

Ag & Vet Weekly



Monday June 29 – Friday July 3, 2020

All the news on ASX-listed agriculture and veterinary companies

- * JULY 3: ASX, AVW-44 UP: PHARMAUST UP 14%; AP HEMP DOWN 20%
- * SYNLAIT WINS B CORP 'FORCE FOR GOOD' CERTIFICATION
- * WIDE OPEN, CBH GROUP AGREEMENT FOR CARBON NEUTRAL GRAIN
- * RIDLEY OPENS BENDIGO FEED MILL, MOOROOPNA TO CLOSE
- * CANN GROUP RECEIVES \$2m VICTORIA REGIONAL JOBS GRANT
- * NUFARM CEASES INSECTICIDE, FUNGICIDE, 2,4-D HERBICIDE
- * ECOFIBRE: US MARIJUANA NEUROPATHY TRIAL STARTS
- * CANN GLOBAL RIGHTS OFFER FOR \$4.7m
- * THC: MEDLEAF PAYS \$260k; EXPECTS CANADA, EUROPEAN ORDERS
- * MGC EGM: 23.5% OPPOSE SHARE RATIFICATION
- * ELIXINOL 1.36m OLIVER HORN, HELEN WISEMAN RIGHTS AGM
- * CRESO: 15m MERNOVA SHARES FOR SALES MILESTONE
- * PENDAL GROUP BELOW 5% IN A2 MILK
- * PERPETUAL TAKES 13% OF COSTA
- * GABOR TAKES 27.9% OF SEAFARMS
- * L1 TAKES 7.4% OF CRESO; CHAIR WACHTEL, CEO WERNLI BELOW 5%
- * DAVID HUNNON, CHIFLEY TAKE 12% OF ESENSE
- * ELDERS: DIRECTOR MICHAEL CARROLL RESIGNS
- * RIDLEY CHAIR DR GARY WEISS EXTENDS TO AUGUST
- * FOOD REVOLUTION LOSES FINANCE DIRECTOR JOE ZHOU

MARKET REPORT

The Australian stock market was up 0.42 percent on Friday July 3, 2020, with the ASX200 up 25.2 points to 6,057.9 points.

Nineteen of the AVW-44 stocks were up, 13 fell, seven traded unchanged and five were untraded.

Pharmaust was the best, up three cents or 14.3 percent to 24 cents, with 10.4 million shares traded.

Roots was up 12.5 percent; Memphasys improved 10 percent; Cann Group climbed 8.3 percent; Ecofibre and Next Science rose more than seven percent; Bega, Elixinol and Wide Open were up more than five percent; Cannpal, Clean Seas and Seafarms improved four percent or more; A2 Milk, Fonterra, Palla, Ridley and Terragen rose two percent or more; Synlait increased 1.2 percent, with Tassal up by 0.3 percent.

AP Hemp led the falls, down 2.5 cents or 20.0 percent to 10 cents, with 78,000 shares traded.

Cann Global fell 16.7 percent; Creso lost 11.4 percent; THC was down 3.3 percent; Apiam, Clover and Tasfoods shed more than two percent; Althea, Costa, Food Revolution and Select Harvests fell one percent or more; with Elders and Nufarm down by less than one percent.

SYNLAIT MILK

Synlait says the non-profit B Lab has certified it as a “B Corporation”, a community of more than 3,300 companies who have pledged to use business as a force for good. Synlait said B Corp businesses, which operated in 150 industries and 71 countries, had to undergo an assessment process that measured ongoing impact on workers, communities and suppliers, customers, governance and the environment.

The company said more than 30 of its staff took part in completing the assessment and that the accreditation would be reviewed every three years.

Synlait said it would use the assessment as stimulus to continue to make positive change within the company, elevating “people and planet to the same level as profit”.

The Berwyn, Pennsylvania-based B Lab website said that it began operations in 2006 with the first certification in 2007.

Synlait chief executive officer Leon Clement said that ‘Doing Milk Differently For A Healthier World’ was “the reason Synlait exists”.

“It shapes who we are, what we stand for, and what we do,” Mr Clement said.

“Synlait’s mission is to be a catalyst for change in our industry and becoming a B Corp commits us to balancing people, planet and profit,” Mr Clement said.

“Today’s consumers have rapidly shifting expectations on how we should care for our people and planet, and we have responded ensuring our business, as a milk nutrition company, is fit for a better world,” Mr Clement said.

“Being a Certified B Corp creates a new benchmark for our company, our customers and our community,” Mr Clement said.

Synlait was up eight cents or 1.2 percent to \$6.75.

WIDE OPEN AGRICULTURE

Wide Open Agriculture says it has a memorandum of understanding with Co-operative Bulk Handling (CBH) Group to explore development of carbon neutral grain products. Wide Open said the Perth, Western Australia-based CBH operated in Australia, Japan and Hong Kong and was Australia's largest exporter of grain.

The company said that under the non-binding agreement, it would explore the feasibility of sourcing, certifying, marketing and distributing carbon neutral oats, barley and lupins from Western Australia and would consider the potential for regenerative farming practices to support the goal and if both parties agreed, it might progress to commercialization.

Wide Open chief executive officer Dr Ben Cole said the company had "developed a deep understanding of regenerative farming systems" and the company was transitioning towards carbon neutral certification across all products.

"Developing grain products with a clear understanding of their environmental impact from farm-to-customer could provide new market access and potential premiums for growers," Dr Cole said.

The company said that carbon neutral certification had been identified as a possible verification tool to support and differentiate Western Australian grain products, and if successful, the project could lead to one of the world's first carbon neutral certified products for buyers seeking more sustainable grain alternatives.

Wide Open was up two cents or 5.1 percent to 41 cents.

RIDLEY CORP

Ridley says it has commissioned its Wellsford pig and poultry feed mill near Bendigo to facilitate cutting back and closing other operations in central and northern Victoria.

Ridley said the new feed mill had a 350,000-tonne annual capacity and would be able to cope with the production capacity of both the company's old Bendigo feed mill and its existing Mooroopna feed mill.

The company said it had moved production from the Bendigo mill to the new Wellsford mill expected to transition production from the Mooroopna feed mill over the next six to nine months, after which it would prepare the site for divestment.

Ridley said it would finalize preliminary estimates of \$6 million for closure, site security and remediation at both feed mills in the coming month, to be brought to account in the operating result for the year to June 30, 2020.

Ridley chief executive officer Quinton Hildebrand said that "having invested just over \$47 million in the new Wellsford facility, it is important that we take full commercial advantage of its superior efficiency and product quality".

"Unfortunately, that means the closure of our Mooroopna feed mill, and we will be working closely with our customers over the coming months to ensure they benefit from a seamless transition to the Wellsford supply arrangements," Mr Hildebrand said.

Ridley was up two cent or 2.7 percent to 77 cents.

CANN GROUP

Cann says it has received a \$1,975,000 grant from the Victorian Government to fund the electricity upgrades at its marijuana cultivation facility near Mildura.

Cann said the grant was awarded under the Victorian Government's Regional Jobs Fund, with Mildura facility potentially able "to generate 150 permanent jobs".

Cann Group was up 7.5 cents or 8.3 percent to 98 cents with 1.1 million shares traded.

NUFARM

Nufarm says it will cease manufacturing insecticides and fungicides at its Raymond Road, Laverton site and curtail production of the herbicide 2,4-D in Linz, Austria.

Nufarm said an analysis of its manufacturing footprint had shown that operations were competitive, but gaps had emerged for 2,4-D (2,4-dichlorophenoxyacetic acid) synthesis as well as insecticide and fungicide formulation.

The company said it would prepare the Raymond Road site, in Melbourne's west, for sale over the next 18 months and cease synthesis of the herbicide 2,4-D in early 2021.

Nufarm said it expected one-off restructuring costs of \$25 million, partially offset by the expected \$5 million from the sale of the Raymond Road site, and an additional \$25 million in other non-cash costs.

The company said it expected to generate \$10 million a year once the changes to the Linz site were implemented, but production of other products at the Linz site would not be impacted.

Nufarm fell three cents or 0.7 percent to \$4.05 with 1.1 million shares traded.

ECOFIBRE

Ecofibre says enrolment has begun for a US-based phase II trial of its Ananda Health cannabidiol for chemotherapy-induced peripheral neuropathy.

Ecofibre said the trial, conducted by Philadelphia's Lankenau Institute for Medical Research, would assess the efficacy of its cannabidiol (CBD) gel caps for breast, colon and ovarian cancer patients who received common types of neurotoxic chemotherapy.

The company said it expected to complete the study in 2022.

Lankenau Medical Center's director of breast radiation oncology Dr Marisa Weiss said "we are proud to be the first in the United States to study the impact of hemp-derived full spectrum CBD on [chemotherapy-induced peripheral neuropathy], a condition that affects approximately 25 to 50 percent of paediatric and adult cancer patients undergoing neurotoxic chemotherapy".

Dr Weiss said this was believed to be the first phase II clinical trial using full-spectrum hemp extract for the treatment of chemotherapy-induced peripheral neuropathy that had received investigational new drug status from the US Food and Drug Administration.

Ecofibre said it was planning a second phase II clinical trial that would evaluate moderate-dose cannabidiol on agitation, sleep and mood in dementia patients, with patient enrolment expected in August.

The company said that, in addition to its US clinical trials, it would support research on low-dose full spectrum CBD in Australia later this year.

Ecofibre was up 17 cents or 7.2 percent to \$2.52.

CANN GLOBAL

Cann Global says it has repriced its \$4,661,235 four-for-one rights offer prospectus from 0.55 cents to 0.5 cents a share in order to comply with ASX requirements.

Cann said it was notified that "ASX operating rules and systems parameters stipulate a minimum price increment of 0.1 cent" and would immediately withdraw the offer, pending a repricing to comply with the requirement.

The company said that following the necessary changes, it would proceed with the offer which included one free option for every two new shares, exercisable at 1.2 cents by January 31, 2022.

Cann Global fell 0.1 cents or 16.7 percent to 0.5 cents with 18.1 million shares traded.

THC (THE HYDROPONICS COMPANY) GLOBAL GROUP

THC says it will supply 2,250 bottles of Canndeo to Medleaf for \$260,000, and expects orders of 3,000 bottles to Canada, plus initial European orders.

Last week, THC said it has an agreement to produce and supply 2,250 bottles of its Canndeo full spectrum cannabidiol and balanced tetrahydrocannabinol with cannabidiol the Auckland, New Zealand-based Medleaf Therapeutics from October 2020 to August 2021, with an automation renewal option (AVW: Jun 26, 2020).

This week, company said Medleaf would pay \$260,000 for the 2,250 bottles, or \$115.55 a bottle, to supply 800 patients.

THC said it expected to export 3,000 bottles to Canada by October 31, 2020 and expected its first European orders by the end of 2020, following verification of the Good Agricultural and Collection Practice, a European requirement, of its suppliers of cannabis oil.

THC said that to support the increase demand on its products it had "secured additional crude cannabis extract supply from Southern America".

THC fell one cent or 3.3 percent to 29 cents.

MGC PHARMACEUTICALS

MGC says its extraordinary general meeting passed all resolutions, but with 23.47 percent opposed to the prior issue of secondary placement shares and options.

MGC said the ratification of 129,630,000 shares issued in its secondary placement, corner-stoned by Merchant Opportunities Fund, was opposed by 59,075,967 votes (23.47%) with 192,646,852 votes (76.53%) in favor (BD: Apr 28, 2020).

The company said the resolutions for the ratification of shares to OT Capital Mondiin, options for share plan participants, the secondary placement options, the issue of options to executive chairman Brett Mitchell and the issue of options to director Dr Ross Walker were passed by wider margins but opposed by more than 20 percent of votes.

MGC said the ratification of the issue of shares to Canaccord and Cannvalate Pty Ltd were opposed by more than 18 percent.

The company's most recent Appendix 2A new issue announcement said it had 1,575,612,348 shares on issue, meaning that the largest opposition of 61,948,426 votes against the issue of option to Mr Mitchell amounted to 3.9 percent of the company, not sufficient to requisition extraordinary general meetings.

MGC was unchanged at 2.1 cents with 13.8 million shares traded.

ELIXINOL GLOBAL

Elixinol says it will vote to issue chief executive officer Oliver Horn 1,299,222 performance rights and director Helen Wiseman 62,271 performance rights.

Elixinol said the annual general meeting would vote to issue Mr Horn 937,500 rights, vesting in two equal tranches at six and 18 months from July 30, 2020 and a further 361,722 performance rights as a long-term incentive, vesting on February 28, 2023.

Elixinol said the performance rights to Ms Wiseman related to remuneration as a non-executive director and would vest on February 28, 2024.

The company said it would also vote to elect Mr Horn and Ms Wiseman as directors, to re-elect chair Paul Benhaim, adopt the remuneration report, approve the 10 percent placement capacity, appoint BDO Audit as its auditor and approve leaving entitlements for former directors Andrew Duff and Greg Ellery.

The meeting will be held virtually on July 30, 2020 at 10.30am (AEST).

Elixinol was up one cent or 5.9 percent to 18 cents with 1.4 million shares traded.

CRESO PHARMA

Creso says it will issue 15,010,185 shares to Mernova vendors at 5.0 cents a share to settle part of a debt related to its second Mernova Medical acquisition milestone. In 2017, Creso said it would pay Mernova vendors \$C800,000 (\$A898,431) for the first milestone of obtaining a Canada cultivation licence and a second milestone of the same amount for obtaining a Canada sales licence (BD: Jul 27, 2017). Creso fell 0.4 cents or 11.4 percent to 3.1 cents with 2.9 million shares traded.

A2 MILK COMPANY

Pendal Group says it has reduced and ceased its substantial shareholding in A2 Milk. Last Tuesday, the Sydney-based Pendal said it reduced its shareholding from 46,104,500 shares (6.27%) to 38,929,479 shares (5.26%), having bought and sold shares between November 15, 2019 and June 26, 2020 for a total sale of 7,175,021 shares for \$119,264,581 or \$16.62 a share. On Thursday, Pendal said it had sold 4,433,552 shares for \$82,870,299 or \$18.69 a share, with Ag & Vet Weekly calculating that A2 retains 34,495,927 shares or 4.66 percent of the company. A2 Milk was up 50 cents or 2.6 percent to \$19.83 with 2.5 million shares traded.

COSTA GROUP HOLDINGS

Perpetual says it has increased its substantial shareholding in Costa from 47,859,235 shares (11.94%) to 52,057,470 shares (12.99%). The Sydney-based Perpetual said it bought shares between May 28 and June 24, 2020, for prices ranging between \$2.80 and \$3.31. Costa fell three cents or 1.0 percent to \$3.08 with 2.1 million shares traded.

SEAFARMS GROUP

The Perth-based Gabor Holdings says it has increased its substantial holding in Seafarms from 487,891,222 shares (21.84%) to 675,871,221 shares (27.90%). On Tuesday, Seafarms said it would issue 187,979,999 new shares related to its placement in March, 2020 that raised \$12.5 million (AVW: Mar 27, 2020). Seafarms was up 0.2 cents or four percent to 5.2 cents.

CRESO PHARMA

The Cayman Islands-based L1 Capital Global Opportunities says it has become a substantial shareholder in Creso with 25,148,554 shares or 7.35 percent of the company.

CRESO PHARMA

Creso chairman Boaz Wachtel says his 8,300,000 share-holding has been diluted below five percent and he has ceased to be a substantial shareholder. Mr Wachtel says that through the Kfar Neter, Israel-based International Water Energy Savers, he was diluted on November 29, 2019. Last year, Creso said it hoped to raise up to \$9,785,161 to repay the \$C3.9 million (\$A4.3 million) Pharmaciolo loan and to fund its ongoing operations (BD: Nov 28, 2019).

CRESO PHARMA

Creso chief executive officer Miriam Halperin Wernli says she has been diluted and ceased to be a substantial shareholder in Creso.

Last year, Ms Wernli said she held 12,800,000 shares or 8.84 percent of the company (BD: Jul 16, 2019).

Today, the Baar, Switzerland-based Ms Wernli said that she was diluted on June 2, 2020 in the \$2,137,000 placement at six cents a share (BD: Jun 1, 2020).

ELDERS

Elders says Michael Carroll has “resigned as a director with immediate effect”.

In an announcement released at 3.54 pm on Thursday July 2, 2020, Elders said it intended to appoint a new non-executive director “in due course”.

The company said it thanked Mr Carroll “for his contribution and wish him well in his future endeavours”.

Elders fell four cents or 0.4 percent to \$10.11 with 599,519 shares traded.

RIDLEY CORPORATION

Ridley says its chairman Dr Gary Weiss will extend his tenure with the company to August 26, 2020.

In March, Ridley said Dr Weiss would retire effective from June 30, 2020 after 10 years as a non-executive director and five years as chairman (AVW: Mar 13, 2020).

This week, the company said the process to appoint his replacement was “well advanced” but had been delayed due to the Covid-19 pandemic.

THE FOOD REVOLUTION GROUP

Food Revolution says that finance director Joe Zhou has resigned “due to personal reasons”.

Food Revolution said Mr Zhou would continue to report to the chief executive officer leading special projects and manage the financial team until a new chief financial officer had been appointed.

The company said it was searching for a replacement chief financial officer who had experience with fast moving consumer goods.

Food Revolution chief executive officer Tony Rowlinson said the company was completing senior executive appointments as it streamlined its juice business with the addition of “wellness products as well as expansion of our Original Juice Co Black Label brand” with many of the “wellness” products targeting the Chinese consumer market.

The company said it was on-track for its revenue guidance of \$40 million for the year to June 30, due to strong sales of its Original Juice Co brand and hand sanitizer products.

Food Revolution fell 0.1 cents or 1.9 percent to 5.2 cents.