



# Ag & Vet Weekly

Monday October 28 – Friday November 1, 2019

*All the news on ASX-listed agriculture and veterinary companies*

- \* NOV 1: ASX FLAT, AVW-44 DOWN: CANNPAL UP 14%; SHARERROOT DOWN 25%
- \* FEDERAL GOVERNMENT, ARC MEDICINAL AGRICULTURE RESEARCH HUB
- \* FEDERAL GOVERNMENT EXTENDS R&D CONSULTATION
- \* BEGA: DROUGHT, COMPETITION PROFIT WARNING
- \* COSTA: 'WEATHER IMPACTS PRODUCTION'; \$176m RIGHTS OFFER
- \* FONTERRA RESPONDS TO NZ HEALTHY WATERWAYS PLAN
- \* WIDE OPEN AGRICULTURE S.E. ASIA MEAT EXPORT LICENCE
- \* FEDERAL COURT APPROVES ELDERS AIRR ACQUISITION
- \* RIDLEY WITHDRAWS FEED TRIAL STATEMENT
- \* NATIONAL VETERINARY SETTLES NEW ZEALAND CLINIC PURCHASE
- \* CLEAN SEAS: GIBSON'S COURT MEDIATION - NOVEMBER 28
- \* ALTHEA LAUNCHES CBD100 IN AUSTRALIA
- \* CANN GLOBAL OPENS LAOS MARIJUANA SUBSIDIARY
- \* BUBS 4.8m EXECUTIVE CHAIRMAN DENNIS LIN OPTIONS AGM
- \* CLEAN SEAS 2nd STRIKE VOTE, 518k CEO RIGHTS AGM
- \* SHARERROOT: OPYL NAME CHANGE, 100-TO-1 CONSOLIDATION AGM
- \* MACQUARIE REDUCES TO 5% OF NUFARM
- \* MASSACHUSETTS FINANCIAL TAKES 5% OF RIDLEY
- \* THORNEY, TIGA TAKE 21% OF PALLA PHARMA
- \* APHRIA REDUCES TO 5.25% IN ALTHEA
- \* CRESO REQUESTS PHARMACIELO ACQUISITION TRADING HALT
- \* BEGA LOSES DIRECTOR MAX ROBERTS
- \* NANOLLOSE LOSES CSO GARY CASS; CHAIR DR WAYNE BEST R&D
- \* AUSCANN TO LOSE DR MAL WASHER, CHERYL EDWARDS

## MARKET REPORT

The Australian stock market edged up 0.09 percent on Friday November 1, with the ASX200 up 5.7 points to 6,669.1 points. Fifteen of the AVW-44 stocks were up, 18 fell, seven traded unchanged and four were untraded.

Cannpal was the best, up 1.5 cents or 13.6 percent to 12.5 cents, with 44,523 shares traded. Althea climbed 5.3 percent; Ridley Corp rose 4.6 percent; Cann Group and Tasfoods were up more than three percent; Australian Primary Hemp was up 2.7 percent; Apiam, Bega, Clean Seas, Ecofibre, National Veterinary and Select Harvests climbed more than one percent; with A2 Milk, Nufarm and Tassal up by less than one percent.

Shareroot led the falls, down 0.05 cents or 25.0 percent to 0.15 cents, with 2.95 million shares traded. THC Global lost 9.2 percent; Roots fell eight percent; Costa Group and Memphasys shed more than five percent; Seafarms lost 4.7 percent; Murray Cod and Regeneus were down more than three percent; Auscann, Clover, Food Revolution, Nanollose and Pharmaust lost one percent or more; with Bubs, Elders, Elixinol, Huon Aquaculture and Synlait down by less than one percent.

## FEDERAL GOVERNMENT

The Federal Government says it has provided the Australian Research Council with \$5 million to establish the Research Hub for Medicinal Agriculture.

A media release from the Federal Minister for Education Dan Tehan said the hub would research the cultivation and production of plant-based medicines at La Trobe University. Mr Tehan said the research would “assist primary producers and manufacturers to use the latest technologies to optimize their production as well as help train the specialized workforce needed to underpin Australia’s developing medicinal agriculture industry”.

The media release said the research hub had been provided with \$19.7 million in cash and in-kind support and that participating organizations included the University of Melbourne, Cann Group, Under the Tree Biopharmaceuticals, Hexima, Photon Systems Instruments, Sensadata, Palo Alto Research Centre and Bioplatforms Australia.

## FEDERAL GOVERNMENT

The Federal Government says it has extended consultation on the ‘Modernising the Research and Development Corporation system’ discussion paper to November 25, 2019. In a media release, Federal Minister for Agriculture Senator Bridget McKenzie said the discussion paper was calling for ideas to modernise Australian research and development corporations (RDCs) and to support innovation for Australian farmers.

“Agriculture in the 21<sup>st</sup> Century will be science-led, employ more cutting-edge technology and need highly skilled workers,” Ms McKenzie said.

“If we’re to position agriculture as an agile, industry of choice for the 21<sup>st</sup> Century we need to see what improvements we can make that will help us get there,” Ms McKenzie said.

“This is an opportunity for those who have a stake in the system to be involved so we can make sure our agriculture sector is operating as effectively and efficiently as it can,” Ms McKenzie said.

The Modernising the Research and Development Corporation system discussion paper is available for comments at <https://haveyoursay.agriculture.gov.au/modernising-rdc>.

## BEGA CHEESE

Bega says drought, “unprecedented” competitive milk supply conditions and easing demand from third party branded businesses will reduce its forecast yearly earnings. Bega said it expected earnings before interest, tax, depreciation and amortization for the year to June 30, 2020 to be between \$95 and \$105 million, compared to \$115 million the previous year.

The company said the continuing drought and further decreases in the total Australia milk production increased competition for milk in the 2019-'20 financial year.

Bega chairman Max Roberts said the company had “previously advised that conditions impacting 2018-'19 would continue into 2019-'20”.

“This has proven to be the case, but at a faster and deeper rate,” Mr Roberts said.

“To remain competitive Bega Cheese today announced an increase in its Southern Region milk price and other initiatives to sustain and grow milk supply,” Mr Roberts said.

“This higher milk price will directly impact Bega Cheese’s earnings,” Mr Roberts said.

Bega chief executive officer Paul van Heerwaarden said that while “branded consumer food business is continuing to grow we are seeing softening in demand for products destined for certain export markets which will adversely impact earnings in 2019-'20.

Bega said it was “well advanced in its plans to restructure its manufacturing capacity” and continued to review its supply chain and overhead cost.

Mr Heerwaarden said “Bega Cheese is proactively responding to increased milk competition and we will continue to manage our supply chain for domestic and international trade to mitigate further downside risk.”

“We are also well advanced with internal reviews within our business to ensure our cost structure is correctly aligned to current and medium-term market conditions,” Mr van Heerwaarden said.

Bega was up five cents or 1.4 percent to \$3.63 with 1.4 million shares traded.

## COSTA GROUP HOLDINGS

Costa says extreme weather conditions have impacted its fruit production and decreased earnings, and it expects to raise \$176 million through a fully-underwritten rights offer.

Costa said water security concerns as well as “prolonged extreme dry and hot conditions are now impacting fruit sizing and yield in avocados, blueberries and the late season citrus crop”, but did not mention “climate change” or “global warming” in its report.

The company said that earnings growth for all products except tomatoes was expected to be below expectation and water security concerns had caused it to pause construction on its greenhouse expansion in Guyra, New South Wales.

The company said it expected net profit after tax for the year to December 31, 2019 to be about the same as last year’s \$56.6 million.

Costa said it would raise \$176 million in a one-for-four rights offer at \$2.20 a share, a 36.4 percent discount to the \$3.46 closing price on October 21, 2019.

The company said the record date was October 31 with the institutional offer raising \$87 million, and the retail offer opening on November 6 and closing on November 18, 2019.

Costa said the funds raised would be used to strengthen its balance sheet and continue its growth strategy in light of market and drought conditions.

The company said the institutional shortfall would be undertaken between October 29 and 30, 2019 and the retail shortfall would be conducted on November 21.

Costa said the UBS AG Australian Branch would be the lead manager, book runner and underwriter to the rights offer.

Costa was down 15 cents or 5.3 percent to \$2.70 with 6.65 million shares traded.

## FONTERRA

Fonterra says it has submitted a response to the New Zealand Ministry for the Environment's Action Plan for Healthy Waterways and has made recommendations. Fonterra said it supported the plan's overall goal, but had concerns about some of the methods proposed.

Fonterra general manager for sustainable dairying Mat Cullen said the co-op has told the Government "how we can improve water quality using more economical, sustainable ways with timeframes that make sense for our farmers and New Zealand".

"We will strongly oppose the suggested minimum required levels, specifically for dissolved inorganic nitrogen and dissolved reactive phosphorous," Mr Cullen said.

"The levels proposed in the plan would require significant reductions in nitrogen loss and aren't flexible enough to recognize local context and ambition," Mr Cullen said.

"Our co-op supports the identification of high-risk catchments but we believe attributes other than nitrogen should be considered," Mr Cullen said.

"[We] support the establishment of clear catchment thresholds for nitrogen loss... however, instead of forcing our farmers to use the overseer model... we propose using a simple nitrogen surplus calculation - such as our nitrogen risk scorecard - which is easier to administer and more cost-effective," Mr Cullen said.

The company said it supported the proposal of mandatory farm environment plans and was on track to ensure every one of its farms had such a plan by 2025.

Fonterra was untraded at \$3.75.

## WIDE OPEN AGRICULTURE

Wide Open Agriculture says the Australian Department of Agriculture and Water Resources has granted it a non-packer meat export licence for South-East Asia.

Wide Open Agriculture said the licence would allow it to market and distribute its regenerative, grass-fed beef and lamb meat into export markets including South-East Asia, where beef and lamb sales were valued at nearly \$1.2 billion in 2018.

Wide Open Agriculture was unchanged at 15.5 cents.

## ELDERS

Elders says the Federal Court of Australia has approved its proposed acquisition of wholesale buying group Australian Independent Rural Retailers (AIRR) Holdings.

Elders said it expected the scheme implementation date to be November 13, 2019.

Elders was down four cents or 0.7 percent to \$5.87 with 864,749 shares traded.

## RIDLEY CORP

Ridley says it has formally withdrawn a statement regarding its feed performance in respect to the salmon trials as part of Tassal's research and development program.

In September, Ridley said in its 2019 annual report that the "two salmon feed trials being conducted as part of Tassal's research and development program as announced last year are proceeding well".

"Production for all ensuing stages of the trial has now been switched to the new extrusion plant at Westbury and provides incremental trial volume sales," Ridley said.

Today, Ridley said the statement was withdrawn as it could not be "statistically substantiated at this time and a public comment should not have been made".

Ridley was up five cents or 4.6 percent to \$1.135.

### NATIONAL VETERINARY CARE

National Veterinary says it has settled the acquisition agreement for a New Zealand clinic, one of two clinic purchases announced in September.

In September, National Veterinary said it would pay \$1.94 million to acquire two clinics in Australia and New Zealand, with plans to combine the New Zealand clinic and a smaller Pet Doctors clinic for a “larger, more sustainable” clinic (AVW: Sep 27, 2019).

Today, the company said the purchase, funded from its cash reserves, brought its number of veterinary business to 103.

National Veterinary was up four cents or 1.7 percent to \$2.34.

### CLEAN SEAS SEAFOOD

Clean Seas says both parties in its litigation against Gibson’s Ltd are working towards trial, with a Supreme Court mediation to be conducted on November 28, 2019.

In August, Clean Seas said the trial date would be February 24, 2020, with the legal action relating to apparent defective feeds supplied to the company by Gibson’s between December 2008 and July 2012 (AVW: Aug 30, 2019).

Clean Seas was up one cent or 1.2 percent to 82 cents.

### ALTHEA GROUP HOLDINGS

Althea says it has launched its full spectrum concentrated cannabidiol oral oil product, Althea CBD100, in Australia.

Althea said the oil was predominantly of cannabidiol (CBD), with small traces of terpenoids, flavonoids, other cannabinoids, and had less than 0.08 percent tetrahydrocannabinol (THC).

The company said given the demand for CBD-only products in the Australian medicinal marijuana market, especially for paediatric patients, it expected that Althea CBD100 would “substantially increase Althea’s patient numbers”.

Althea was up two cents or 5.3 percent to 40 cents.

### CANN GLOBAL

Cann Global says it has incorporated Cann Global Asia, based in Ban Tung, Laos to further its marijuana expansion in South East Asia.

Cann Global said Cann Global Asia would focus on broad-acre industrial marijuana cultivation and processing, indoor marijuana cultivation and processing operations in South-East Asia.

The company said it was the major shareholder with 55 percent of Cann Global Asia and partners David Evans and Christopher Waldron each held 22.5 percent of the company.

Cann Global said that its Laos subsidiary was “seeking to provide extraction and manufacturing services for pharmaceutical grade products for retail in Thailand” and would make an announcement regarding Thailand by January 1, 2020.

Cann Global was unchanged at 2.3 cents with 2.4 million shares traded.

### BUBS AUSTRALIA

Bubs says its annual general meeting will vote to issue executive chairman Dennis Lin 4,770,810 options as remuneration, exercisable at 10 cents within three years.

Bubs said the half the options would vest three months from the issue date on the achievement of \$50 million in gross sales and \$2 million in earnings before interest, tax, depreciation and amortization (Ebitda), with the second half to vest three months from the issue date on achievement of \$60 million in gross sales and \$4 million in Ebitda.

The company said it would vote to issue CW Retail Services, otherwise known as Chemist Warehouse, 9,382,355 shares and to ratify the prior issue of 2,974,272 shares.

The company said it would vote to ratify the prior issue of 48,366,888 shares to C2 Capital Global Export-to-China Fund and 15,384,615 shares to Dynamic Best Group, Stable Charter and Succeed Venture.

Bubs said the meeting would vote to adopt the remuneration report, elect directors Matthew Reynolds and Steve Lin, adopt the incentive option plan and replace the constitution.

The meeting will be held at the Ashurst Ballroom, Level 9, 5 Martin Place, Sydney on November 29, 2019 at 2pm (AEDT).

Bubs was down 0.5 cents or 0.4 percent to \$1.12 with 3.1 million shares traded.

### CLEAN SEAS SEAFOOD

Clean Seas says its annual general meeting will vote on a potential second-strike board spill and to issue chief executive officer David Head 518,120 share rights.

Last year, Clean Seas said its remuneration report was opposed by 91,870,616 votes or 25.9 percent, providing the first trigger for a potential board spill this year.

The Corporations Act (Section 250U) provides for a 'two strikes and re-election' process if a company's remuneration report is opposed by more than 25 percent of votes on two consecutive occasions, taking the company to a vote on a board spill motion.

Today, Clean Seas said it would vote to adopt its remuneration report, to re-elect director Terry O'Brien and to approve the 10 percent placement facility.

The meeting will be held at the Riverbank Rooms, Adelaide Convention Centre, North Terrace, Adelaide on November 29, 2019 at 2pm (ACDT).

### SHAREROOT

Shareroot says shareholders will vote to change its name to Opyl, hold a 100-to-one consolidation and issue directors 6,000,000 pre-consolidation options.

Shareroot said the annual general meeting would vote on the issue of 2,000,000 unlisted pre-consolidation 'incentive' options each to chairman Dr Julian Chick and directors Marat Basyrov, Damon Rasheed, exercisable at 0.3 cents each within five years of issue.

The company said the current share price was 0.2 cents a share.

Biotech Daily calculates that post-consolidation each director would receive 20,000 options exercisable at 30 cents each, compared to a current price of 20 cents.

Shareroot said the meeting would vote to ratify the prior issue of shares and options, approve the 10 percent placement capacity and adopt the long-term incentive plan, adopt the remuneration report and elect directors Dr Chick, Mr Rasheed and Mr Basyrov.

The meeting will be held at Engine House, 105 Wellington Street, St Kilda, Victoria on November 27, 2019 at 10am (AEST).

Shareroot was down 0.05 cents or 25 percent to 0.15 cents with 3.0 million shares traded.



### NUFARM

Macquarie Group says it has reduced its holding in Nufarm from 23,392,093 shares (6.16%) to 19,264,384 shares (5.07%).

The Sydney-based Macquarie said that between October 11 and 23, 2019 it bought, sold, transferred, borrowed and returned shares at prices between \$6.15 and \$7.11.

Nufarm was up three cents or 0.51 percent to \$5.95 with 2.9 million shares traded.

### RIDLEY CORP

The Boston-based Massachusetts Financial Services Company says it has become a substantial shareholder in Ridley with 16,119,128 shares or 5.18 percent.

Massachusetts Financial said it bought and sold shares between July 25 and October 29, 2019, with the single largest purchase 1,148,786 shares for \$1,226,559 or \$1.07 a share.

### ALTHEA GROUP HOLDINGS

Aphria says it had reduced its substantial shareholding in Althea from 110,090,361 shares (54.15%) to 12,250,000 shares (5.25%).

Previously, Althea said it had a commercial agreement with Aphria and in March, Althea said it had appointed Aphria president Jakob Ripshtein as a non-executive director representing Aphria (BD: Mar 7, 2019).

Last year, when Althea listed, Althea, its chief executive officer Josh Fegan and Aphria all said they held 71,590,361 shares or 35.21 percent of the company.

Last week, Althea said that Aphria had committed to the sale of 36 million non-escrow shares and that Aphria and Althea's commercial relationship would continue.

Today, Aphria said it was no longer directly associated with Althea or Mr Fegan

Aphria said that between August 9 and October 22, 2019 it sold shares and was diluted in Althea, and on October 25 it sold 36,697,481 shares for \$14,687,992 or 40 cents a share.

Aphria said that as a result of the October 25, 2019 sale, it "no longer had relevant interest" in the securities it held with Althea and Mr Fegan as its direct holding in the company was below 20 percent.

### PALLA PHARMA

Thorney Opportunities and Tiga Trading says they have increased their substantial holding in Palla from 13,795,629 shares (17.01%) to 22,466,299 shares (20.80%).

The Melbourne-based Thorney and Thorney Investment Group Australia (Tiga) said they acquired shares between August 26 and October 24, 2019 with most of the shares bought at 70 cents a share through the recent placement and an institutional entitlement offer to raise \$31.1 million (BD: Oct 17, 2019).

Palla Pharma was unchanged at 88 cents.

### CRESO PHARMA

Creso Pharma says it has requested a trading halt "pending an announcement regarding the proposed acquisition of the company by Pharmacielo".

In June, Creso said the Vancouver, British Columbia-based Pharmacielo would acquire it for \$122 million in a share and option scheme (BD: Jun 7, 2019).

Trading will resume on November 5, 2019 or on an earlier announcement.

Creso was unchanged at 20 cents.

### BEGA CHEESE

Bega says Max Roberts will retire as director effective from October 29, 2019.

Bega said Mr Roberts would remain on the board as the alternate director for Barry Irvin, who was on leave of absence for health reasons.

### NANOLLOSE

Nanollose says its co-founder Gary Cass has resigned as chief scientific officer.

Nanollose said its executive chairman Dr Wayne Best would lead its research and development programs.

Nanollose was down 0.1 cents or 1.4 percent to 7.2 cents.

### AUSCANN

Auscann says chairman Dr Mal Washer has resigned as a director, with Cheryl Edwards appointed acting chair until her director term expires in January 2020.

Auscann said Dr Washer and Ms Edwards would retire as part of the company's board renewal and neither would seek re-election at the coming annual general meeting.

The company it had begun the search for new directors and a new chair, including the appointment of a nominee from largest shareholder, Merchant Funds Management.

Auscann has not announced the date of its 2019 annual general meeting.

Auscann was down 0.5 cents or 1.82 percent to 27 cents.