

Ag & Vet Weekly



Monday May 11 – Friday May 15, 2020

All the news on ASX-listed agriculture and veterinary companies

- * **MAY 15: ASX, AVW-45 UP: NANOLLOSE UP 11%; PHARMAUST DOWN 9%**
- * **NSW FARMERS ON BARLEY TARIFFS; CHINA-AUSTRALIA RELATIONS**
- * **PHARMAUST: MONEPANTEL 'SUCCESS', 1 DOG TUMOR REDUCED**
- * **NANOLLOSE RIGHTS RAISE \$376k OF HOPED-FOR \$720k, SHORTFALL**
- * **CHINA, EU ALLOW ROOTS PATENT FOR HEAT EXCHANGE STUBS**
- * **MEMPHASYS SHARE TRADING INCREASES IN GERMANY**
- * **OPYL, AAMRI LAUNCH BEST PRACTICE SOCIAL MEDIA GUIDE**
- * **CVS TO SELL ECOFIBRE'S MARIJUANA TOPICAL PRODUCTS**
- * **CRESO: 'LEGAL ADVICE' HALTS MERNOVA CANADA MARIJUANA SALES**
- * **THC ACQUIRES TETRA HEALTH FOR \$3m IN CASH AND EQUITY**
- * **ELIXINOL: MARIJUANA PRODUCT LABEL CLASS-ACTION DISMISSED**
- * **CRESO VOTES ON 67% DIRECTORS FEES HIKE TO \$500k; SHARE ISSUES**
- * **PERPETUAL REDUCES TO 7% IN ELDERS**
- * **ECP, EC POHL INCREASE, DILUTED BELOW 5% IN COSTA**
- * **LAZARD ASSET MANAGEMENT REDUCES TO 12.5% OF RIDLEY**
- * **ROOTS REQUESTS 'CAPITAL RAISING' TRADING HALT**
- * **WIDE OPEN AGRICULTURE REQUESTS 'LICENCE' TRADING HALT**
- * **THC: JARROD WHITE, SONNY DIDUGU IN; HENRY KINSTLINGER OUT**
- * **MGC APPOINTS KS KIM ARTEMIC DISTRIBUTOR**

MARKET REPORT

The Australian stock market was up 1.4 percent on Friday May 15, with the ASX200 up 76.1 points to 5,404.8 points. Seventeen of the AVW-45 stocks were up, 12 fell, 10 traded unchanged and six were untraded.

Nanollose was the best, up 0.3 cents or 11.1 percent to three cents, with 94,756 shares traded. THC climbed 8.5 percent; Apiam was up 5.3 percent; Elixinol rose 4.55 percent; Auscann and Elders improved three percent or more; A2 Milk, Costa, Fonterra and Nufarm climbed two percent or more; with Bega, Clover, Food Revolution, Memphasys, Next Science, Select Harvests and Tassal up by one percent or more.

Pharmaust led the falls, down 0.9 cents or nine percent to 9.1 cents, with 5,312,991 shares traded. Terragen lost 8.8 percent; Ecofibre shed 5.6 percent; AP Hemp and Murray Cod fell four percent or more; Opyl was down 2.7 percent; Huon, Ocean Grown Abalone, Seafarms and Synlait lost one percent or more, with Bubs and Cann Group down by less than one percent.

NEW SOUTH WALES FARMERS; FEDERAL GOVERNMENT, OPPOSITION

New South Wales Farmers says it is concerned about proposed tariffs on barley, amid comments by the Federal Government that have seen a strong reaction from China.

New South Wales Farmers said it was “concerned by reports of proposed tariffs on Australia’s barley imports into China”

According to Barley Australia, the country produces more than 9.0 million tonnes of barley each year, and of the total 6.6 million tonnes – worth \$1.8 billion - exported each year, \$1.3 billion goes to China.

On April 21, Prime Minister Scott Morrison called for an inquiry into the origins of the severe acute respiratory syndrome-coronavirus-2 (Sars-Cov-2) urging member nations of the World Health Organisation to join the inquiry.

A spokesman for the Prime Minister told Ag & Vet Weekly the issue was first raised by Foreign Minister Senator Marise Payne on April 19, 2020, following comments by US President Donald Trump blaming China for the pandemic.

“We will need an independent inquiry that looks at what has occurred here so we can learn the lesson,” Mr Morrison said. “Our purpose here is just pretty simple. We’d like the world to be safer when it comes to viruses.”

It has been widely reported that the Government of the People’s Republic of China was not pleased by what it saw as interference in its internal affairs.

Chinese officials have made comments about what produce people might want to consume - including directly discussing beef and other Australian agricultural commodities.

This week, New South Wales Farmers said the barley tariff proposals “comes amid China’s 18-month anti-dumping investigation into Australia ... set to wind up shortly”.

“The yet to be finalized tariffs may include a dumping margin of up to 73.6 percent and a subsidy margin of up to 6.9 percent for barley imported from Australia,” the industry organization said.

New South Wales Farmers grains committee chair Matthew Madden said the tariffs, if imposed by China, would be a substantial blow to Australian barley producers.

“Barley is considered one of Australia’s main exports to China, and our barley industry has a long standing and positive relationship with China,” Mr Madden said.

“Our barley producers currently operate in a competitive, unsubsidized global market [and] while it is China’s prerogative to impose a tariff against us, it is not justifiable,” Mr Madden said. “We do not believe China has a case against us in their anti-dumping probe.”

Mr Madden said the grains industry would co-operate with the Chinese Government and would work closely with the Australian Government on the issue.

“The next week will be critical for the industry,” Mr Madden said.

He said a final determination was expected by May 18.

Labor Shadow Minister for Foreign Affairs Senator Penny Wong said the relationship with China was “complex” and required leadership.

“I think it is regrettable that much of this debate is being framed and led by conservative backbenchers, trying to outdo each other as to who can be more strident on China and I don’t think that serves the national interest,” Senator Wong said. “[The] national interest is served most by consistently holding to what our interests are, holding to our position.”

“[Senator] Payne should engage much more clearly and consistently in this national discussion,” Senator Wong said. “And we would benefit from the Foreign Minister, as her predecessors have, from engaging much more in leading and framing, in this debate.”

“I think it’s unfortunate that we have the temperature turned up by a range of backbenchers who ... see a domestic political benefit in turning up the dial,” Senator Wong said. “We need to be focusing on the national interest.”

PHARMAUST

Pharmaust says monepantel for naïve B cell lymphoma in dogs is successful, with one of seven dogs having a 60 percent reduction in tumor size after treatment.

Pharmaust said the trial was on hold while an interim report was finalized for the supplier of monepantel, the Greenfield, Indiana-based Elanco US, as part of a data sharing agreement between the companies (BD: Apr 18, 2018; Jan 29, 2019).

The company said that seven dogs were enrolled, six dogs completed 14 days of the at-home monepantel tablet treatment, administered by their owners.

Pharmaust said that after 14 days of monepantel tablet treatment one dog had achieved a partial response with “a greater than 60 percent reduction in total tumor burden and with one lymph node tumor regressing completely”.

The company said that four dogs had stable disease after 14 days, one dog had progressive disease, and one dog had a partial response but showed elevated liver enzymes and discontinued treatment.

Pharmaust said that the four remaining dogs completed the 28-day treatment schedule, “with all four pet dogs achieving stable measured lymph nodes”.

“A new lesion, however, became apparent in two of these dogs and some elevated liver enzyme values not resulting in clinical illness were also noted,” the company said.

Pharmaust said the outcome provided “a meaningful trend, comparing favorably with the treatment used in the original liquid monepantel formula reported on ... December 2017, where six of seven dogs achieved stable disease and progressive disease was seen in one dog” (BD: Dec 13, 2017).

The company said that the high dosing levels caused loss of appetite and weight loss in some dogs, with some owners experiencing difficulties in administering tablets.

Pharmaust said that reducing the target dose in future trials was expected to result in better outcomes in terms of efficacy, safety and dosing pets.

The principal investigator and University of Melbourne oncology lecturer Dr Claire Cannon said that monepantel appeared to be showing anti-cancer activity in dogs with lymphoma.

“I believe that controlled phase III trials are now warranted to investigate the efficacy and safety of lower dose monepantel,” Dr Cannon said.

“The phase II trial results suggest that monepantel, perhaps in combination with standard of care lymphoma therapy, may represent a future prospect for treatment of dogs with this disease,” Dr Cannon said.

Pharmaust chief scientific officer Dr Richard Mollard said that “having the monepantel tablets achieve a 60 percent reduction in tumor burden in one dog, with one lymph node returning to normal, is a terrific and unexpected outcome”.

“The correlation of lower [monepantel] blood levels with superior outcomes is also a very positive trend, providing flexibility for better outcomes in a future phase III trial,” Dr Mollard said.

Pharmaust was down 0.9 cents or nine percent to 9.1 cents with 5.3 million shares traded.

NANOLLOSE

Nanollose says its two-for-five rights offer at 2.4 cents a share has received acceptances \$376,097 of the hoped-for \$720,000 and expects to place the shortfall.

Nanollose said that all company directors had accepted their rights offer in full.

The company said that Alto Capital was the lead manager of the rights offer and would place the shortfall of 14,329,285 shares.

Nanollose was up 0.3 cents or 11.1 percent to three cents.

ROOTS SUSTAINABLE AGRICULTURAL TECHNOLOGIES

Roots says the China Patent Office and the European Union have allowed patents for its heat exchange stubs.

Roots said the patent, titled 'Device for temperature control in root zone', would provide protection until November 25, 2029 in China, while the European Union patent, which covered 28 countries including the UK, would protect it until November 25, 2044.

The company said its heat exchange stubs were designed to be inserted into the tops of plant pots and grow bags to simplify work procedures and lower the installation cost associated with the Root Zone Temperature Optimisation (RZTO) technology.

The company said it expected to be granted the China patent within the next 60 days.

In January, Roots said Intellectual Property Australia had awarded it the patent, which provided protection until November 25, 2024, extendable to 2029 (AVW: Jan 24, 2020).

Roots was in a trading halt and last traded at 2.1 cents.

MEMPHASYS

Memphasys says there has been an increase in the trading of its shares on German stock exchanges.

Memphasys said it was listed on the Frankfurt Stock Exchange, the Berlin-based TradeGate Exchange, and the Berlin, Munich and Stuttgart Stock Exchanges.

Memphasys executive chair Alison Coutts said that in the past few months, the company had "noticed an increase in demand of Memphasys shares in the German-speaking region through a secondary listing at the open market of the Frankfurt Stock Exchange".

"The listing on the additional exchanges was driven by local investor demand, which has increased in recent weeks," Ms Coutts said.

The company said its Felix device, which quickly separated sperm from semen samples in human in-vitro fertilization procedures, was in the pre-commercialization phase and expected the first sales "in late 2020".

Memphasys was up 0.1 cents or 1.5 percent to 6.6 cents.

OPYL

Opyl says it has launched a best practice guide for social media during the Covid-19 crisis with the Association of Australian Medical Research Institutes.

Opyl said the guide would support medical researchers to disseminate critical medical research through global digital communication channels, including social media.

The company said the Covid-19 pandemic had seen a 61 percent increase in social media engagement since the beginning of April and global reliance on reputable medical and scientific information was rising.

Opyl was down 0.2 cents or 2.7 percent to 7.3 cents.

ECOFIBRE

Ecofibre says it has a distribution agreement with CVS to sell its marijuana-derived topical products, including cremes and salves.

Ecofibre said it would initially supply 10 products, manufactured at its Georgetown, Kentucky-based headquarters.

The company said it expected the products to be available in select CVS shops in December 2020.

Ecofibre was down 17 cents or 5.6 percent to \$2.85.

CRESO PHARMA

Creso has told the ASX that it will take no further action on its Minerva licence to sell marijuana in Canada until it has received further legal advice.

On Monday, Creso said that its wholly-owned subsidiary Mernova Medicinal Inc would sell dried and fresh marijuana for medical purposes in Canada and it had received a sales licence from Health Canada which allowed it to distribute medicinal marijuana to authorized retailers and holders of a licence until February 2022. (BD: May 11, 2020).

Creso chief executive officer Dr Miri Halperin Wernli said at that time that the sales licence was “a tremendous development for Mernova and provides an exciting opportunity to quickly establish and expand our retail footprint in these profitable markets”.

“With the surge in demand for on-line cannabis purchases across Canada, the launch of Mernova’s retail products comes at a perfect time to showcase its range of high-quality cannabis products and establish a large network of local customers from which to build,” Dr Halperin said.

Following a trading halt, Creso said it had undertaken to the ASX that “no member of the Creso Pharma Group had taken any action in respect of any activities authorized by the sales licence” and it was in the process of completing its due diligence.

Creso said that “based on the company’s legal advice to date, it is confident that it can obtain the required legal opinion within a week of this announcement, however given the company’s undertaking not to act on the sales licence, the company advises investors should not rely on the original announcement in making investment decisions”.

Creso was unchanged at 6.8 cents.

THC GLOBAL

THC says it has acquired medical marijuana access provider Tetra Health for \$2.5 million in shares and \$500,000 in cash, to be paid over six months.

THC said Tetra connected Australian patients and medical practitioners to prescribers of medical marijuana and had a network of more than 600 referring and 30 prescribing physicians, more than 10,000 prospective patients and more than 1,100 active patients. The company said the acquisition allowed it to increase accessibility and reduce costs of medical marijuana by cutting out intermediary mark-ups and handling costs.

THC said that followed the settlement of the acquisition, Tetra and THC would pursue opportunities, including expanding its partnerships with private hospitals and medical centres in Australia and the potential to launch in new regions including New Zealand.

The company said it had retained all Tetra staff to ensure the continuity of its services.

THC was up 2.5 cents or 8.5 percent to 32 cents.

ELIXINOL GLOBAL

Elixinol says the class-action lawsuit against its US parent company, Elixinol LLC, regarding allegedly misleading product labels has been voluntarily dismissed.

Last year, Elixinol said the lawsuit alleged that the company’s products were mislabelled as dietary supplements and could be misleading (BD: Dec 6, 2019).

Today, the company said the plaintiffs had filed a notice of voluntary dismissal to the US District Court for the Northern District of California on May 8, 2020

Elixinol said that “the withdrawal of the class-action suit is vindication of the company’s position that its products are accurately labeled and that the plaintiffs’ misleading conduct claims were without merit”.

Elixinol was up one cent or 4.55 percent to 23 cents with 4.6 million shares traded.

CRESO PHARMA

Creso says shareholders will vote to increase its directors' fees pool by 66.7 percent to \$500,000 a year and issue stock to Lind, L1 Capital, Chifley and Suburban Holdings.

Creso said the annual general meeting would vote to approve its 7.1A mandate or placement capacity to 10 percent of issued capital.

In April, Creso said it had a \$1,000,000 convertible securities agreement with Lind Global Macro Fund LP and had drawn \$500,000 from L1 Capital (BD: Apr 20, 2020).

Today, Creso said it would vote to issue 30,000,000 collateral shares, one convertible note and 10,752,688 options to Lind and ratify the prior issue of 6,000,000 initial collateral shares, as well as vote to issue 15,000,000 additional tranche one collateral shares and ratify the prior issue of 10,812,526 additional collateral shares to L1 Capital, issue 2,000,000 additional tranche one collateral shares to Chifley and 15,000,000 shares to Suburban Holdings, and issue up to 5,310,954 settlement shares, adopt its remuneration report and re-elect director James Ellingford.

The meeting will be "virtual" and held on Tuesday June 16, 2020 at 1:30pm (AEST).

ELDERS

The Sydney-based Perpetual says it has reduced its substantial shareholding in Elders from 13,403,912 shares (8.61%) to 11,202,937 shares (7.20%).

Perpetual said that it bought and sold shares between April 6 and May 8, 2020 with the single largest sale 296,566 shares on April 8 for \$2,417,180 or \$8.16 a share.

Elders was up 34 cents or 3.75 percent to \$9.41 with 1.8 million shares traded.

COSTA GROUP HOLDINGS

ECP Asset Management and EC Pohl & Co say they have ceased substantial shareholding in Costa, but increased their holding.

Last September, the Sydney-based ECP and the Gold Coast, Queensland-based EC Pohl & Co said they had become substantial shareholders with 16,042,157 shares or 5.0 percent of the company (AVW: Sep 6, 2019).

In its ceasing substantial shareholder notice, signed by Jared Pohl, ECP said it ceased to be a substantial shareholder on March 31, 2020.

The company said it bought and sold shares between October 1, 2019 and May 8, 2020, acquiring 5,214,677 shares for \$12,520,864 or \$2.40 a share, and sold 4,145,810 shares for \$11,317,225 or \$2.73 a share.

Ag & Vet Weekly calculates that ECP retains 17,111,024 shares, and based on Costa's most recent Appendix 2A application for quotation of securities or 4.27 percent of Costa.

In November, Costa said its fully underwritten rights offer raised a total of \$180 million at \$2.30 a share in the institutional component and \$2.20 in the retail component.

Costa was up seven cents or 2.5 percent to \$2.83 with 1.3 million shares traded.

RIDLEY CORPORATION

Sydney's Lazard Asset Management Pacific Co says it has reduced its substantial shareholding in Ridley from 42,569,445 shares (13.83%) to 38,754,176 shares (12.45%).

Lazard said that it bought and sold shares between May 10, 2019 and May 1, 2020, with the single largest sale 6,798,285 shares for \$7,267,714 or \$1.07 a share.

Ridley was unchanged at 70.5 cents.

ROOTS SUSTAINABLE AGRICULTURAL TECHNOLOGIES

Roots has requested a trading halt “pending an announcement in relation to a capital raising”.

Trading will resume on May 18, 2020 or on an earlier announcement.

WIDE OPEN AGRICULTURE

Wide Open Agriculture has requested a trading halt “pending an announcement of a material licence and option agreement”.

Trading will resume on May 18, 2020 or on an earlier announcement.

Wide Open Agriculture last traded at 14 cents.

THC (THE HYDROPONICS COMPANY) GLOBAL GROUP

THC says Jarrod White and Sonny Didugu have been appointed as joint company secretaries, replacing Henry Kinstlinger.

MGC (MEDICAL GRADE CANNABIS) PHARMACEUTICALS

MGC says Israel’s KS Kim International will distribute and sell food supplement Artemic “for viral infections” in Israel, Russia and Eastern European countries.

MGC said KS Kim was a division of SK-Pharma Group and it would supply the product and develop documentation and patient information leaflets for registration as a drug for Israel, Russia, the Commonwealth of Independent States and Balkan countries.

The company said KS Kim would register, promote and distribute the product and would provide a non-binding sales forecast for the first two years.

MGC said Artemic would be evaluated in a phase II trial for viral infections, but did not mention severe acute respiratory syndrome coronavirus-2 (Sars-Cov-2) or Covid-19.

In March and April, MGC requested seven extensions to a voluntary suspension following a trading halt requested on March 19, 2020 for what is said was a Covid-19-related joint venture (BD: Mar 19, 23, 24, 25, 26, 27, 31; Apr 2, 3, 2020).

MGC was eventually suspended by the ASX and emerged saying the trading halt and suspension had nothing to do with Covid-19, before making a further announcement that the joint venture with Swiss company Micelle Technology AG was to repurpose malaria compound Artemic for Covid-19 (BD: Apr 15, 17, 2020).

MGC last traded at 2.6 cents with three million shares traded.