

Ag & Vet Weekly



Monday July 20 – Friday July 24, 2020

All the news on ASX-listed agriculture and veterinary companies

- * **JULY 24: ASX DOWN, AVW-44 UP: MEMPHASYS UP 18%; CANN GROUP DOWN 8%**
- * **CANNPAL: DERMACANN SAFETY, EFFICACY FOR DOG ECZEMA**
- * **CSIRO, PHARMAMARK OMEGA-3 FROM OCEAN MICROBES**
- * **SEAFARMS: 3rd PRAWN GENERATION; \$150m LOAN**
- * **APIAM: REVENUE UP 6% TO \$118m, PROFIT UP 31% TO \$4.2m**
- * **ECOFIBRE RECEIPTS UP 27% TO \$43.0m**
- * **QUEENSLAND UNI: NATIVE 'STINGLESS BEE' HONEY LOW GI SUGAR**
- * **TASFOODS 2nd 'FIRST STRIKE' - 36% OPPOSE REMUNERATION REPORT**
- * **WIDE OPEN: 'OAT MILK THIS YEAR**
- * **TASFOODS EXPECTS \$3.5m POULTRY, DAIRY IMPAIRMENT CHARGE**
- * **NUFARM MOVES FINANCIAL YEAR TO SEPTEMBER 30**
- * **FACTOR TO ACQUIRE LONGMILE VET TECH; DAVID BROOKES CHAIR**
- * **AVECHO PLEADS SCHULTZ TO ASX 86% PRICE QUERY**
- * **MGC: \$1.4m FOR CANNVALATE'S MEDICINAL CANNABIS CLINIC**
- * **MGC 'ARTEMIC SARS-COV-2 RESULTS' SUSPENSION**
- * **CLEAN SEAS APPOINTS KIDDER WILLIAMS ADVISOR**
- * **ROOTS APPOINTS DIRECTOR PETER HATFULL**

MARKET REPORT

The Australian stock market was down 1.2 percent on Friday July 24, 2020, with the ASX200 down 70.5 points to 6,024 points. Sixteen of the AVW-44 stocks were up, 15 fell, nine traded unchanged and four were untraded.

Memphasys was the best, up two cents or 18.2 percent to 13.0 cents, with 4.25 million shares traded. Murray Cod rose 7.7 percent; Clean Seas and Pharmaust were up more than five percent; Bubs and Select Harvests climbed more than four percent; Creso and Seafarms improved more than three percent; Elders, Next Science, Regeneus and Wide Open were up more than two percent; Clover and Costa rose more than one percent; with Bega and Ecofibre up by less than one percent.

Cann Group led the falls, down four cents or 7.8 percent to 47.0 cents, with 7.8 million shares traded. Terragen shed 6.8 percent; Apiam lost 5.8 percent; Palla Pharma and Roots fell more than four percent; Cannpal was down 3.85 percent; Althea, Synlait and Ridley shed more than two percent; Tasfoods and THC lost one percent or more; with A2 Milk, Fonterra, Nufarm and Tassal down by less than one percent.

CANNPAL ANIMAL THERAPEUTICS

Cannpal says two formulations of its 5mg/mL marijuana-based oral Dermacann shows safety and efficacy for atopic dermatitis or eczema in dogs, the target species.

Cannpal said the randomized, double-blind, placebo-controlled trial originally planned to test the liquid oral oil on 30 dogs but Covid-19 restrictions reduced the number to 13 dogs, with eight dogs in the Dermacann treatment groups and five allocated to placebo.

Cannpal chief executive officer Layton Mills told Ag & Vet Weekly that the dogs were dosed twice daily with 1mL/10kg Dermacann or placebo, which could either be applied to food or given directly into the dogs' mouths.

In a media release to the ASX, Cannpal said that Dermacann reduced the Canine Atopic Dermatitis Extent and Severity Index (Cadesi-4) "by an average of 51 percent after 56 days of treatment ... [with] a positive impact on important skin inflammatory biomarkers in blood plasma".

The company said that Dermacann was well tolerated by all dogs on treatment, with no significant adverse events reported throughout the length of the eight-week study.

Cannpal said that the two similar Dermacann formulations used different sources of cannabidiol extracted from the hemp plant.

The company said that veterinary and owner assessments were conducted on all dogs on (or around) day-0, day-28 and day-56 using the Cadesi-4 model to assess skin lesions in multiple areas classically affected by canine atopic dermatitis, with assessments of skin and coat health completed by dermatologists and dog owners.

Cannpal said that no significant adverse events were reported throughout the trial and both Dermacann formulations were well tolerated, with no dogs withdrawn from the study.

The company said that it would use the results from this trial as supportive efficacy data for the registration of Dermacann in multiple markets as a food additive for healthy skin and immune function for dogs.

Cannpal said the data had been used to strengthen its intellectual property portfolio, with the filing of the company's second international patent application, which was expected to establish an exclusivity period to mid-2040.

The company said it intended to complete its target animal safety study for Dermacann, a regulatory requirement for the registration of the product in Australia and New Zealand and expected to begin the trial this year.

Cannpal said it had advanced discussions with various animal health partners to progress the commercialization of Dermacann in markets that may not require product registration due to the relaxing of regulations for hemp-derived [cannabidiol].

Mr Mills told Ag & Vet Weekly the he hoped to have Dermacann on the market in Australia in 2021.

Cannpal head of research and development Dr Margaret Curtis said the company was "extremely pleased to see such positive results from this study, which will support our authorizations for Dermacann in various markets".

"This data complements our solid product stability profile and user safety research, to provide veterinarians with a novel, data-supported robust product for healthy skin and immune function in dogs," Dr Curtis said.

Mr Mills said that Cannpal had Dermacann in development "for close to three years now, and the result of that work is a safe and differentiated [cannabidiol] product for dogs with a compelling dataset and strong intellectual property.

"To our knowledge, this will be the only clinically validated oral CBD pet nutraceutical for skin health in dogs, and we look forward to furthering our commercialisation discussions for this exciting new product," Mr Mills said.

Cannpal fell 0.5 cents or 3.85 percent to 12.5 cents.

COMMONWEALTH SCIENTIFIC AND INDUSTRIAL RESEARCH ORGANISATION

The CSIRO says it has an 18-month agreement with the Brisbane-based Pharmamark Innovation to develop omega-3 oils, proteins and bioactives from ocean microbes.

The Organisation said marine micro-organisms could offer an alternative to sourcing omega-3 from wild fish and krill, both under global pressure, as well as contribute to Australia's 2025 target of \$100 billion annual revenue derived from the sustainable use of ocean resources.

The CSIRO said it had developed technology that could culture and extract omega-3 from strains of the endemic marine micro-organism thraustochytrids, part of its portfolio of research identifying alternative products to improve human and animal nutrition.

The Organisation said omega-3 fatty acids were important for good health, assisting with brain and eye development and cognition, particularly in early childhood, and possibly would help decrease the risk of cardiovascular diseases, neural disorders, arthritis, asthma and skin diseases in humans.

The CSIRO said the products developed under the partnership would aim to increase the nutritional value of a range of food and beverages, starting with the \$89 billion international baby milk formula market.

CSIRO Coasts research director Dr Andy Steven said investment in a sustainable ocean economy, called "the blue economy", could create new industries for Australia.

"Collaboration between science and industry is central to realizing sustainable economic opportunities from our oceans and driving innovation in the blue economy," Dr Steven said.

"Supporting food security and global health while helping to grow Australian industry is a win-win," Dr Steven said.

SEAFARMS GROUP

Seafarms says it has cultured a third generation of prawns from its domestication program and is working to arrange a loan of up to \$150 million for construction.

Seafarms said the black tiger prawns were part of its "specific pathogen free" domestication program, started in 2016, and were an essential early phase investment for its prawn land-based aquaculture facility Project Sea Dragon.

The company said it had appointed a financial services company to help organize a construction debt for the development of Project Sea Dragon, with the engagement lasting for up to six months, but with no commitment by the company to provide finance.

In addition to the new prawn generation and construction loan, Seafarms said it expected an all-weather road from the Western Australia and Northern Territory border to the boundary of the Northern Territory's Legune cattle station to be completed by October 2020, helping speed-up future construction work and allowing some work to extend further into the second wet season than originally planned.

Seafarms was up 0.2 cents or 3.6 percent to 5.7 cents with two million shares traded.

APIAM ANIMAL HEALTH

Apium says revenue for the year to June 30, 2020 was up 5.9 percent to \$118.3 million compared to last year, with net profit after tax up 31.1 percent to \$4.2 million.

Apium said the increase in revenue was driven by strong growth in its dairy and pet health businesses and it expected to release audited financial results for the year to June 30, 2020 on August, 24, 2020.

Apium fell three cents or 5.8 percent to 49 cents.

ECOFIBRE

Ecofibre says receipts from customers for the year to June 30, 2020 were up 26.95 percent to \$42,954,000 compared to the previous corresponding period.

Ecofibre said receipts were from its Ananda Health hemp-derived cannabidiol (CBD) products and its Hemp Black hemp-based personal protective equipment.

The company said it had cash and cash equivalents of \$18,252,000 at June 30, 2020 compared to \$25,740,000 at June 30, 2019.

Ecofibre was up one cent or 0.4 percent to \$2.50.

UNIVERSITY OF QUEENSLAND

The University of Queensland says its researches have shown the honey from native stingless bees to be largely composed of a rare sugar with a low glycaemic index.

University of Queensland associate professor Mary Fletcher said researchers “tested honey from two Australian native stingless bee species, two in Malaysia and one in Brazil and found that up to 85 percent of their sugar is trehalulose, not maltose as previously thought”.

Prof Fletcher said trehalulose was not found as a major component in any other foods and, in addition to being low on the glycaemic index, was arcariogenic, meaning that it did not cause tooth decay.

Prof Fletcher said the findings would strengthen the stingless bee honey market, with stingless bee honey selling for about \$200 a kilogram, similar to Manuka and Royal Jelly, and that the research would help the industry set a food standard for stingless bee honey.

“People have patented ways of making trehalulose synthetically with enzymes and bacteria, but our research shows stingless bee honey can be used as a wholefood on its own or in other food to get the same health benefits,” Prof Fletcher said

Prof Fletcher told Ag and Vet Weekly the research had led to a 12-month research project, titled ‘Optimising bioactive content of Australian stingless bee honey’, that started on July 1, 2020 and received \$50,000 in cash from Agrifutures as well as contributions from the Native Bee Association including supplies of honey for the project.

Prof Fletcher said there was an active market in selling hives, which sold for about \$500 each, with owners keeping the bees as pets rather than for the sugar and honey produce.

TASFOODS

Tasfoods says that 36.29 percent of votes at its annual general meeting opposed its remuneration report.

Tasfoods said that the resolution was carried with 58,962,892 votes (63.71%) in favor and 33,579,035 votes (36.29%) against.

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

Last year, the company said it withdrew an annual general meeting board spill resolution, but director Roger McBain’s election was opposed by 38.9 percent of votes.

In 2018, Tasfoods said 35.3 percent of its annual general meeting opposed its remuneration report.

Tasfoods most recent Appendix 3B new issue announcement said it had 273,265,740 shares on issue, meaning that the votes against the remuneration report amounted to 12.3 percent of the company, sufficient to requisition extraordinary general meetings.

Tasfoods fell 0.1 cents or one percent to 9.8 cents.

WIDE OPEN AGRICULTURE

Wide Open Agriculture says its oat-based milk is in its final stage of production, expected to launch in Australia this year and South East Asia later in 2021.

Wide Open said the final recipe formulations had recently arrived from its European manufacturer, with testing confirming that the recipe, fortified with calcium, riboflavin, and vitamins D and B12, met the nutritional criteria of its Dirty Clean Food brand.

The company said it had carried out market testing with baristas and retailers, with the development of branding, packaging and marketing in the final stage of completion.

Wide Open said the oat milk market was projected to be worth about \$2.25 billion by 2024, with growth driven by demand from healthy and environmentally conscientious consumers.

The company said the Western Australia Government had awarded it a \$20,000 grant to support a feasibility study to construct an oat milk manufacturing facility in Western Australia.

Wide Open said it would match the funding dollar-for-dollar.

Wide Open managing-director Dr Ben Cole said that launching “the world’s first regenerative plant-based milk using West Australian oats into a multi-billion dollar drink category is an exhilarating step”.

“The market feedback on our final recipe has been overwhelmingly positive and validates our proposition that West Australian, regenerative oats are some of the best in the world for flavor and nutritional value,” Dr Cole said.

Wide Open was up one cent or 2.4 percent to 42 cents.

TASFOODS

Tasfoods says that under Australian Accounting Standards, it expects an impairment charge related to the carrying charge of goodwill of \$3.5 million for its poultry and dairy business.

Tasfoods said it expected impairment charges of \$2 million for its poultry business and \$1.5 million for its dairy business.

NUFARM

Nufarm says it will move its financial year end from July 31 to September 30, to better align the half year reporting period with its key sales periods and industry peers.

Nufarm said it would report financial results for the year to July 31, 2020 on September 23, with the following financial report to cover a transitional period between August 1 and September 30, 2020 to be released in November 2020.

The company said its annual general meeting would be held on December 18, 2020.

Nufarm fell three cents or 0.7 percent to \$4.02 with 622,393 shares traded.

AVECHO BIOTECHNOLOGY

Avecho has told the ASX that it is not aware of any information it has not announced which, if known, could explain recent trading in its securities.

The ASX said the company’s share price rose 85.7 percent from 0.7 cents yesterday to a high of 1.3 cents today and noted a “significant increase” in the trading volume.

Avecho was unchanged at 0.9 cents with 6.1 million shares traded.

FACTOR THERAPEUTICS

Factor says it has a deal with Longmile Veterinary to acquire veterinary products and technology for \$US50,000 (\$A70,500) and will appoint Dr David Brookes as chairman. In 2018, Factor Therapeutics fell as much as 97.3 percent to 0.2 cents on news that its 157-patient, phase II trial of VF001 for venous leg ulcers “failed to meet all endpoints” (BD: Nov 14, 2018).

Today, the company said the non-binding agreement with the Rockville, Maryland-based Longmile Veterinary positron emission tomography (PET) Imaging, a subsidiary of Brain Bioscience, included a 120-day exclusivity period for the parties to complete due diligence and negotiate the acquisition of the commercial rights to Longmile’s veterinary product portfolio.

Factor said it would pay Longmile \$US25,000 (\$A35,250) for the exclusivity period and a further \$US25,000 upon the conclusion of the acquisition.

The company said the acquisition of Longmile’s products was conditional to the mutually satisfactory completion of due diligence; the agreement on transfer pricing, manufacturing capacity and on-going product development; Factor’s demonstration of at least \$A3 million in cash for commercialization; board and management structure agreement; and the regulatory approval.

Factor said it would provide the transaction details once the terms were settled.

The company said the transaction would be subject to ASX approval “in terms of demonstrating continuity of business operations and/or requirements under chapter 11 of the ASX listing rules regarding change in nature or scale of the Company’s operations, including to re-comply with chapters 1 and 2 of the ASX listing rules”.

Factor said that its securities would be suspended until the transaction was concluded and had satisfied all ASX requirements.

Factor chair Dr Cherrell Hirst said that the company was “excited to bring to shareholders the business opportunity to commercialize advanced veterinary imaging products”.

“Such technologies have become a standard part of oncology, infection and rheumatology care in human medicine and there is a growing unmet need to deliver similar capabilities in veterinary medicine, against the backdrop of rapid growth in the global animal insurance market,” Dr Hirst said.

“Uniquely, the Longmile team have demonstrated a solid scientific foundation and commercial application of the use of imaging diagnosis and treatment management in both large and small animals, with a stellar reputation for innovation and novel product development,” Dr Hirst said.

In a separate announcement, Factor said it would appoint non-executive director Dr David Brookes as chairman, following the retirement of Dr Hirst at the close of the company’s annual general meeting on July 30, 2020.

The company said Dr Brookes had joined Factor in May 2019 and had extensive experience in the health and biotechnology industries, including holding board positions at Anantara, Tali Digital and the Better Medical Group, and previously serving as chairman at Perkinelmer Inc (formerly RHS).

Dr Brookes said he was “excited to be assuming the role of chairman of Factor Therapeutics”.

“The signing of the term sheet with Longmile opens the door for an exciting and successful future for Factor as a veterinary imaging company providing innovative and market leading devices to the world,” Dr Brookes said.

MGC PHARMACEUTICALS

MGC says it will pay Cannvalate Pty Ltd \$1 million in shares and \$400,000 in cash for its Melbourne subsidiary Medicinal Cannabis Clinic Pty Ltd.

MGC said it would incorporate a new company to hold all operating clinic-based assets, data and intellectual property and Medicinal Cannabis Clinic staff would continue operations.

The company said the new company would obtain relevant state and federal licences to import and distribute medical marijuana products and move its supply chain.

MGC said the acquisition would allow it to wholesale and distribute products directly to other clinics and pharmacies to reduce storage and distribution costs, and to reduce logistics and operational costs.

MGC last traded at 2.4 cents.

MGC PHARMACEUTICALS

MGC has requested a voluntary suspension to follow the trading halt “in relation to safety and toxicity pre-clinical study results for Artemic” (BD: Jul 22, 2020).

In May, MGC said it had started its 14-day, 50-subject, phase II trial of its supplement artemisinin and curcumin-based Artemic for Covid-19 patients in Israel, which was later expanded to India (BD: Apr 5, Jul 2, 2020).

Trading will resume on July 27, 2020 or on an earlier announcement.

CLEAN SEAS SEAFOOD

Clean Seas says it has appointed Melbourne’s Kidder Williams as an advisor on strategic and growth options.

Clean Seas said that Kidder Williams had “extensive seafood and aquaculture experience” including principal David Williams’ acquisition and turnaround of the Tassal group.

Clean Seas was up three cents or 5.45 percent to 58 cents.

ROOTS SUSTAINABLE AGRICULTURAL TECHNOLOGIES

Roots says it had appointed Peter Hatfull as a non-executive director.

Roots said Mr Hatfull had more than 40 years’ experience as a director and executive, specializing in corporate governance and strategic planning.

The company said Mr Hatfull had previously worked for the then Coopers and Lybrand and was a director and chairman of several listed and unlisted companies.

Earlier this month, Esense-Lab said it has appointed Peter Hatfull as a director to replace Piers Lewis.

Roots was up 0.1 cents or 4.8 percent to two cents.