

Ag & Vet Weekly



Monday August 9 – Friday August 13, 2021

All the news on ASX-listed agriculture and veterinary companies

- * **ASX, AVW-43 UP: EPSILON UP 10%; CANN GLOBAL DOWN 17%**
- * **JBS BIDS \$425m FOR HUON**
- * **BIDDER JBS TAKES 40.5% OF TARGET HUON**
- * **TATTARANG, DR ANDREW 'TWIGGY' FORREST TAKE 18.5% OF HUON**
- * **DR ANDREW FORREST: 'JBS MAKE HUON CLEAN, GREEN'**
- * **TASMANIAN ALLIANCE: CAUTIOUS WELCOME TO DR FORREST**
- * **HUON, TASSAL RESPOND TO RICHARD FLANAGAN'S 'TOXIC'**
- * **SEAFARMS \$15m PLAN: \$8.7m ACCEPTANCES; TOTAL \$107.5m**
- * **COBRAM OPENS AT \$1.87, VALUING IT AT \$725m**
- * **SUSTAINABLE SEAWEED EXPECTS \$100m PRODUCTION BY 2025**
- * **NUFARM: US FINDS NUTRITERA OMEGA-3 'NEW DIETARY INGREDIENT'**
- * **CANN GROUP: EMYRIA O-T-C- MARIJUANA DEAL ENDS, GOING SOLO**
- * **CRESO: CANADA APPROVES MEDICAL MARIJUANA LICENCE**
- * **CRESO REQUESTS 'CANADA HEALTH LICENCE' TRADING HALT**
- * **MGC: EGM 15% OPPOSE 63m DIRECTOR 'PERFORMANCE' RIGHTS**
- * **YARRA BELOW 5% IN NUFARM**
- * **TASFOODS LOSES CFO DONNA WILSON**

MARKET REPORT

The Australian stock market was up 0.54 percent on Friday August 13, 2021, with the ASX200 up 40.7 points to 7,628.9 points. Nineteen of the AVW-43 stocks were up, 14 fell, eight traded unchanged and two were untraded.

Epsilon was the best, up 1.5 cents or 10.0 percent to 16.5 cents, with 467,302 shares traded. Althea and Regeneus climbed more than five percent; Elixinol and Wide Open improved four percent or more; Anatara, Cann Group and Murray Cod were up more than three percent; Clean Seas, MGC, Nanollose and Palla Pharma rose more than two percent; A2 Milk and Bubs were up more than one percent; with Bega, Elders, Nufarm, Select Harvests and Synlait up by less than one percent.

Cann Global led the falls, down 0.1 cents or 16.7 percent to 0.5 cents, with 13.7 million shares traded. Cobram lost five percent; AP Hemp, Apiam, Food Revolution and Pharmaust fell three percent or more; Costa shed two percent; Ecofibre, Fonterra, Huon Memphasys and Tassal were down more than one percent; with Next Science and Ridley, down by less than one percent.

HUON AQUACULTURE

Huon says JBS SA will acquire its shares at \$3.85 a share, valuing the company at \$425 million, with the Tasmanian Alliance for Marine Protection objecting to the sale.

Huon said the offer price was a 38 percent premium to the August 6 closing price of \$2.79, prior to the announcement, a 43 percent premium to the three-month volume weighted average price and a 61 percent premium to the \$2.39 price on February 26, 2021, when the strategic review was announced, and.

The company said the sale to a subsidiary of the Sao Paulo, Brazil-based meat processor JBS SA would be through a scheme of arrangement, with the 53 percent majority owners Frances and Peter Bender intending to vote all their shares in favor of the scheme.

Huon said it intended to declare a fully-franked special dividend of up to 12.5 cents a share prior to implementation of the scheme, which would enable shareholders "to realize additional benefits from franking credits of up to five cents" a share.

The company said that if the special dividend was paid, the scheme consideration would be reduced by the cash amount per share of any such dividend.

Huon said the board considered the scheme to be in the best interest of shareholders and unanimously recommended that shareholders vote in favor of the scheme, in the absence of a superior proposal and subject to an independent expert concluding it was in the best interests of shareholders.

JBS Australia chief executive officer Brent Eastwood said "the acquisition of Huon enables us to further grow our Australian protein business and strengthen our presence with consumers and customers".

Huon said that the scheme was subject to limited conditions and was not subject to financing or due diligence.

The company said the scheme was subject to customary conditions including Huon shareholder approval, approval by the Federal Court of Australia and the Australian Foreign Investment Review Board.

Huon said that JBS would fund the transaction using existing cash resources and undrawn debt facilities.

The company said that Huon might be required to pay JBS a break-fee of \$4.25 million or about one percent of equity value and there were circumstances where JBS might be required to pay Huon a reverse break fee of \$4.25 million.

Huon said that shareholders did not need to take any action at the present time, with a scheme booklet expected to be sent to shareholders in late September, with the scheme meeting vote expected to be held in mid to late October 2021.

The company said that its financial adviser was Grant Samuel and the legal adviser was Ashurst.

Huon fell seven cents or 1.9 percent to \$3.68.

HUON AQUACULTURE

JBS Australia says it has become a substantial shareholder in Huon with 44,527,252 shares (40.53%).

The Brisbane-based JBS said it held relevant interests through Surveyors Investments and had a relevant interest through a share sale agreement with Huon chief executive officer Peter Bender.

Last week, after the market closed, the subsidiary of the Sao Paulo, Brazil-based meat processor JBS SA said it would acquire Huon through a scheme of arrangement at \$3.85 a share, valuing the company at \$425 million (see above).

HUON AQUACULTURE

Tattarang Agrifood, Forrest & Forrest and Andrew 'Twiggy' Forrest say they have increased their Huon holding from 8,057,839 shares (7.33%) to 20,334,166 shares (18.51%).

Tattarang said that between June 24 and August 10, 2021, the group bought 12,276,327 shares for \$46,208,292 or \$3.76 a share, with purchase ranging from \$2.70 a share on June 24 to \$3.85 a share after the JBS bid for Huon was made (see above).

TATTARANG AGRIFOOD, DR ANDREW 'TWIGGY' FORREST

Tattarang chair Dr Andrew 'Twiggy' Forrest says he has increased his holding in Huon to make bidder JBS more accountable for the environment and salmon farming/

Tattarang said it increased its holding in Huon "as part of its strong commitment to supporting the ongoing and sustainable growth of Australia's aquaculture industry".

On the Tattarang website, Dr Forrest said that Australia's aquaculture industry "faces real and immediate challenges and Huon has an opportunity to set new standards for environmental sustainability and animal welfare".

"Our investment in Huon represents a clear commitment to achieve the industry change we want to see," Dr Forrest said.

"Huon have demonstrated they want to be leaders in the pursuit of sustainable salmon farming practices but my aspirations for this company are even greater," Dr Forrest said.

"And there are a range of steps that can be taken by new ownership to achieve this," Dr Forrest said.

"They include the replacement of fish in fishmeal, moving to completely carbon neutral production and applying leading animal welfare standards and practices," Dr Forrest said.

"Sustainability is the one factor that will guarantee jobs in agriculture, food on our plates and farming practices that protect the planet, not harm it," Dr Forrest said.

Tattarang said it was "one of Australia's largest private investment groups" and was owned by the Forrest family.

In a video message, Dr Forrest said he invested to make a profit, but "it's not the first priority".

"The first priority is to make a difference," Dr Forrest said.

"I invested in Huon because I do not believe the salmon farming industry has environmentally sustainable environmental practices as they operate now," Dr Forrest said.

Dr Forrest said Huon was "leading the world in the right direction" but it was not there yet. He said salmon farming needed to be more land-based and not harm the environment.

"I believe salmon farming can be environmentally neutral," Dr Forrest said.

He said JBS was the largest animal protein company in the world.

He said that "protein from animals must be fully sustainable".

"It must be humane, the life cycle of the animal must be no pain no fear, and the environment cannot be harmed by your actions," Dr Forrest said.

Dr Forrest called on JBS to make Huon similarly environmentally neutral and to commit to removing the environmental negatives which currently existed in Huon salmon farming and the pain and fear in JBS beef processing production.

Dr Forrest's video is available at: <https://vimeo.com/585571563/ffac5a628f>.

TASMANIAN ALLIANCE FOR MARINE PROTECTION

The Tasmanian Alliance for Marine Protection welcomed Dr Forrest's intervention in the possible sale of Huon Aquaculture to JBS.

In a media release, Tasmania's peak marine environment protection body described JBS as 'the Brazilian butchers' and said the takeover "worst possible outcome" but Dr Forrest's words "must be matched by acts".

In a media release the Tasmanian Alliance for Marine Protection co-chair Peter George said that Tasmanians would reject the "buy-out by a multinational with a rogue reputation". "Tasmanians need to feel sickened by the announcement that Peter and Frances Bender are selling out their business to Brazilian multinational JBS," Mr George said.

"[JBS] is a company associated with industrial scale corruption, tax evasion and, in Tasmania, the closure and sacking of Tasmanian workers," Mr George said.

"The Tasmanian Alliance for Marine Protection vows to step-up the fight to preserve Tasmania's beautiful coastlines and waterways from the onslaught that will follow," Mr George said.

"No good can come of the sell-out, and communities around the state will stand together to oppose a giant multinational that has already shown its utter disregard for Tasmania and Tasmanians," Mr George said.

The Alliance said that Dr Forrest's statement portraying the industry's "current very poor reputation which in many cases is deserved" and his stated commitment to improving the salmon industry's shocking environmental record show that "he recognizes an industry in crisis".

The Alliance said that for Dr Forrest's commitment to a sustainable industry "to be more than rhetoric he must lead Huon Aquaculture in a transition to land-based farms, a transition that is occurring globally".

Mr George said that the alliance "would welcome the opportunity to work with Dr Forrest to make that transition a reality in Tasmania, now".

"[The Alliance] is aware that Dr Forrest has been holding discussions with Richard Flanagan whose book 'Toxic' laid bare the industry's practices and provoked national and international outrage," Mr George said.

"Mr Flanagan's clearly stated view on the need to go to land-based salmon production is the same as that of [the Alliance] - that a commitment to get out of the sea and onto land is the only viable, sustainable option and that the transition needs to start now," Mr George said.

HUON AQUACULTURE, TASSAL GROUP

In a joint statement to Ag & Vet Weekly in June, responding to some of the criticisms alleged by Mr Flanagan in his book 'Toxic', Huon chief executive officer Peter Bender and Tassal Group chief executive officer Mark Ryan said "the Tasmanian salmon industry is absolutely world class".

"It is the most highly regulated primary industry in Tasmania, as it should be, to ensure generational sustainability," Mr Bender and Mr Ryan said.

"Not only do we have absolutely nothing to hide, actually we are immensely proud of what we do, how we farm, who we employ and how we manage the environment in which we all live," they said.

"For us the recent book is in no way a representation of our industry or our people," Mr Bender and Mr Ryan said.

SEAFARMS GROUP

Seafarms says its \$15 million share purchase plan received acceptances for \$8,716,775, taking the total raised to \$107.5 million.

In June, Seafarms said it raised \$92.5 million in a placement at 5.5 cents a share and hoped to raise a further \$15 million in a share plan (AVW: Jun 21, 2021).

Seafarms said the funds would go towards the \$281 million for stage 1a of Project Sea Dragon expanding its black tiger prawn operations and provide working capital.

Today, Seafarms said it would place the shortfall to sophisticated investors, taking the total amount to be raised to \$15,000,000.

Seafarms was unchanged at 5.3 cents with 4.8 million shares traded.

COBRAM ESTATE OLIVES

Cobram opened on the ASX on Wednesday at \$1.87, valuing the company at \$725 million, and climbed as high as \$1.90 before closing at \$1.86.

Cobram said it was "Australia's largest producer and marketer of premium quality extra virgin olive oil" with operations in Australia and the US.

The company said it had export customers in 17 countries and a portfolio of brands.

"We are a market leader in the Australian extra virgin olive oil industry and a leader in sustainable olive farming," Cobram said.

A spokesperson for the company told AG & Vet Weekly that the listing was without an initial public offer and no new funds were raised.

Cobram said that it was established in 1998 and its current chair was Rob McGavin with executive directors and joint chief executive officers Sam Beaton and Leandro Ravetti.

The spokesperson said that the company had a research and development team led by Mr Ravetti and had a "waste to goodness strategy".

Cobram said that it operated the Modern Olives laboratory "one of the world's leading olive [research and development] and testing laboratories with operations in Corio (Australia) and Woodland (US)" and had multiple accreditations.

"Modern Olives supplies technical laboratory and advisory services across all aspects of the olive industry relating to olive oil testing and taste panel, technical advice, [research and development] and applied research," the company said.

Cobram said it was "a leader in sustainable olive farming".

The company said that olive trees bear fruit in biennial cycles, with a higher yielding crop one year followed by a lower yielding crop the next.

Cobram said the known and expected natural cycle was "easily managed logistically by the business".

"Under accounting standards, the profit for each year of harvest is adjusted by the difference between the cost of production and the net realisable value of the oil produced in that year," the company said.

"Hence the profit is recorded in the year of production, rather than the year of sale ...

[causing] material but expected statutory profit variability in two-year cycles depending on if we are in a higher or lower yielding crop year," Cobram said.

The company said that Bell Potter, Morgans and Ord Minnett were joint arrangers to the listing.

Cobram fell 10 cents or five percent to \$1.90 with two million shares traded.

AUSTRALIAN SUSTAINABLE SEAWEED INDUSTRY

The Australian Sustainable Seaweed Alliance says that accelerating industry growth could lead to \$100 million worth of production by 2025.

The Alliance said it was established by the Australian Seaweed Institute, CH4 Global, Futurefeed, and the University of Tasmania, with assistance from AgriFutures Australia. The industry organization said it was launched last month to work with industry, government and research agencies to coordinate the establishment and growth of sustainable seaweed aquaculture.

The organization said that the Federal Government had provided \$59 million to fund the Marine Bioproduct Cooperative Research Centre over the next 10 years.

The Sustainable Seaweed Alliance chair Jo Kelly said the organization's vision was "a high tech and high value, sustainable industry to support thriving oceans and coastal communities".

"We invite current and future seaweed investors, farmers and product creators to join ASSA and be part of an industry that delivers for people and planet," Ms Kelly said.

The organization said the 2020 Agrifutures Australia 'Seaweed Industry Blueprint' outlined plans for a \$1.5 billion Australian seaweed industry that could employ 9,000 people and reduce greenhouse gas emissions by 10 percent in the coming decades.

Ms Kelly said the Blueprint "identified a \$100 million plus opportunity for seaweed production over the next five years, with potential to scale to \$1.5 billion over the next 20 years."

"This will create thousands of jobs in regional towns and reduce Australia's national greenhouse gas emissions significantly," Ms Kelly said.

The Alliance said that one of the native seaweeds found off the Australian coast, *Asparagopsis*, had been shown to reduce methane emissions from cattle to almost zero when added to their feed.

The organization said that about 10 percent of greenhouse gas emissions in Australia come from the cattle digestion process.

The Alliance said that the future of the industry would rely on will rely on significant expansion of native seaweed cultivation and development of high value nutritional products for humans, animals and plants.

The organization said opportunities identified by the Agrifutures report included open water cultivation, the extension of kelp farming, the development of seaweed biofilters, offshore integrated food and of new seaweed products.

The Alliance website is at: <https://www.seaweedalliance.org.au/>.

NUFARM

Nufarm says the US Food and Drug Administration has recognized its Nutriterra Total Omega-3 as a new dietary ingredient.

Nufarm chief executive officer Greg Hunt said the FDA recognition was "another significant milestone that opens new markets for Nuseed's omega-3 canola oil".

"The FDA's acknowledgment, along with our recently completed human clinical trial, allows us to progress our plans to expand into the human nutrition market and meet a growing demand for plant-based omega-3 essential oil options," Mr Hunt said.

Nufarm was up two cents or 0.4 percent to \$4.69 with 1.2 million shares traded.

CANN GROUP, EMYRIA

Cann Group says it will continue its over-the-counter marijuana program following a mutually agreed collaboration termination with Emyria.

In March, Cann Group and Emyria said they would seek “accelerated registration” of a low-dose, cannabidiol-only capsule from the Australian Therapeutic Goods Administration (AVW: Apr 1, 2021).

The companies said at that time that the successful registration of the product as a schedule 3 medicine would result in an “over-the-counter, pharmacist-only” cannabidiol medicine, with Emyria’s EMD-003 drug development program using Cann Group’s Gelpell micro-sphere technology as the basis for the schedule 3 registration for treating unmet needs in mental health.

Today, Cann Group and Emyria said that following a detailed review, both companies had agreed to terminate those arrangements and mutually released each other from obligations of the agreement and would independently pursue registration programs for a schedule 3 over-the-counter cannabidiol product.

Separately, Cann Group said it would continue its Australian schedule 3 over-the-counter Gelpell marijuana registration program following the separation from Emyria.

Cann Group said the Gelpell microsphere technology was acquired with Satipharm earlier this year for its cannabidiol (CBD) products (AVW: Mar 12, 2021).

The company said it would resume its internal program “to support product registration of the Satipharm 50mg CBD capsules as an S3 ‘Pharmacist Only Medicine’ in Australia”.

Cann Group said the protocol design for the next clinical trial would be for a pivotal phase III study, to produce data that supported regulatory approval by the Australian Therapeutic Goods Administration.

Cann Group chief executive officer Peter Crock said that Satipharm CBD capsules were one of the first marijuana products available to approved patients in Australia under the Special Access Scheme and had been used in a variety of medical conditions since 2017.

“Satipharm CBD products are currently sold over-the-counter at major pharmacies and health food retailers in the UK and Cann is in discussions with major healthcare companies in relation to global distribution rights to the product,” Mr Crock said.

Cann Group was up one cent or 3.3 percent to 31 cents with 2.15 million shares traded. Emyria was up half a cent or 2.6 percent to 19.5 cents with 1.95 million shares traded.

CRESO PHARMA

Creso says Health Canada has approved subsidiary Mernova Medicinal to sell marijuana products for medical purposes, in addition to the recreational market.

Creso said that new purchase orders of \$C224,580 (\$A242,546) for the sale of Ritual Green and Ritual Sticks highlighted “strong consumer demand”.

The company said the new licence meant that Mernova could have “dedicated medicinal cannabis products, sell or distribute products to other medicinal licence holders, sell or distribute cannabis products that are dried, fresh plants and seeds, and sell and distribute to licenced nurseries and hospital employees for the purpose of, and in connection with their duties.

Separately, Creso requested a trading halt “pending an announcement regarding the receipt of a material licence from Health Canada”.

Trading will resume on August 16, 2021, or on an earlier announcement.

Creso last traded at 13 cents.

MGC PHARMACEUTICALS

MGC says all resolutions to its extraordinary general meeting were passed but with more than 15 percent opposition to the issue of 64.2 million director's performance rights. Last month, MGC said it proposed to issue 27,400,000 performance rights each to managing-director Roby Zomer and executive chair Brett Mitchell, 2,600,000 performance rights each to non-executive directors Dr Stephen Parker and Evan Hayes, and 2,100,000 performance rights each to non-executive directors Nativ Segev and Dr Ross Walker (AVW: Jul 9, 2021).

Today, the company said that the greatest opposition was to the issue of rights to Mr Segev with 56,537,481 votes (15.22%) against and 315,050,597 votes (84.78%) in favor. MGC said that resolutions on the issue of shares of Medicant and Cannvalate and were passed easily.

According to the company's most recent Appendix 2A application for quotation of securities, MGC had 2,310,679,974 shares on the issues, meaning that the votes against Mr Segev's performance rights amounted to 2.45 percent of the company, not sufficient to requisition extraordinary general meetings.

MGC was up 0.1 cents or 2.4 percent to 4.2 cents with 1.6 million shares traded.

NUFARM

Yarra Management Nominees and associates say they have reduced their holding in Nufarm below substantial, selling 2,415,638 shares for \$10,714,649 or \$4.436 a share. Last month, the Melbourne-based Yarra Management said it had 20,122,290 shares or 5.2988 percent of Nufarm (AVW: Jul 9, 2021).

According to its most recent Appendix 2A application for quotation of securities Yarra had 379,753,593 shares on the issue and Ag & Vet Weekly calculated that Yarra Management and associates retained 17,706,652 shares or 4.66 percent of Nufarm.

TASFOODS

Tasfoods says that chief financial officer Donna Wilson has resigned but will continue until a replacement is appointed.

Tasfoods managing director Jane Bennet thanked Ms Wilson for her contribution as the foundation chief financial officer.

Tasfoods was untraded at 11 cents.