

# Ag & Vet Weekly



Monday April 27 – Friday May 1, 2020

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

- \* MAY 1: ASX, AVW-44 DOWN: MEMPHASYS UP 25%; NEXT SCI DOWN 11.5%
- \* APRIL AVW-45 UP 11%, ASX UP 8.8%
- \* NSW FARMERS: WAIVE STATE FEES FOR OYSTER FARMERS
- \* HUON: COVID-19 HITS APRIL SALES, GUIDANCE WITHDRAWN
- \* CLEAN SEAS YTD SALES UP 4%; COVID-19 HITS Q3 SALES DOWN 14%
- \* FONTERRA: EARLIER ADVANCE RATE PAYMENTS, SIMPLER GUIDELINES
- \* MURRAY COD SETTLES HATCHERY PURCHASE
- \* QBIOTICS EURO LAUNCH OF STELFONTA FOR DOG CANCER
- \* WATTLE HEALTH: SPC \$20m SPRAY DRYER LOAN
- \* MGC \$3.5m PLACEMENT
- \* THC TAKES \$4m MITCHELL LOAN
- \* ELIXINOL REQUESTS CAPITAL RAISING TRADING HALT
- \* AUSCANN THC, CBD MARIJUANA STUDY BEGINS DOSING
- \* TASMANIAN ALKALOIDS SUPPLIES MARIJUANA TO AVECHO
- \* ECOFIBRE: HEMP BLACK PPE FACE MASKS FOR THE US
- \* MFS TAKES 5% OF RIDLEY
- \* PERPETUAL REDUCES TO 9% IN BEGA
- \* WAYNE JOHNSTON REPLACES COSTA CFO LINDA KOW
- \* FONTERRA APPOINTS HOLLY KRAMER DIRECTOR
- \* AVECHO APPOINTS DR PAUL GAVIN CEO, DR ROKSAN LIBINAKI COO
- \* ELIXINOL CEO OLIVER HORN STARTS ON \$395k
- \* MGC CLAIMS 2<sup>nd</sup> ISRAEL ARTEMIC FOR COVID-19 TRIAL SITE

## MARKET REPORT

The Australian stock market was down 5.01 percent on Friday May 1, with the ASX200 down 276.5 points to 5,245.9 points.

Twelve of the AVW-44 stocks were up, 22 fell, six traded unchanged and four were untraded. National Veterinary was acquired and delisted in April.

Memphasys was the best, up 1.2 cents or 25 percent to six cents, with 2.4 million shares traded. AP Hemp climbed 20 percent; Terragen was up 13.3 percent; Wide Open rose eight percent; Apiam improved 6.8 percent; Murray Cod and Roots were up more than four percent; Clean Seas and MGC climbed more than three percent; Ridley and Tasfoods rose more than two percent; with Fonterra up 0.3 percent.

Next Science led the falls, down 21 cents or 11.5 percent to \$1.61, with 233,249 shares traded. Huon lost 7.3 percent; Auscann and Cann Group shed more than five percent; Cannpal, Nanollose, Ocean Grown Abalone and THC fell four percent or more; Costa Group and Food Revolution were down more than three percent; Bega, Bubs, Clover, Ecofibre, Select Harvests and Synlait shed more than two percent; A2 Milk, Creso, Nufarm and Tassal lost more than one percent; with Elders and Palla Pharma down by less than one percent.

## AG & VET WEEKLY-45 STOCKS INDEX (AVW-45)

The Ag & Vet Weekly-45 stocks index (AVW-45) was up 10.7 percent in April to \$25,509 million, with many companies recovering from losses in March.

The benchmark ASX-200 was up 8.8 percent in April – apart from last month, its lowest level since November 30, 2016.

Despite Covid-19 restrictions hurting leisure, entertainment and hospitality businesses, persistent demand for produce has allowed many agriculture and veterinary companies to continue with business as usual, although some non-essential producers (particularly marijuana companies such as Creso Pharma and Cann Global) have been impacted quite seriously.

The larger companies appear to have been unaffected by the pandemic, with A2 Milk, Bega and Elders reporting their highest market capitalizations since Ag & Vet Weekly began collecting market capitalization data in August.

A2 Milk rose 12.5 percent in April to \$13,761 million, having improved each month irrespective of Covid-19.

Bega was up 5.6 percent to \$1,036 million, Elders increased 13.9 percent to \$1,334 million, with Costa up 0.4 percent to \$1,106 million, following several fluctuations during the last few months.

Thirty-six of the AVW-45 companies were up in the month of April, four fell and five were unchanged.

## NEW SOUTH WALES FARMERS

New South Wales Farmers is calling for fee waivers for oyster farmers affected by the summer bushfires and Covid-19 restrictions.

The industry organization said that the closure of restaurants and the near shut down of the tourism industry to contain the virus had led to a significant downturn in oyster demand, with the hospitality sector normally accounting for about 70 percent of sales.

NSW Farmers oyster committee chair Caroline Henry said that oyster growers faced ongoing fees, charges and levies administered by the New South Wales Department of Primary Industries, Food Authority and Crown Lands.

"Payments like leases and licences, aquaculture permits, seafood licences and research levies should be waived until the industry is able to recover from the impacts of coronavirus and bushfires," Ms Henry said.

"Both South Australia and Tasmania have had this type of fee relief in place for over a month," Ms Henry said.

Ms Henry said that New South Wales growers were paying fees while coming to terms with some of the longer-term impacts of the summer bushfires.

"We are hearing more reports of stock mortalities caused by increased ash and debris in estuaries," Ms Henry said.

"Heavy rain has exacerbated this problem in northern [New South Wales] and we're expecting to see it down south as well," Ms Henry said.

"A lot of us have lost key markets with the tourism and hospitality industries effectively closed due to coronavirus restrictions and this has coincided with the all-important Easter period, where our sales normally jump," Ms Henry said.

Ms Henry said that the New South Wales oyster industry would benefit from more flexible or tailored government assistance schemes to cover the double impact of bushfires and coronavirus.

"Unfortunately, a lot of the [New South Wales] and Commonwealth Governments' assistance schemes are unusable for oyster farmers and the fee relief that we really need just isn't happening," Ms Henry said.

"Losses due to stock mortalities can't be recouped through the NSW bushfire relief grants and we need business support beyond employment incentives," she said.

"What we really need is assistance to restock, flexibility with loan payments and relief from fees," Ms Henry said.

"This will help us press pause until the hospitality and tourism industries can reopen," Ms Henry said.

## HUON AQUACULTURE GROUP

Huon says the Covid-19 pandemic closure of restaurants, clubs and the catering industry had caused a "significant drop in sales" during April.

Huon said that Tasmania's border closure and Australia's stage three lockdown had a significant impact, as had international travel restrictions affecting flights carrying freight.

The company said it had withdrawn its financial guidance for the year to June 30, 2020 and expected a harvest of five to 10 percent below the planned 25,000-tonnes for the year to June 30, 2020, but between 20 and 25 percent above the 30,000-tonne forecast for the year to June 30, 2021.

Huon was down 27 cents or 7.3 percent to \$3.42.

### CLEAN SEAS SEAFOOD

Clean Seas says sales revenue for the nine months to March 31 was up four percent but the three months to March 31, 2020 saw a 14 percent fall in sales.

Clean Seas said that March and April sales were impacted by to the closure of most restaurants.

The company said the sales would be partly offset by a 116-tonne purchase by Hofseth North America, following a strategic relationship with an investment of 10,000,000 shares or 9.7 percent for \$5 million by Roger Hofseth and James Berger's entity GCI CSS (Hofseth & Nevera) LLC in April (AVW: Apr 9, 2020).

Clean Seas said it could not give specific guidance but expected to reduce costs by \$5 million for the remainder of 2020 having reviewed non-essential costs and available government stimulus options.

The company said it had cash and facilities of \$48.2 million at March 31, 2020 compared to \$23.5 million at December 31, 2019.

Clean Seas was up two cents or three percent to 68 cents.

### FONTERRA CO-OPERATIVE GROUP

Fonterra says that from June 1, 2020, it will bring forward the advance rate paid to farmers to help improve cash flow on farms, as well as simplify rate guidelines.

Fonterra said advance rate payments would be made on the 15th of each month instead of the 20th and that it would settle all final and retroactive payments to farmers as soon as possible.

The company said that the October retroactive payment would be paid in full within five working days of Fonterra's annual results.

Fonterra said that to simplify payment guidelines it would introduce a single guideline system, meaning the advance rate would start in July at 65 percent of the mid-range of the Farmgate Milk Price Range forecast.

The company said that the improvement had been managed without reducing the strength of the balance sheet or negatively impacting the company's credit rating.

Fonterra was up one cent or 0.3 percent to \$3.64.

### MURRAY COD AUSTRALIA

Murray Cod says it has settled the acquisition of the fully operational and staffed Murray Cod hatchery and 75-acre property in Euberta, New South Wales.

In March, Murray Cod said it would pay \$6.5 million for the New South Wales facilities (AVW: Mar 20, 2020).

Murray Cod was up 0.5 cents or 4.35 percent to 12 cents.

### QBIOTICS GROUP

Qbiotix says its tigilanol tiglate dog cancer treatment, marketed as Stelfonta, will be available in veterinary clinics in Europe from May 2020.

In January, Qbiotix said the European Medicines Agency had registered Stelfonta for the treatment of non-resectable, non-metastatic, subcutaneous mast cell tumors located at, or distal to, the elbow or the hock, and non-resectable, non-metastatic cutaneous mast cell tumors in dogs (BD: Jan 20, 2020).

Qbiotix is a public unlisted company.

### WATTLE HEALTH AUSTRALIA

Wattle Health says Shepparton Partners Collective (SPC) will help it obtain up \$20 million in credit for the completion of its Corio Bay Dairy Group spray dryer.

Wattle Health said it would issue 30,000,000 shares to SPC, formerly Shepparton Preserving Company and SPC Ardmona, in compensation.

In April, the company said it would form a joint-venture with SPC to increase distribution and sales of its products into new markets and develop new products and brands (AVW: Apr 9, 2020).

Wattle Health said that once the joint-venture achieved \$10 million in annual revenue it would be granted ownership of the Uganic infant formula brand.

The company said it would issue SPC 40,000,000 shares upon formation of the joint venture, which would be released in four tranches of 10,000,000 shares once the joint venture achieving \$5 million, \$10 million, \$15 million and \$20 million annual revenue.

Wattle Health was in a suspension and last traded at 53 cents.

### MGC (MEDICAL GRADE CANNABIS) PHARMACEUTICALS

MGC says it has commitments to raise \$3.5 million in a placement at 2.7 cents a share, cornerstoned by Merchant Opportunities Fund.

MGC said that Canaccord Genuity was the lead manager of the placement.

The company said that the share price was a 6.9 percent discount to the last closing price and a 13.9 percent discount to the 10-day volume weighted average price.

MGC said that investors would receive one free attaching option for every two shares purchased, exercisable at 4.5 cents a share by August 31, 2021.

The company said the funds would be used to produce its cannabinoid-based medicines, undertake clinical trials of, and commercially develop, its Artemic supplement for Covid-19, and for general working capital.

MGC was up 0.1 cents or 3.6 percent to 2.9 cents with 4.9 million shares traded.

### THC (THE HYDROPONICS CO) GLOBAL GROUP

THC says it has a binding \$4 million loan from Mitchell Asset Management to boost its cash balance without dilutionary equity capital raisings.

THC said the loan was mortgaged against its Southport Manufacturing Facility and was repayable on October 31, 2021 or earlier at the company's election.

The company said the loan was "otherwise on standard commercial terms for similar debt facilities" but did not state an interest rate or other terms of the loan.

THC was down 1.5 cents or 4.6 percent to 31 cents.

### ELIXINOL GLOBAL

Elixinol has requested a trading halt "pending an announcement ... in connection with a capital raising, which comprises a fully underwritten ... entitlement offer".

Trading will resume on May 6, 2020 or on an earlier announcement.

Elixinol last traded at 38.5 cents.

### AUSCANN

Auscann says it has completed recruitment and started dosing in its 28 subject, phase I study of two formulations of tetrahydrocannabinol (THC) and cannabidiol (CBD).

Last month, Auscann said the randomized, open-label, cross-over bioavailability study would examine two doses of THC:CBD to inform dose selection (BD: Mar 31, 2020).

Today, the company said that the primary endpoints were the assessment of the pharmacokinetics of THC, CBD and the main active metabolite of THC (11-hydroxy-THC), after oral doses of 2.5mg:2.5mg and 10mg:10mg of THC:CBD.

Auscann fell one cent or 5.3 percent to 18 cents with 1.1 million shares traded.

### AVECHO BIOTECHNOLOGY (FORMERLY PHOSPHAGENICS)

Avecho says Tasmanian Alkaloids will supply medical marijuana products to combine with its tocopheryl phosphate mixture (TMP) vitamin-E technology.

Avecho said it would investigate how its TPM technology might increase oral absorption of cannabinoids from Tasmanian Alkaloids' products.

The company said that it agreed to purchase Tasmanian Alkaloid marijuana products when the process was commercialized.

Avecho said the supply agreement added to the agreement with the Athens, Georgia-based Purysis for the supply of pharmaceutical grade synthetic marijuana to combine with TPM to develop new oral cannabidiol products (BD: Apr 14, 2020).

Avecho executive chairman Dr Greg Collier said "as the use of natural cannabis extracts expand, the lack of differentiation between products is already becoming apparent".

"Avecho's TPM may offer a unique solution, with the potential for patent protection, for companies striving to better differentiate their own medicinal cannabis product in this already busy market place," Dr Collier said.

"In addition to the supply of raw material, the relationship with [Tasmanian Alkaloids] will expose the utility to TPM to a wide audience of prospective partners," Dr Collier said.

Tasmanian Alkaloids chief operations officer Doug Blackaby said that "if TPM is confirmed to increase the oral absorption of cannabinoids, it could become a unique vitamin-based offering, sold by [Tasmanian Alkaloids] or our clients, to better differentiate our partner's cannabinoid resin or isolate products".

Avecho was unchanged at 0.7 cents.

### ECOFIBRE

Ecofibre says it has launched its Hemp Black personal protection equipment (PPE) face masks in the US and begun distribution to address shortages and future demand.

Ecofibre said it had a manufacturing partnership with the Greensboro, North Carolina-based Texinnovate to produce the masks, with a capacity to produce 120,000 masks by June 30, 2020 and 160,000 each month from August 1.

The company said the masks used "element infused adaptive fibers [that] harness the power of odor-neutralizing hemp flower extract, strategically engineered for protection through multilayer 3D knitting".

Ecofibre said the masks were not intended for clinical use and were not approved by the US Food and Drug Administration for this purpose.

Ecofibre chief executive officer Eric Wang said "at least 90 percent of our capacity will be made available to major healthcare supply distributors, and a small percentage of masks allocated to our direct to consumer channel and US state governments".

Ecofibre was down six cents or 2.1 percent to \$2.79.



### RIDLEY CORP

Massachusetts Financial Services (MFS) said it has become a substantial shareholder in Ridley with 16,038,343 shares or 5.15 percent of the company.

The Boston-based MFS said it acquired 1,295,894 shares for \$932,441 or 71.95 cents a share through its International New Discovery Fund on April 29, 2020.

Ridley was up 1.5 cents or 2.1 percent to 72.5 cents.

### BEGA CHEESE

Perpetual says it has reduced its substantial shareholding in Bega from 21,520,276 shares (10.04%) to 19,300,858 shares (9.00%).

The Sydney-based Perpetual said that between April 15 and 22, 2020 it sold 2,219,691 shares for prices ranging between \$4.81 and \$5.11 a share.

Bega was down 10 cents or 2.1 percent to \$4.74 with 706,295 shares traded.

### COSTA GROUP HOLDINGS

Costa says it has appointed Wayne Johnston to replace chief financial officer Linda Kow, who stepped down on May 1, 2020.

Costa said Mr Johnston would be the chief financial officer effective from June 29, 2020, with deputy chief financial officer Amin Ikram to fill the role in the interim.

The company said Mr Johnston had been the chief financial officer of Spicers Paper and Sigma Healthcare and previously worked for Mayne Group.

Costa was down 11 cents or 3.8 percent to \$2.78 with 2.0 million shares traded.

### FONTERRA CO-OPERATIVE GROUP

Fonterra says it has appointed Holly Kramer as an independent director, effective from May 11, 2020.

Fonterra said Ms Kramer had "governance, multinational and retail business experience" and was deputy chair of Australia Post and a director of Woolworths and previously worked for Nine Entertainment, AMP, and Telstra NZ.

Fonterra said Ms Kramer would fill the vacancy left by Simon Israel following his retirement last year, with her appointment to be ratified at this year's annual meeting.

### AVECHO BIOTECHNOLOGY (FORMERLY PHOSPHAGENICS)

Avecho says it had appointed Dr Paul Gavin as chief executive officer and Dr Roksan Libinaki as chief operations officer, effective from May 1, 2020.

Avecho said Dr Gavin joined the company in 2002, was appointed chief scientific officer in 2012, and was one of the inventors of the company's tocopheryl phosphate mixture (TPM) vitamin-E delivery technology.

The company said Dr Gavin held a Bachelor of Science and a Doctor of Philosophy from Melbourne's Monash University.

The company said Dr Libinaki had been with the company since 2001 and was the general manager of animal health and production.

Avecho said Dr Libinaki held a Bachelor of Science, a Doctor of Philosophy and a Master of Business Administration from Monash University.

The company said that executive chairman Dr Greg Collier would resume his role as non-executive chairman from May 1, 2020.

### ELIXINOL GLOBAL

Elixinol says recently appointed chief executive officer Oliver Horn will start on \$395,000 a year including superannuation (BD: Apr 21, 2020).

Elixinol said Mr Horn would be eligible for short-term incentives of up to 25 percent of his total base salary, and long-term incentives at the board's discretion.

### MGC (MEDICAL GRADE CANNABIS) PHARMACEUTICALS

MGC says Israel's Hillel Yaffe Hospital will be the second site for its phase II trial of its supplement artemisinin and curcumin-based Artemic for Covid-19 patients.

Earlier this month, MGC said it had ethics approval to begin the 14-day, 50-patient trial at Israel's Nazareth Hospital (BD: Apr 17, 2020).

MGC managing-director Roby Zomer said that "given [Artemic's] classification as a [food supplement] product and therefore requiring no further approvals or licencing, we are anticipating the ability to produce and sell Artemic within a short period of time following successful completion of the trial."