

Ag & Vet Weekly



Monday May 24 - Friday May 28, 2021

All the news on ASX-listed agriculture and veterinary companies

- * **ASX UP, AVW-42 EVEN: AUSCANN UP 9%; AVECHO DOWN 10.5%**
- * **SYNLAIT REVENUE, \$18.5m-\$28m LOSS WARNING**
- * **SELECT H1 REVENUE UP 24% TO \$116m, PROFIT DOWN 93% TO \$1.3m**
- * **APIAM PAYS \$6.7m FOR 3 QUEENSLAND VETERINARY BUSINESSES**
- * **OCEAN GROWN BUYS 143ha AT ESPERANCE WA FOR \$1.8m**
- * **FONTERRA INCREASES FARMGATE MILK PRICE**
- * **CANN GROUP HALVES 2020-'21 REVENUE FORECAST TO \$4m-\$5m**
- * **RIDLEY SELLS WESTBURY EXTRUSION FACILITY FOR \$55m**
- * **SEAFARMS TELLS ASX: 'CANSTRUCT 3-YEAR DEAL WORTH \$78m'**
- * **NANOLLOSE 1st SHIPMENT TO BIRLA CELLULOSE**
- * **MEMPHASYS NOTES RAISE \$3m**
- * **WIDE OPEN: LUPIN PROTEIN FOR RANGE OF FOOD, DRINK SUBSTITUTES**
- * **TGA APPROVES NEXT SCIENCE BLASTX ANTI-MICROBIAL WOUND GEL**
- * **AVECHO, TGA TO MEET ON O-T-C SOFT-GEL CBD FOR INSOMNIA**
- * **EPSILON RECEIVES \$1m FEDERAL R&D TAX INCENTIVE**
- * **COSTA AGM 7.6% OPPOSE DIRECTOR TIM GOLDSMITH**
- * **CRESO 15m DIRECTOR, STAFF, EVERBLU SHARES; HALUCENEX AGM**
- * **PERPETUAL REDUCES TO 7.6% IN COSTA**
- * **VANGUARD BELOW 5% IN SELECT**
- * **BONAFIDE WEALTH INCREASES, DILUTED TO 15.5% IN CLEAN SEAS**
- * **CLEAN SEAS: AUSTRALIAN TUNA BELOW 5%, IFM, GCI CSS DILUTED**
- * **PALLA APPOINTS GW EXECUTIVE GILES MOSS CEO, ON \$536k**

MARKET REPORT

The Australian stock market was up 1.19 percent on Friday May 28, 2021, with the ASX200 up 84.6 points to 7,179.5 points.

Eighteen of the AVW-42 stocks were up, 19 fell, four traded unchanged and one was untraded.

Auscann was the best, up one cent or 9.1 percent to 12 cents, with two million shares traded. Roots rose 8.3 percent; Elixinol improved 7.1 percent; Fonterra, Murray Cod and Next Science were up more than five percent; A2 Milk, Bubs, Food Revolution and Nanollose were up more than three percent; Anatara and Ridley rose more than two percent; AP Hemp, Apiam, Nufarm, Seafarms and Tassal were up more than one percent; with Elders up by 0.7 percent.

Avecho led the falls, down 0.2 cents or 10.5 percent to 1.7 cents, with 2.2 million shares traded. Ocean Grown, Regeneus and Synlait fell more than five percent; Cann Group lost 4.55 percent; Creso, Huon, Palla and Tasfoods were down more than three percent; Althea shed 2.7 percent; Clover, Costa, Ecofibre, Pharmaust, Select Harvests and Terragen were down more than one percent; with Bega, Clean Seas and Wide Open down by less than one percent.

SYNLAIT MILK

Synlait says its projected net loss after tax will be between \$NZ20 million (\$A18.5 million) and \$NZ30 million (\$A27.8 million) for the year to July 31, 2021.

Last year, Synlait said revenue for the year to July 31, 2020 was \$NZ1,302,025,000 with net profit after tax \$NZ75,208,000 (\$A69,380,884) (AVW: Oct 2, 2020).

This week, the company said it that "ongoing shipping delays" meant that it expected sales of products to occur after the financial year balance date.

Synlait said it altered the forecast based on a conservative approach to year-end inventory volumes and valuation and achieving lower prices of ingredient products than expected for relative market prices through a combination of sales phasing and volume pressure.

The company said it did not intend to conduct a capital raising, instead working with its banking syndicate for funding for the coming financial year.

Synlait fell 15 cents or five percent to \$2.84.

SELECT HARVESTS

Select Harvests says revenue for the six months to March 31, 2021 was up 24.1 percent to \$116,053,000 with net profit after tax down 92.67 percent to \$1,273,000.

Select Harvests said revenue included \$86,967,000 from the almond division, \$44,466,000 from the food division and a loss of \$46,683,000 from its corporate division.

The company said net tangible assets per share was up 7.81 percent to \$3.59, diluted earnings per share was down 85.5 percent from 18.0 cents to 2.6 cents.

Select Harvests said it had cash and cash equivalents of \$2,834,000 at March 31, 2021 compared to \$1,332,000 at March 31, 2020.

Select Harvests fell six cents or one percent to \$5.90 with 1.3 million shares traded.

APIAM ANIMAL HEALTH

Apiam says it has acquired Samford Valley Veterinary Hospital, Clermont Veterinary Surgery and Knox Veterinary Clinic, for \$6.7 million.

Apiam said the three businesses were geographically strategic and would double the number of veterinary clinics in Queensland from four to eight and add 31 veterinarians to its operations.

The company said it expected to earn about \$10 million in revenue on a pro-forma basis in the year to June 30, 2021.

Apiam said it completed acquisitions of the Dalby and Clermont-based clinics on April 1 and May 21, 2021 respectively and it expected to complete acquisition of the Samford Valley-based clinic by June 1, 2021.

The company said payment for the Dalby and Clermont-based clinics would be 80 percent in cash and 20 percent in scrip while the Samford Valley-based clinic would be 90 percent in cash and 10 percent in scrip and the resulting total cash payable worth \$5.7 million.

Apiam managing-director Dr Chris Richards said the acquisitions “significantly increase our presence in the important southern Queensland region, adding four new clinics in very attractive locations”.

“We are seeing strong growth potential in rural and regional Queensland, as populations grow rapidly, companion animal ownership accelerates and mixed animal opportunities increase,” Dr Richards said. “There are also many adjacent areas that are underserved by veterinarians, providing further growth options”.

Apiam was up one cent or 1.1 percent to 90.5 cents.

OCEAN GROWN ABALONE

Ocean Grown says it has a \$1.8 million deal with Yumbah Aquaculture to buy up-to 143 hectares in Esperance for an onshore abalone hatchery and grow out facility.

Last year, Ocean Grown said it had an agreement with Adelaide’s Yumbah for an abalone hatchery in Esperance, Western Australia (AVW: Jan 18, 2021).

Today, the company said the purchase price for the Esperance, Western Australia-based 107 hectares of land was \$1,800,000 with a non-refundable deposit of \$40,000 payable upon signing the option agreement.

Ocean Grown said the land purchase adjoined the existing a land parcel that it had leased from the Shire of Esperance which had an option to purchase until July 2022.

Ocean Grown fell 0.4 cents or 5.4 percent to seven cents.

FONTERRA SHAREHOLDERS' FUND

Fonterra says it has increased its 2021-'22 forecast farmgate milk price range to \$NZ7.25 to \$NZ8.75 (\$A6.80 to \$A8.21) per kilogram of milk solids (kg/MS).

In March, Fonterra said it increased its 2020-'21 forecast farmgate milk price range to \$NZ7.30 to \$NZ7.90 (\$A6.80 to \$A7.35) kg/MS (AVW: Mar 5, 2021).

Today, Fonterra chief executive officer Miles Hurrell said the increase in price midpoint to \$NZ8.00 was the result of “improving global economic environment and strong demand for dairy, relative to supply”.

Mr Hurrell said operating expenses were down five percent year to date “but we are planning some additional expenditure in the final quarter to support our brands and product initiatives for next year”.

Fonterra said it maintained its normalized earnings guidance of 25 to 30 cents per share.

Fonterra was up 21 cents or 5.8 percent to \$3.84.

CANN GROUP

Cann Group says it has halved its revenue guidance for the year to June 30, 2021 from between \$8 million and \$10 million to between \$4 million and \$5 million.

Cann Group said that it had received \$3.2 million in revenue from its marijuana products for the 10 months to April 30, 2021, and had timelines “extended in relation to international regulatory submissions to open pathways for market release, and third-party manufacturing and starting material supplier issues as announced on April 29, 2021 have both caused delays in shipping product to Cann’s customers”.

In April, the company said that one of its customers had begun a recall of 250 units of 50ml medicinal marijuana oil products recently released to the Australian market, but the recall was “not a safety-related recall ... [but followed] identification of particulate matter” in a batch of the product by Cann’s manufacturer (AVW: Apr 30, 2021).

Today, Cann Group said that the delays were temporary “and a clearer path to revenue receipts” was expected following the initial shipments to customers.

The company said that the revenue guidance reflected “an update to the expected timing of revenue only”, with the balance of the forecast expected in 2021-'22.

Cann Group fell two cents or 4.55 percent to 42 cents with 2.2 million shares traded.

RIDLEY CORPORATION

Ridley says its wholly owned subsidiary Ridley Agriproducts has an agreement to sell its Westbury extrusion facility in Tasmania for \$54.85 million to Gibson’s Limited.

Ridley said the Westbury facility for aquaculture feed production was under-utilised and it would continue to supply customers through its expanded Narangba, Queensland facility.

The company said it expected the sale to the Cambridge, Tasmania-based Gibson’s, trading as Skretting Australia, to be completed by June 30, 2022 after approval by the Australian Competition and Consumer Commission and provision of certain certificates.

Ridley said its earnings would not be impacted by the sale and it expected a pre-tax profit more than \$7 million upon completion.

Ridley managing-director Quinton Hildebrand said the “significant upgrade and expansion of our Narangba, Queensland extrusion facility is due to complete in July 2021”.

“This will consolidate our aquaculture feed production into one facility, providing a more competitive and lower cost supply chain to service the Australian and New Zealand aquaculture industry, including our Tasmanian customers,” Mr Hildebrand said.

Ridley was up three cents or 2.6 percent to \$1.20.

SEAFARMS GROUP

Seafarms has responded to the ASX that the Canstruct agreement for Project Sea Dragon prawn farm will have five contracts worth about \$78 million.

Seafarms told the ASX that the agreement appointed Canstruct as the managing contractor of its project and formalised key commercial matters, governance of the management process, and pricing locks for an initial construction work package.

The company said the project framework agreement would run for three years, the initial packages were agreed and it expected to be concluded by August 18, 2021.

Seafarms was up 0.1 cents or 1.1 percent to 9.4 cents.

NANOLLOSE

Nanollose says it has sent its first shipment of microbial cellulose to India's Birla Cellulose for further processing to be spun into tree-free lyocell fibre.

Nanollose said that the Mumbai-based Birla was a subsidiary of Grasim Industries' and had previously said it would collaborate with Birla to produce pilot scale quantities of a range of lyocell fibres with increasing percentages of its microbial cellulose blended with other cellulosic materials such as wood pulp.

The company said the production of blended fibres was a common strategy in the fibre and textile industries, and an expanded product range of blended and 100 percent tree-free fibres would enable it to appeal to customers at different price points.

Nanollose said the pilot program would produce fibre samples for potential partners in the fashion and textile industry.

Nanollose executive chair Dr Wayne Best said the company was "very pleased to have dispatched the first shipment of microbial cellulose to Birla Cellulose, as it signifies the beginning of our work at Birla's pilot [program] facility".

"With this microbial cellulose in hand, the team at Birla Cellulose can begin further testing and processing of the material prior to commencing the actual "spinning" of the fibre," Dr Best said. "It's an exciting time for the company as we eagerly await our first opportunity to access sufficient quality and quantity of fibre to provide samples to potential partners".

Nanollose said it had about 1.5 tonnes of crude microbial cellulose stored in China, with preparations underway to ship quantities to contractors in India and Australia to commence purification trials on pilot scale.

Nanollose was up 0.3 cents or 3.3 percent to 9.5 cents.

MEMPHASYS

Memphasys says it has raised \$3 million from its two largest shareholders through the issue of convertible notes.

Memphasys said that Peters Investments invested \$1.65 million and non-executive director Andrew Goodall invested \$1.35 million to the company.

The company said funds would be used to complete verification and validation program of its updated Felix sperm separation device, and progressing a range of products.

Memphasys said Canaccord Genuity was the lead manager and broker, and would receive a gross two percent fee, two percent of the convertible notes subscribed for by Peters Investments and a further two percent fee on the conversion of the Peters notes.

The company said that subject to shareholder approval, it would issue one unlisted option for every dollar of convertible notes, exercisable at six cents by December 31, 2023.

Memphasys was unchanged at 6.5 cents.

WIDE OPEN AGRICULTURE

Wide Open says research at Perth's Curtin University shows its modified lupin protein can be added to oat milk, and the emulsion gel can be made into a soluble powder.

Wide Open said the three-month research found that the protein could increase protein levels in its Oatup oat milk, could fortify udon noodles and be made into an "instantly soluble powder with potential for protein enrichment in hot drinks or ... sports beverages" as well as "plant-based yoghurt, cheese, tofu or mayonnaise".

The company said it had developed "an early-stage plant-based burger matrix" and these food prototypes were "a critical step towards commercialization".

Wide Open fell half a cent or 0.6 percent to 83 cents.

NEXT SCIENCE

Next Science says the Australian Therapeutic Goods Administration has cleared its Blastx anti-microbial wound gel for open wounds.

Next Science said the regulatory clearance would allow the sales of Blastx in Australia as a hydrogel wound dressing for open wounds, with the first sales expected to begin next month.

Last year, the company said it had agreed with Minnesota's 3M Co to not renew the distribution agreement for Blastx.

This week, Next Science said it regained global distribution rights to Blastx from 3M last month.

Next Science said Blastx had 510(k) clearance from the US Food and Drug Administration and its Conformité Européenne (CE) mark allowed for sales in the European Union and UK.

The company said Blastx used non-toxic Xbio technology to deconstruct the bacterial biofilm and defend the wound from re-colonization while maintaining a moist wound environment for healing.

Next Science said Blastx could be used in hospitals, pre-hospital, clinics and for homecare on non-healing wounds like diabetic foot ulcers, bed sores and venous leg ulcers.

Next Science was up 10 cents or 5.35 percent to \$1.97.

AVECHO BIOTECHNOLOGY

Avecho says it has a pre-submission meeting with the Australian Therapeutic Goods Administration for its over-the-counter soft-gel cannabidiol product for insomnia.

Avecho chief executive officer Dr Paul Gavin told Biotech Daily that the company expected to file its submission pack to the TGA in June and "hope to have the meeting shortly after".

In its media release to the ASX, the company said the meeting was to examine the proposed indication and appropriateness of its clinical program for product registration of its pharmaceutical soft-gel cannabidiol product as a Schedule 3 "pharmacist only" drug in Australia.

Avecho said it would address design aspects of a pivotal phase III trial and safety information related to cannabidiol and its soft gel product.

Avecho said its soft-gel product contained 75mg of cannabidiol per capsule, which was below the 150mg maximal daily dose requirement under the Schedule 3 registration, allowing daily dosing of once or twice.

The company said it had appointed the Melbourne-based Cannvalate to prepare for the pre-submission meeting.

Avecho said its product development strategy would be refined after the meeting and submitted to the market by October, 2021.

Avecho fell 0.2 cents or 10.5 percent to 1.7 cents with 2.2 million shares traded.

EPSILON HEALTHCARE (FORMERLY THC, THE HYDROPONICS COMPANY)

Epsilon says it has received \$1,021,203 from the Australian Tax Office under the Federal Government Research and Development Tax Incentive program.

Epsilon said the rebate related to research and development expenditure for the year to June 30, 2020.

Epsilon was unchanged at 15.5 cents.

COSTA GROUP HOLDINGS

Costa says that all of its annual general meeting resolutions were passed but there was up to 7.6 percent dissent against the re-election of director Tim Goldsmith.

Costa said that the vote to re-elect Tim Goldsmith was opposed by 17,957,826 votes (7.57%), with 219,402,662 votes (92.43%) in favor.

The remuneration report, re-election of director Peter Margin, performance rights and managing-director options were passed easily.

The company's most recent Appendix 2A announcement said it had 401,017,776 shares on issue, meaning that the votes against Mr Goldsmith amounted to 4.5 percent of the company, not sufficient to requisition extraordinary general meetings.

Costa fell six cents or 1.8 percent to \$3.31 with 15.5 million shares traded.

CRESO PHARMA

Creso shareholders will vote to issue 11,000,000 director and staff shares, as well as 3,600,000 shares and 12,000,000 options to related party Everblu Capital.

Creso said Everblu was a company controlled by its chair Adam Blumenthal and would receive the shares and options in relation to the recent placement (AVW: Mar 26, 2021).

The company said Everblu would receive \$1,080,00 as six percent of the placement, 3,600,000 shares and 12,000,000 options exercisable at 38 cents each within three years.

Creso said it proposed to issue 500,000 shares each to directors Boaz Wachtel and James Ellingford, 10,000,000 shares to "retain" commercial market access director and head of Swiss operations Jorge Wernli.

The company said its investors would vote on the issue of 46,802,872 shares and up to 29,251,795 shares and 17,551,077 performance shares for the Halucenex acquisition, ratify the issue of 24,000,000 consultant options to David Deslauriers in equal tranches exercisable at 23.5 cents, 27 cents and 30 cents respectively by January 11, 2023.

Creso said it would ask shareholders to ratify the prior issue of 17,263,158 shares to Chifley Portfolios, Jamber Investments and L1 Capital Opportunities Master Fund and approve the issue of 4,315,790 options exercisable at 38 cents within 12 months.

The company said the meeting would vote on the remuneration report, an incentive plan, to re-elect director Mr Wachtel and renew the 10 percent placement capacity.

The meeting will be held at Quest, 176 Adelaide Terrace, East Perth on June 24, 2021 at 12pm (AWST).

Creso fell half a cent or 3.45 percent to 14 cents with 17.7 million shares traded.

COSTA GROUP HOLDINGS

The Sydney-based Perpetual says it has reduced its substantial shareholding in Costa from 34,790,106 shares (8.68%) to 30,396,967 shares (7.58%).

Perpetual said that between April 7 and May 19, 2021 it sold shares at prices ranging between \$4.30 and \$4.72 a share.

SELECT HARVESTS

The Valley Forge, Pennsylvania-based Vanguard Group says it has ceased its substantial shareholding in Select Harvests with 4.731 percent of the company.

Vanguard Group said between March 5 and May 21, 2021, it bought and sold shares with the largest sale 14,572 shares for \$6.17 a share and 431,568 shares were affected due to the ceasing of its position as investment manager to an institutional client mandate.

CLEAN SEAS SEAFOOD

Bonafide Wealth Management says it has increased and been diluted in Clean Seas from 16,200,139 shares (17.66%) to 19,963,519 shares (15.50%).

The Liechtenstein-based Bonafide Wealth said between November 18, 2019 and May 21, 2021 it sold 750,000 shares for \$585,000 or 78 cents a share, converted notes into 4,513,380 shares and was diluted in a placement.

Earlier this month, Clean Seas said it raised \$25 million at 57 cents a share in an institutional placement (AVW: May 7, 2021).

Clean Seas fell half a cent or 0.9 percent to 57 cents.

CLEAN SEAS SEAFOOD

Australian Tuna Fisheries says it has ceased its substantial shareholding in Clean Seas due to dilution in a placement (see above).

CLEAN SEAS SEAFOOD

IFM, as trustee for the Bonafide Global Fish Fund, has increased and been diluted in Clean Seas from 17,316,869 shares (15.90%) to 18,639,087 shares (14.47%).

The Liechtenstein-based Independent Fund Management AG said that between October 12, 2020 and January 5, 2021 it bought, sold and converted bonds to shares and was diluted in the recent placement (see above).

CLEAN SEAS SEAFOOD

The New York-based GCI CSS (Hofseth & Nevera) says its 10,000,000 Clean Seas shares have been diluted in a placement from 9.53 percent to 7.84 percent (see above).

PALLA PHARMA

Palla says it has appointed Giles Moss as its chief executive officer, effective from September 1, 2021, starting on GBP295,000 (\$A536,244).

Palla said Mr Moss had more than 30 years of experience in the pharmaceutical industry and was currently GW Pharmaceuticals Europe general-manager and was “central to the rapid successful” launch of its marijuana product for epilepsy.

The company said that Mr Moss was previously an executive with Bristol Myers Squibb, Sandoz and Smithkline Beecham.

Palla said Mr Moss held a Bachelor of Science from Manchester University and a Master of Business Administration from England’s Henley Management College.

The company said that Mr Moss would be entitled to up to 75 percent of his pro-rata base salary, pending milestones and would be issued 8,095,669 “share appreciation rights” pending longevity and share price vesting conditions.

Palla fell 1.5 cents or 3.45 percent to 42 cents.