

Ag & Vet Weekly



Monday May 31 - Friday June 4, 2021

All the news on ASX-listed agriculture and veterinary companies

- * **ASX UP, AVW-42 DOWN: ECOFIBRE UP 20%; REGENEUS DOWN 8%**
- * **KRAFT HEINZ PAYS BEGA \$9.25m TO SMOOTH PEANUT BUTTER IP FIGHT**
- * **SYNLAIT: HELP FOR FLOOD-DAMAGED FARMS, NO MILK LOST**
- * **SYNLAIT INCREASES BASE MILK PRICE 5% TO \$7.09/kgMS**
- * **A2 RESPONDS TO REPORTS OF SLATER AND GORDON LEGAL ACTION**
- * **CLEAN SEAS: APPROVAL FOR FITZGERALD BAY FARM**
- * **AVECHO, AB VISTA PARTNER ON TPM FOR PIGS**
- * **PHARMAUST PHASE I MONEPANTEL MND TRIAL APPROVED**
- * **CRESO APPOINTS ROUTE2 ECUADOR MARIJUANA DISTRIBUTOR**
- * **BUBS PLEADS SCHULTZ TO ASX 29% QUERY**
- * **GOODBYE WATTLE HEALTH, HELLO WELLNEX**
- * **AVECHO AGM 17% OPPOSE 14m DIRECTOR OPTIONS**
- * **PERPETUAL TAKES 8.6% OF COSTA**
- * **THAI UNION TAKES 5% OF CLOVER CORP**
- * **CLEAN SEAS APPOINTS KATELYN ADAMS DIRECTOR**
- * **EPSILON APPOINTS EDWARD JONES MARIJUANA MANAGER**

MARKET REPORT

The Australian stock market was up 0.49 percent on Friday June 4, 2021, with the ASX200 up 35.3 points to 7,295.4 points. Eleven of the AVW-42 stocks were up, 18 fell, 12 traded unchanged and one was untraded.

Ecofibre was the best, up 15 cents or 20.3 percent to 89 cents, with 729,697 shares traded. Palla Pharma was up 9.1 percent; Clover climbed 8.6 percent; Next Science was up 5.6 percent; Synlait improved 4.2 percent; Epsilon and Murray Cod rose more than two percent; Bega and Huon were up more than one percent; with Elders and Ridley up by less than one percent.

Regeneus led the falls, down 0.7 cents or 7.95 percent to 8.1 cents, with 617,900 shares traded. Auscann, Memphasys and Roots all lost 7.7 percent; Avecho, Bubs and Creso fell more than five percent; MGC was down 4.1 percent; Ocean Grown was down 3.5 percent; Anatara and Wide Open shed more than two percent; Althea, AP Hemp, Apiam, Fonterra, Select Harvests and Tassal lost more than one percent; with Costa down 0.3 percent.

BEGA CHEESE

Bega says that Kraft Heinz will pay it \$9.25 million as part of the settlement of legal proceedings over the packaging and “trade dress” of its peanut butter products. Last year, Bega said the High Court of Australia had dismissed Kraft Heinz’s appeal over a dismissed litigation effort, allowing it to use its current peanut butter packaging, having alleged that Bega’s peanut butter packaging resembled its original Kraft peanut butter packaging, (AVW: May 22, Nov 13, 2020).

Today, Bega said the Federal Court and High Court judgments “confirmed Bega Cheese’s right to use the current packaging of our smooth and crunchy peanut butter products”. Bega said that it had a confidential settlement with Kraft Heinz “regarding the issues of monetary relief and legal costs payable in respect of the legal proceedings”.

“As part of the settlement, all outstanding issues between the parties regarding the right to use the peanut butter trade dress and the legal proceedings have been resolved,” the company said.

“The terms of settlement include Kraft Heinz making a payment to Bega Cheese of \$9.25 million,” Bega said. “Following receipt of the payment by Bega Cheese the legal proceedings will be discontinued.”

Bega was up 10 cents or 1.7 percent to \$5.95 with 763,655 shares traded.

SYNLAIT MILK

Synlait says that New Zealand South Island flooding has caused damage to several farms in its network, no milk has been lost and it will assist badly-affected farms.

Synlait said the immediate focus was “on supporting impacted farmer suppliers to get through this situation safely” with milk collection “challenging due to road closures”.

The company said it would “look at ways to assist with the clean up on farms badly affected”.

Synlait said that there had been severe flooding in the Canterbury region, about 40km south-west of Christchurch, and the declaration of a local state of emergency.

The company said that significant damage was done to several farms in its network, but as of midday on June 1, 2021 “normal onsite operations” would resume at its Dunsandel facility, while its non-operational staff would work remotely, as the region recovers.

Synlait said that the severe weather would not have a material impact on its 2020-’21 production plans or guidance outlook.

Synlait chief executive officer John Penno said he acknowledged “the strong focus our team has had on keeping everyone safe and helping our farmers over the past 36 hours”.

“This has been a rapidly changing situation which has required careful safety and operational planning,” Mr Penno said.

“Our thoughts are with our farmer suppliers, many of whom have been badly affected by the flooding,” Mr Penno said. “Our focus will be on supporting them as best as we can, as soon as the weather clears.”

Synlait was up 13 cents or 4.2 percent to \$3.24.

SYNLAIT MILK

Synlait says it has increased its forecast base milk price for the 2020 to 2021 season 4.9 percent from \$NZ7.20 (\$A6.76) to \$NZ7.55 (\$A7.09) per kilogram of milk solids.

Synlait chief executive officer John Penno said the “commodity prices have continued to outperform our expectations, predominantly due to strong Chinese demand, combined with a relatively stable [foreign exchange] rate.”

A2 MILK CO

A2 says it is aware of media reporting of a potential class action being investigated by Slater & Gordon Lawyers but was not aware of any legal proceedings filed at this time. A2 said it believed that it had “complied with all applicable disclosure obligations and denies any claim to the contrary”.

In a statement from Slater and Gordon principal lawyer Kaitlin Ferris to Ag & Vet Weekly, the firm said it was “investigating a claim against the A2 Milk Co on behalf of persons that acquired A2 securities on the ASX and NZX stock exchanges between August 19, 2020 and May 7, 2021 inclusive”.

“We consider there may be a proper basis to allege that by no later than August 19, 2020, A2 was or ought to have been aware that the 2020-'21 guidance did not adequately take account of a number of factors which would impact the company's financial performance”. The law firm said the factors included A2's attempts to boost sales by pushing English label infant nutrition stock through the cross-border electronic-commerce channel with price discounting consequences that would negatively impact sales in the daigou reseller channel and A2's sales through that channel would be impeded by the daigou reseller disruption and the loss of marketing activity to stimulate consumer demand.

Slater and Gordon said the matters “may support allegations that ... A2 engaged in misleading or deceptive conduct in contravention of section 1041H of the Corporations Act 2001, by providing and maintaining the 2020-'21 guidance and subsequent updated outlook statements which lacked reasonable grounds; and A2 contravened its obligations of continuous disclosure of price sensitive information under the Corporations Act, by failing to withdraw the 2020-'21 Guidance and subsequent updated outlook statements or to disclose the matters which affected the achievement of that guidance”.

A2 said it would respond further if and when any legal proceedings were commenced.

A2 was unchanged at \$5.70 with 5.9 million shares traded.

PHARMAUST

Pharmaust says it has ethics approval for a 12-subject, phase I trial to assess monepantel in patients with amyotrophic lateral sclerosis or motor neuron disease.

Pharmaust said Fight MND would provide \$881,085 for the trial and it would be conducted in collaboration with Fight MND, Melbourne's Calvary Healthcare Bethlehem and the Sydney-based Macquarie University.

The company said the study would test the safety of monepantel in motor neurone disease, with each level of undisclosed dose escalation lasting 28 days.

Pharmaust said it expected monepantel to receive US Food and Drug Administration orphan drug designation for motor neurone disease.

Pharmaust was unchanged at 10 cents.

CLEAN SEAS SEAFOOD

Clean Seas says Whyalla Council has approved access to Point Lowly Marina to establish a farm at Fitzgerald Bay, in the northern Spencer Gulf of South Australia.

Clean Seas said the Fitzgerald Bay location would significantly increase its Yellowtail Kingfish productive capacity and add an additional full life cycle farm to its existing Port Lincoln farm, with farming to begin “later this year”.

Clean Seas was unchanged at 61 cents.

AVECHO BIOTECHNOLOGY

Avecho says that “potential animal health partner” AB Vista will expand its assessment of tocopheryl phosphate mixture (TPM) in livestock feeds.

Avecho said that the original program with the Marlborough, England-based AB Vista was analyzing feed efficiency and weight gain.

Today, the company said it had previously shown that TPM in livestock feeds could improve weight gain and feed conversion ratio in broiler chickens and newly weaned pigs.

Avecho said it “continued to support potential commercial partners and additional third parties exploring the application of TPM in animal health, while focusing on its core human health and cannabinoid programs” and named AB Vista as one of the third parties.

The company said AB Vista had conducted “a range of studies with TPM over the past two years, and has confirmed performance improvements with livestock feeds”.

Avecho said AB Vista was planning to examine the use of TPM in feed products for post-weaning diarrhoea in pigs and, pending a positive outcome, would look to partner to take TPM to the animal feed market.

AB Vista research and development director Dr Mike Bedford said his company hoped “to conclude our studies in time to identify a new product to take to market prior to the June 2022 ban on high zinc oxide dosing”.

Avecho said there was not expected to be “a single ‘silver bullet’ to replace zinc oxide, as was the case with antibiotics, but instead strategies encompassing a combination approach will be key”.

The company said zinc was a heavy metal element that served many biological purposes in livestock, had anti-microbial properties, was involved with a range of enzymes, immunity and nutrient metabolism, and protected a young pig’s gut by reducing pro-inflammatory mast cells and helping to maintain normal gastro-intestinal tract morphology.

Avecho said that zinc oxide was commonly included in swine diets at 2,000-3,000ppm in the first few weeks after weaning, to control post weaning diarrhoea and improve gut performance, but zinc oxide above 150ppm will be banned from animal feeds in the European Union from June 2022, “due to environmental concerns with heavy metal accumulation and the potential for antimicrobial resistance”.

Avecho fell 0.1 cents or 5.6 percent to 1.7 cents.

CRESO PHARMA

Creso says it has appointed Route2 Pharm as the distributor of its marijuana-based Cannaqix and Cannadol for Ecuador, extending to 14 countries in total.

In February, Creso said the Lahore, Punjab-based Route2 had agreed to minimum orders for Cannaqix 10, Cannaqix 50 and Cannadol products in the first year of the three-year agreement for distribution in Pakistan and other markets (AVW: Feb 19, 2021).

The company said the agreement in association with Lahore, Punjab-based Highnoon Laboratories would follow similar terms.

Creso fell one cent or 5.6 percent to 17 cents with 63.1 million shares traded.

BUBS AUSTRALIA

Bubs 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 28.8 percent from 33 cents on May 27 to 42.5 cents on June 1, 2021 and noted a “significant increase” in the trading volume.

Bubs fell two cents or 5.3 percent to 36 cents with 3.8 million shares traded.

WATTLE HEALTH AUSTRALIA

Wattle Health says that following shareholder approval it has changed its name to Wellnex Life (AVW: Apr 23, 2021).

Wattle said that it expected its ASX code would change from WHA to WNX on June 29, 2021.

The company said that the change of name would not affect the legal status of the company or any of its assets or liabilities.

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

AVECHO BIOTECHNOLOGY

Avecho says that all of its annual general meeting resolutions were passed but there was dissent against granting of 13,977,753 director options and placement facility.

Avecho said that the resolutions to re-elect director David Segal and grant him 3,993,644 options were withdrawn on May 4, following his resignation effective from yesterday's meeting (AVW: May 7, 2021).

The company said that the vote to issue options to director Dr Ross Murdoch was opposed by 89,331,748 votes (17.24%), with 428,723,427 votes (82.76%) in favor

Avecho said that the issue of options to director Matt McNamara and chair Dr Greg Collier opposed by similar numbers.

The company said that the remuneration report passed with 93.99 percent favor, with the ratification of the prior issue of shares and options and the issue of broker options passed more easily.

Avecho said the vote to approve the 10 percent placement facility was opposed by 15.99 percent of votes.

The company's most recent Appendix 2A announcement said it had 1,828,894,679 shares on issue, meaning that the votes against issuing options to Dr Murdoch amounted to 4.88 percent of the company, not sufficient to requisition extraordinary general meetings.

COSTA GROUP HOLDINGS

The Sydney-based Perpetual says it has increased its substantial shareholding in Costa from 30,396,967 shares (7.58%) to 34,484,845 shares (8.60%).

Perpetual said that between May 20 and June 1, 2021 it bought and sold shares at prices ranging between \$3.33 and \$4.28 a share.

Costa fell one cent or 0.3 percent to \$3.33 with 3.5 million shares traded.

CLOVER CORP

Bangkok's Thai Union Group Public Co says it has become substantial in Clover Corp with 8,386,976 shares or 5.04 percent.

Thai Union Group said it acquired shares between March 8 and June 6, 2021, at prices ranging from \$1.1880 to \$1.9461 a share

Clover was up 13 cents or 8.6 percent to \$1.64 with 679,983 shares traded.

CLEAN SEAS SEAFOOD

Clean Seas says it has appointed accountant Katelyn Adams as an independent non-executive director, effective from June 1, 2021.

Clean Seas said that previously Ms Adams worked at accounting firm HLB Mann Judd for more than 14 years, and was recently appointed as a partner.

The company said that Ms Adams was company secretary at the ASX-listed Duxton Broadacre Farms, Duxton Water and Highfield Resources.

Clean Seas said Ms Adams held a Bachelor of Commerce from South Australia's Flinders University.

EPSILON HEALTHCARE

Epsilon says it has appointed Edward Jones as its divisional manager of marijuana operations to manage marijuana producing assets THC Pharma and Canndeo.

Epsilon said Mr Jones was previously the project lead at Cannvalate and general manager of Canopy Farms and held quality and project management positions at Pharmout and quality systems roles at CSL.

Epsilon was up half a cent or 2.9 percent to 17.5 cents.