase in lease liabilities – current	(63,071)
Increase in lease liabilities – non-current	(215,100)
Impact on retained earnings	-
Increase in depreciation and amortisation expense	(32,726)
Increase in finance costs	(4,305)
Decrease in occupancy costs (lease rentals)	32,687

The Directors do not consider that the adoption of any new Standards and Interpretations in issue but not yet effective at the date of these financial statements will have a material impact on the financial statements of the Group.

	Half-year ended 31 Dec	
2. Revenue and other income	**2019 $**	**2018 $**
Sale of goods	954,598	439,347
Rebates	(159,645)	-
	794,953	439,347
Other income		
Grant Income	158,143	176,663
Interest received	16,477	7,929
Other income	30,940	5,091
Total Other Income	205,560	189,683
Total revenue and other income	1,000,513	629,030

3. Cash and cash equivalents	**31 Dec 19 $**	**30 Jun 19 $**
Cash on hand	600	600
Cash at bank	19,028,763	1,836,641
	19,029,363	1,837,241

4. Other current assets		
Prepayments	173,496	-

Prepayments at 31 December 2019 relate principally to prepaid insurance premiums.

5. Current tax assets	**31 Dec 19** **$**	**30 Jun 19** **$**
Tax incentive on research and development	296,059	645,321

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

	$
Opening balance at 1 July 2019	645,321
Tax incentive on research and development received	(645,321)
Accrual of tax incentive for the half-year	296,059
Closing balance at 31 December 2019	296,059

	Buildings **$**	**Motor vehicles** **$**	**Research equipment** **$**	**Total** **$**
6. Right-of-use assets				
Cost				
Balance at 30 June 2019	-	-	-	-
Initial application of AASB 16	278,711	217,543	109,289	605,543
Additions	133,073	-	-	133,073
At 31 December 2019	411,784	217,543	109,289	738,616
Accumulated depreciation				
Balance at 30 June 2019	-	-	-	-
Initial application of AASB 16	-	(109,467)	(74,150)	(183,617)
Charge for the half-year	(35,557)	(19,995)	(16,393)	(71,945)
At 31 December 2019	(35,557)	(129,462)	(90,543)	(255,562)
Carrying amount at 31 December	376,227	88,081	18,746	483,054

The consolidated entity leases several assets including buildings, motor vehicles and plant and equipment used in manufacturing and research and development activities. Refer note 8 for further information on the consolidated entity's accounting policy for leases as a lessee.

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

	Half -year ended 31 Dec 2019 **$**
Depreciation expense on right of use assets	(51,950)
Interest expense on lease liabilities	(6,410)

	31 Dec 19 $	30 Jun 19 $
7. Property, plant and equipment		
Carrying amounts of:		
Leased motor vehicles	-	108,076
Plant and equipment	23,314	25,915
Office equipment	1,454	6,210
Research equipment	338,508	454,088
Leasehold improvements	288,130	230,666
Written down value	651,406	824,955

Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Leased motor vehicles $	Plant & equipment $	Office equipment $	Research equipment $	Leasehold improvements $	Total $
Cost						
Balance 1 July 2019	217,543	186,200	66,146	669,445	246,048	1,385,382
Transfer to right of use assets on initial adoption of AASB16	(217,543)	-	-	(109,289)	-	(326,832)
Additions	-	9,975	-	-	83,451	93,426
Disposals	-	-	-	-	-	-
Balance 30 June 2019	-	196,175	66,146	560,156	329,499	1,151,976
Accumulated depreciation						
Balance 1 July 2018	(109,467)	(160,285)	(59,936)	(215,357)	(15,382)	(560,427)
Transfer to right of use assets on initial adoption of AASB16	109,467	-	-	74,150	-	183,617
Depreciation	-	(12,576)	(4,756)	(80,441)	(25,987)	(123,760)
Disposals	-	-	-	-	-	-
Balance 30 June 2019	-	(172,861)	(64,692)	(221,648)	(41,369)	(500,570)
Written down value	-	23,314	1,454	338,508	288,130	651,406

8. Borrowings	31 Dec 19 $	30 Jun 19 $
CURRENT		
Insurance premium funding	-	37,495
Lease liabilities	195,839	87,935
	195,839	125,430

NON-CURRENT

Lease liabilities	336,953	102,345

8. Borrowings (continued)

Accounting policy as a lessee

Right-of-use assets

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment with the exception that they factor in lease renewals where relevant. In addition, the right-of-use assets are periodically reduced by impairment losses in accordance with AASB 136 *Impairment of Assets*, if any, and adjusted for certain remeasurements of the lease liability.

Lease liabilities

The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate as the discount rate. The discount rate is generally calculated using incremental borrowing rates for the specific lease terms and currencies. The weighted average incremental borrowing rate used to calculate the lease liabilities as of 1 July 2019 was 3.3%.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in substance fixed payments less any lease incentives receivables.
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement rate.
- Amounts expected to be payable under a residual value guarantee.
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- Payment of penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is measured at amortised cost using the effective interest method. It will be remeasured when there is a change in index rate for future lease payments, a change in the Group's estimated amount payable under a residue value guarantee or changes in the Group's assessment of probabilities of exercising a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Group did not make any such adjustment during the period presented.

<u>Short-term leases and leases of low-value assets</u>

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of office and IT equipment that have a lease term of 12 months or less or for leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

	31 Dec 19 $	30 Jun 19 $
9. Issued capital		
Ordinary shares	41,564,258	22,200,119
'B' Class shares	-	22,500
Total	41,564,258	22,222,619

Ordinary shares -issued and fully paid	2019 shares	31 Dec 19 $
Beginning of the half-year	104,508,902	22,222,619
Issue of shares	80,300,000	20,050,000
Shares issued as a result of exercise of options	1,112,000	206,096
Shares issued on conversion of "B" Class shares[1]	1,000,000	-
Capital raising costs	-	(914,457)
Balance at 30 June	186,920,902	41,564,258

[1]During the half-year the holders of "B" Class Shares converted their shares into fully paid ordinary shares. No consideration was payable on the conversion as the holders had previous paid consideration for the "B" Class Shares.

10. Reserves		
Share based payments reserve	1,123,062	1,364,001
Equity options reserve	513,792	513,792
Foreign currency translation reserve	(8)	-
Total reserves	1,636,846	1,877,793

Movements in reserves during the half-year comprised:

	$
Balance at the beginning of the half-year	1,877,793
Grant date fair value of employee options exercised transferred to share capital	(206,096)
Gant date fair value of lapsed employee options	(34,843)
Loss on translation of foreign operations	(8)
Balance at the end of the half-year	1,636,846

(a) Share based payment reserve

	31 Dec-19	
Options issued:	No.	$
Outstanding at the beginning of the half-year	8,195,000	1,364,001
Issued during the half-year	-	-
Exercised during the half- year	(1,112,000)	(206,096)

Lapsed during the half-year	(188,000)	-
Outstanding at the end of the half-year	6,895,000	1,157,905

10. Reserves (continued)

(b) Equity options reserve

	Half-year ended 31 Dec 19	
	Options	**$**
Options issued:		
Outstanding at the beginning of the year	8,100,000	513,792
Fair value of equity options issued during the year	4,214,043	-
Outstanding at the end of the half-year	12,314,043	513,792

11. Loss per share

Both the basic and diluted loss per share have been calculated using the loss for the half-year. The reconciliation of the weighted average number of shares for the purpose of diluted loss per share to the weighted average number of ordinary shares used in the calculation of basic loss per share is as follows:

	Half-year ended 31 Dec	
	2019	**2018**
	$	**$**
Loss attributable to the owners of the Company	(2,360,111)	(2,000,143)
	2019	**2018**
	No.	**No.**
Weighted average number of shares used in basic loss per share	115,112,359	92,237,096
Weighted average number of shares used in diluted loss per share (i)	115,112,359	92,237,096

There were no potential ordinary shares that are considered dilutive as they did not meet the requirements for inclusion as per AASB 133 Earnings per share since the Group generated losses for the half-year ended 31 December 2019.

12. Segment reporting

The Group operates in one segment being the research, development and early market development of biological products in the agriculture sector. No operating segments have been aggregated in arriving at the reportable segment of the Group.

13. Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.