

Ag & Vet Weekly



Tuesday April 14 – Friday April 17, 2020

All the news on ASX-listed agriculture and veterinary companies

- * **APR 17: ASX, AVW-45 UP: MGC UP 32%; TERRAGEN DOWN 7%**
- * **FEDERAL APPEAL COURT BACKS BEGA PEANUT BUTTER PACKAGING**
- * **SEAFARMS AWARDED 4-STAR BEST AQUACULTURE PRACTICE**
- * **COSTA WITHDRAWS PREVIOUS 2020 GUIDANCE**
- * **AVECHO, PURISYS DEAL FOR TPM MARIJUANA**
- * **CRESO, HIGHNOON, ROUTE 2 PAKISTAN MARIJUANA DISTRIBUTORS**
- * **MGC APPROVAL FOR ARTEMIC COVID-19 TRIAL**
- * **MGC: SWISS MICELLE DEAL 'NOTHING TO DO WITH COVID-19'**
- * **PHARMAUST, WEHI TEST MONEPANTEL SHEEP DRENCH FOR COVID-19**
- * **CRESO ISSUES 10.8m COLLATERAL SHARES TO L1 CAPITAL**
- * **TONY ROWLINSON REPLACES FOOD REVOLUTION CEO JOHN FLOREY**
- * **PERPETUAL REDUCES TO 10% IN BEGA**
- * **NISSUI DILUTED TO 13% IN SEAFARMS**
- * **JANET CAMERON TAKES 12% OF SEAFARMS**

MARKET REPORT

The Australian stock market was up 1.31 percent on Friday April 17, with the ASX200 up 71.2 points to 5,487.5 points. Twenty-five of the AVW-45 stocks were up, 11 fell, six traded unchanged and three were untraded.

MGC was the best, up 0.8 cents or 32 percent to 3.3 cents, with 114.7 million shares traded. Pharmaust climbed 22.5 percent; Avecho was up 20 percent; Huon rose 13.6 percent; Seafarms increased 11.1 percent; Murray Cod was up 8.7 percent; Clover climbed seven percent; Palla Pharma rose 6.7 percent; Roots and THC were both up 5.3 percent; Ecofibre, Food Revolution, Memphasys and Next Science improved more than four percent; Apiam and Elders were up more than three percent; Bubs, Elixinol and Tassal increased more than two percent; Althea, Bega, Nufarm, Regeneus and Synlait were up more than one percent; with Ridley up 0.7 percent.

Terragen led the falls, down one cent or 6.7 percent to 14 cents, with 443,800 shares traded. Fonterra and Ocean Grown Abalone fell more than four percent; AP Hemp was down 3.6 percent; Anatara, Auscann and Tasfoods shed more than two percent; Costa and Creso fell more than one percent; with Cann Group and Select Harvests down by less than one percent.

BEGA CHEESE

Bega says the Full Court of the Federal Court has upheld the Kraft-Heinz judgement, confirming its right to use the current packaging for its peanut butter products.

Bega said that the decision gave it “the right to continue to use the current packaging of its smooth and crunchy peanut butter products”.

The packaging is similar to the original Kraft peanut butter.

In October 2017, Bega said it was “aware of media commentary arising out of claims made by Kraft-Heinz in connection with our peanut butter products”.

The company said that in July 2017 Bega it acquired Mondelez International’s Australia and New Zealand grocery and cheese business, including Vegemite and peanut butter, the associated intellectual property rights and the manufacturing facility at Port Melbourne at which these products have been made for many years.

Bega said that the staff associated with these and other products also transferred to Bega Cheese as part of the transaction.

The company said that since the Mondelez acquisition it continued to produce “Australia’s favourite peanut butter, using the same never oily, never dry recipe, made by the same people, in the same factory in Port Melbourne that has been making peanut butter for over 55 years ... the only change has been the removal of the Kraft brand”.

The company said the factory was at 1 Vegemite Way, Port Melbourne.

Bega said that media commentary referred to legal action begun by Kraft-Heinz in New York relating to an agreement between companies in the Kraft and Mondelez Groups at the time of the separation of those groups in 2012.

On May 1 2019, Bega said the Federal Court of Australia confirmed its right to continue to use the trade dress associated with the peanut butter products that it acquired as part of its purchase of the Mondelez Grocery Business in 2017.

The company said that Kraft-Heinz began proceedings in the Federal Court in which it claimed ownership of the legal rights in the peanut butter trade dress associated with the product packaging, comprising a jar with a yellow lid and a yellow label with a blue or red peanut device with the jar having a brown appearance when filled, and sought to prevent Bega Cheese from using this packaging trade dress.

Bega said that the Federal Court rejected this, and determined that Kraft-Heinz’s use of the trade dress is misleading or deceptive under Australian law.

Bega was up eight cents or 1.6 percent to \$5.02 with 1.2 million shares traded.

SEAFARMS GROUP

Seafarms says the Global Aquaculture Alliance has awarded its Queensland facilities four-star best aquaculture practices (BAP) certification.

Seafarms said it was the first Australian prawn aquaculture company to win the award, which was endorsed by major retailers and recognized environmental responsibility, social accountability, food safety, traceability and animal health and welfare.

The company said that the certification covered all of its Queensland facilities including the hatchery at Innisfail, farms at Cardwell and Ingham and a processing facility at Cardwell, Seafarms said it “only uses BAP-certified feed, earning Seafarms production the highest certification of four stars”.

Seafarms chief operating officer Dallas Donovan said the certification was “recognition of Seafarms’ commitment to sustainability throughout our supply chain and enables consumers of Crystal Bay prawns to enjoy our delicious prawns, knowing that they have been safely and sustainably grown to the highest international standards”.

Seafarms was up 0.5 cents or 11.1 percent to five cents with 2.7 million shares traded.

COSTA GROUP HOLDINGS

Costa says it is withdrawing previous guidance for the financial year to December 31, 2020 due to ongoing uncertainty regarding Covid-19 government restrictions.

In February, Costa said that subject to Coronavirus impacts, it expected to perform in-line with previous guidance for the year to December 31, 2020, including earnings before interest, taxes, depreciation and amortization, self-generating and regenerating assets and leases (EBITDA)-SL of \$150 million and net profit after tax (NPAT)-SL in line with the year to December 31, 2018 of \$56.6 million, prior to an expected \$3 million after-tax interest saving post equity raise (AVW: Feb 28, 2020).

Costa was down four cents or 1.3 percent to \$2.96 with 2.7 million shares traded.

AVECHO (FORMERLY PHOSPHAGENICS)

Avecho says Purisys LLC will supply pharmaceutical grade synthetic marijuana for combination with its tocopheryl phosphate mixture (TPM) vitamin E technology.

Avecho said it would combine the Athens, Georgia-based Purisys cannabidiol and dronabinol with its vitamin-E TPM to develop new oral cannabidiol products.

The company said its TPM was “proven to enhance the solubility and oral, dermal and transdermal absorption of drugs and nutrients”.

Avecho said it would use Purisys’ cannabidiol and dronabinol for the research and development of TPM-enhanced products for specific indications and regulatory approval.

The company said it would “purchase future commercial supply from Purisys upon the commercialization of specific cannabidiol products”.

Avecho said the decision to develop TPM-enhanced cannabidiol products followed corroborating experiments at Purisys showing that TPM increased cannabinoid solubility.

Avecho chief scientific officer Dr Paul Gavin said that TPM had “been shown to reproducibly increase bioavailability and duration of absorption of orally ingested lipid, as well as increasing their solubility in aqueous mediums”.

Avecho executive chairman Dr Greg Collier said that the medical and consumer cannabis markets were “attracting enormous interest and investment, and with it, growing interest from cannabinoid manufacturers and suppliers seeking truly differentiated products”.

“At present, the cannabis extracts entering these spaces are very similar,” Dr Collier said.

“We believe the addition of TPM will provide commercially advantageous differentiation.”

Avecho was up 0.1 cents or 20 percent to 0.6 cents with 7.6 million shares traded.

CRESO PHARMA

Creso says it has an agreement with Highnoon Laboratories and Route 2 Health to expand the distribution of its hemp-derived products in Pakistan.

Creso said that it would collaborate with the Lahore-based Highnoon and Route 2 to bring its products to Pakistan, which had a population of more than 200 million and a “wide range of unmet needs” that could be addressed by Creso’s product portfolio.

The company said the collaboration could extend to deliver its products to Afghanistan, Azerbaijan, Bangladesh, Cambodia, Georgia, the Maldives, Myanmar, the Philippines, Tajikistan, Turkmenistan, Uzbekistan and Vietnam.

The company said a definitive agreement would “be executed in the next three months”.

Creso chief executive officer Dr Miri Halperin Wernli said that the company was “delighted to announce this partnership with Highnoon Laboratories and Route 2 Health, leading players in Pakistan’s pharmaceutical and nutritional supplement sectors”.

Creso was down 0.1 or 1.2 percent to 8.2 cents.

MGC (MEDICAL GRADE CANNABIS) PHARMACEUTICALS

MGC says it has ethics approval for a 14-day, 50-patient phase II trial of its supplement Artemic, based on a formulation of Artemisinin and Curcumin.

MGC said the trial at Israel's Nazareth Hospital was expected to begin this month and conclude in September, with results available in October 2020.

Last Wednesday, the company said it had a deal with Swiss company Micelle Technology AG for a product targeting viral infections with inflammatory complications, based on Micelle's Mycell delivery system technology, which delivered natural ingredients in higher concentrations to the cells and was used in the formulation of a "natural anti-infective based formulation" based on Artemisinin (see below).

MGC previously said its March 19 trading halt, suspension and series of extensions for a Swiss joint venture had nothing to do with Covid-19 and that there was "presently no reasonable basis established for the product to treat or cure Covid-19 symptoms or that the product kills the Covid-19 virus" (see below).

In a later announcement, the company said its clinical advisory team had concluded that the established scientific data of Artemisinin and Curcumin properties provided a rationale to test Artemic in the treatment of Covid-19 patients.

MGC managing director Roby Zomer said "following [the company's] recently announced agreement with Micelle, this approval to proceed immediately with a Phase II clinical trial of Artemic is a major milestone."

"This trial will evaluate the safety and efficacy of Artemic on patients diagnosed with Covid-19 and we look forward to updating the market with developments," Mr Zomer said. MGC was up 0.8 cents or 32 percent to 3.3 cents with 114.7 million shares traded.

MGC (MEDICAL GRADE CANNABIS) PHARMACEUTICALS

MGC says the March 19 trading halt, suspension and series of extensions for a Swiss joint venture for Covid-19 has nothing to do with Covid-19.

MGC said that there was "presently no reasonable basis established for the product to treat or cure Covid-19 symptoms or that the product kills the Covid-19 virus".

"This would require clinical testing to be conducted to establish such clinical basis," the company said.

"Therefore, MGC retracts the reference to Covid-19 in its recent trading halt and suspension notices, and investors should not rely on those references," MGC said.

Last week, the ASX suspended MGC "pending a response to [the] ASX's queries in relation to a material agreement regarding a strategic joint venture with a Swiss company in relation to Covid-19" (BD: Apr 8, 2020).

On March 19, MGC requested a trading halt pending the announcement and requested its first suspension on March 23, 2020, followed by seven extensions to the suspension (BD: Mar 19, 23, 24, 25, 26, 27, 31; Apr 2, 3, 2020).

On April 15, MGC said it had a manufacturing agreement with Swiss company Micelle Technology AG for a product aimed at targeting viral infections with inflammatory complications and was based on Micelle's Mycell delivery system technology.

The company said Micelle held exclusive rights to its Mycell technology, which delivered natural ingredients in higher concentrations to the cells and was used in the formulation of a "natural anti-infective based formulation" based on artemisinin.

MGC said that under the initial five-year agreement, Micelle would supply the company with a food supplement "product", it would manufacture and pack the product, lead clinical studies and set-up production of the product for future commercial supply.

PHARMAUST, THE WALTER AND ELIZA HALL INSTITUTE OF MEDICAL RESEARCH

Pharmaust says it will work with Melbourne's Water and Eliza Hall Institute to test the effects of monepantel on Covid-19 infections.

Pharmaust said it had evaluated monepantel, originally developed as a worm drench for sheep, for cancer in human and dog trials and the "mechanism of action in cancer may also prove to be beneficial in the treatment of certain viral diseases".

The company said WEHI researcher Prof Marc Pellegrini would conduct studies on both monepantel and monepantel sulfone.

Pharmaust said that it would own all intellectual property results and rights under the materials transfer agreement and would pay WEHI a nominal fee for undertaking the studies.

Pharmaust chief scientific officer Dr Richard Mollard said, "the studies will commence shortly and WEHI aims to provide a preliminary data summary in May 2020".

Pharmaust was up 1.8 cents or 22.5 percent to 9.8 cents with 7.3 million shares traded.

CRESO PHARMA

Creso says it will issue 10,812,526 additional collateral shares to L1 Capital Global Opportunities Master Fund, in accordance with the convertible note agreement.

In February, Creso said it had a convertible note agreement with L1 Capital for up to \$17,482,500, wherein Creso could request an initial \$1,750,000 advance in two equal tranches in exchange for 9,000,000 collateral shares prior to receiving the first tranche, paying L1 Capital a four percent fee of the advance, and potentially issuing up to an additional 11,000,000 collateral shares (BD: Feb 5, 2020).

Today, the company the additional collateral shares would top up L1 Capital's outstanding balance of collateral shares.

Creso said the number of the first tranche convertible notes held by a nominee had been reduced from 1,666,667 notes to 1,319,747 notes through L1 Capital's decision to purchase a reduction in the number of collateral shares.

THE FOOD REVOLUTION GROUP

Food Revolution says it has appointed Tony Rowlinson as its chief executive officer, replacing John Florey, effective from April 14, 2020.

Food Revolution said Mr Rowlinson would receive a \$300,000 salary plus superannuation and an annual bonus scheme.

The company said Mr Rowlinson was previously an executive at in Australia, the UK and Southern Africa and had managed brands including Libra, Sorbent and Handee and, while working at Simplot Australia, Leggo's, John West and Lean Cuisine.

Food Revolution said Mr Rowlinson was previously the marketing director for the Coca Cola Company and the general manager for Bristol Myers in the UK and South Africa.

In addition to Mr Rowlinson's appointment, the company said it expected sales of its new hand sanitizer, which launched in February, to exceed \$4 million due to high demand of the product caused by Covid-19.

Food Revolution Group was up 0.3 cents or 4.35 percent to 7.2 cents with 3.6 million shares traded.

BEGA CHEESE

Perpetual says it has reduced its substantial shareholding in Bega from 23,786,846 shares (11.10%) to 21,520,276 shares (10.04%).

The Sydney-based Perpetual said that between March 31 and April 14, 2020 it sold 2,266,570 shares for prices ranging between \$4.46 to \$4.78 a share.

SEAFARMS GROUP

The Tokyo-based Nippon Suisan Kaisha says its 283,230,208 share-holding in Seafarms has been diluted from 14.73 percent to 12.68 percent.

In March, Seafarms raised \$12.5 million through a placement at three cents a share (AVW: Mar 27, 2020).

Nippon Suisan Kaisha said it had been diluted due to Seafarms issue of new shares to Janet Heather Cameron as announced on April 3, 2020.

Last year, the company said Nippon Suisan Kaisha was a strategic investor in Seafarms and had invested \$25 million in the company in 2019 (AVW: Oct 4, 2019).

SEAFARMS GROUP

Janet Cameron says she has become a substantial shareholder in Seafarms with 275,170,615 shares or 12.32 percent of the company.

The Sydney-based Ms Cameron said she acquired 208,333,333 shares for \$6,250,000 or three cents a share on April 1, 2020.