

Ag & Vet Weekly



Monday September 6 – Friday September 10, 2021

All the news on ASX-listed agriculture and veterinary companies

- * **ASX UP, AVW-42 DOWN: AVECHO UP 12.5%; EPSILON DOWN 12%**
- * **ABARES: WINTER CROP DOWN 2% TO 55Mt; MOUSE PLAGUE**
- * **ABARES: '\$264k AGRICULTURE INNOVATION GRANTS - APPLY FOR OCT 1'**
- * **S&P DEMOTES A2 MILK FROM ASX50; BUBS, SYNLAIT FROM ASX300**
- * **SYNLAIT: RESTRUCTURE TO LOSE 15% OF STAFF, SAVE UP-TO \$12m**
- * **SYNLAIT TO SELL MANGERE PROPERTY FOR \$29m; LEASEBACK**
- * **EPSILON, VALENS FACILITY DEAL; BUYS ALTERNAMED FOR \$4.3m SCRIP**
- * **AUSCANN APPOINTS KNOELL CPAT-01 ADVISOR**
- * **ECOFIBRE, SOUTHERN CROSS UNI START MARIJUANA SLEEP TRIAL**
- * **AWARE SUPER TAKES 5.2% OF NUFARM**
- * **VANGUARD TAKES 5% OF COSTA GROUP**
- * **CMO DR MATTHEW MYNTTI REDUCES TO 7.1% OF NEXT SCIENCE**
- * **PERENNIAL TAKES 6.5% OF ECOFIBRE**
- * **CRESO APPOINTS DR MIRI HALPERIN WERNLI, WILLIAM LAY**

MARKET REPORT

The Australian stock market climbed 0.5 percent on Friday September 10, 2021, with the ASX200 up 37.1 points to 7,406.6 points. Fourteen of the AVW-42 stocks were up, 17 fell and 11 traded unchanged.

Avecho was the best, up 0.2 cents or 12.5 percent to 1.8 cents, with 1.4 million shares traded. Seafarms climbed 6.9 percent; Ridley improved five percent; Memphasys, Nanollose, Nufarm and Wellnex rose more than four percent; A2, AP Hemp, Bega, Bubs and Cobram were up more than one percent; with Elders and Huon up by less than one percent.

Epsilon led the falls, down two cents or 12.1 percent to 14.5 cents with 1.9 million shares traded. Palla and Terragen lost more than five percent; Murray Cod fell 4.5 percent; Anantara, Food Revolution and MGC were down more than three percent; Ocean Grown and Synlait shed more than two percent; Althea, Ecofibre, Next Science and Pharmaust were down more than one percent; with Apiam, Fonterra, Select Harvests and Wide Open down by less than one percent.

THE BUREAU OF AGRICULTURAL AND RESOURCE ECONOMICS AND SCIENCES

The Bureau of Agricultural and Resource Economics and Sciences says the winter crop is expected to fall two percent to 54.8 million tonnes, with mice adding to costs.

Abares acting executive director Dr Jared Greenville said the Australian Crop Report forecast another harvest “well above the historical average” with the expected national harvest of 54.8 million tonnes “32 percent above the 10-year average to 2020-21, although it is a slight fall of about two percent on last year’s harvest”.

Dr Greenville said the national canola crop was forecast to be a “record-breaking five million tonnes, an increase of 11 percent”.

Abares said that wheat production was expected to fall two percent to 32.6 million tonnes, barley production would fall five percent to 12.5 million tonnes, with chickpeas up 15 percent to 844,000 tonnes and oats down five percent.

Dr Greenville said the area sown to winter crops was a record 23.2 million hectares.

“We’ve had excellent growing conditions throughout June and July this year, with average or above average rainfall in most cropping regions,” Dr Greenville said.

“Rainfall was lower in August but there were ample reserves of soil moisture to sustain crops,” Dr Greenville said.

“Looking at the three-month forecast, spring rainfall was set to be above average in the eastern states and South Australia,” Dr Greenville said.

“Another good year, however, provides the opportunity for the high mouse numbers of last year to return and we are already seeing a high prevalence of mice in some cropping regions,” Dr Greenville said.

“At the moment, mouse numbers are highest in southern Queensland and northern and central New South Wales ... [with] high populations in central Queensland and around Geraldton in Western Australia,” Dr Greenville said.

“While local losses can be expected, mouse numbers are unlikely to significantly lower national production,” Dr Greenville said.

“Mice are also likely to increase production costs and may affect grain stored on-site in affected regions,” Dr Greenville said.

The Australian Crop Report is available at: <https://bit.ly/2Yscrwm>.

THE BUREAU OF AGRICULTURAL AND RESOURCE ECONOMICS AND SCIENCES

The Australian Bureau of Agricultural and Resource Economics and Sciences says applications for agriculture innovation grants close on October 1, 2021.

Abares said that the 2022 Science and Innovation Awards for Young People in Agriculture, Fisheries and Forestry included 12 individual categories available for young Australian agricultural innovators who had a research project that provided “a solution to a long-term issue facing the Australian agricultural industry”.

The Bureau said there would be grants of \$22,000 in each individual award category, which included biosecurity and digital innovation; cotton; eggs and poultry; established, new and emerging rural industries; fisheries and aquaculture; forest and wood products; grains; horticulture; pork; red meat processing; viticulture and oenology; and wool.

The Bureau said the program was open to 18 to 35-year-olds to “undertake new and creative scientific-based research to benefit Australia’s agricultural industries”.

Abares acting executive director Dr Jared Greenville said the awards funded innovative projects that would benefit Australia’s primary industries as the young agricultural innovators brought “fresh thinking to industry issues”.

To apply, go to: <https://www.agriculture.gov.au/abares/conferences-events/scienceawards> or email scienceawards@agriculture.gov.au.

STANDARD & POOR'S-DOW JONES INDICES

Standard & Poor's says the A2 Milk will be removed from the S&P ASX50 with Bubs and Synlait to be removed from the ASX300.

Previously, Standard & Poor's has told Ag & Vet Weekly that inclusion in the indices is based solely on market capitalization.

Standard & Poor's said the removal would be effective prior to the open of the ASX on September 20, 2021.

SYNLAIT MILK

Synlait says an organizational restructure will reduce staff by about 15 percent and save about \$10 million to \$12 million.

Synlait said it had updated staff that it had begun a consultation process to update its organizational structure, with changes expected to affect staff members.

Synlait chief executive officer John Penno said the company had been through "a lot of change over the last 12 months".

"This means some areas are now over-resourced, and some areas are under-resourced," Mr Penno said.

"We need to review and reset the structure of our business to match our current goals to be successful," Mr Penno said.

The company said the proposed changes were "designed to align leadership and resourcing around the key business units, nutritionals, ingredients and liquids, and remove any unhelpful hierarchy from the organization to ensure staff have the information, resources and freedom to act as they need to, to do their jobs every day".

"This is not just a cost-out exercise, it is a complete reset of how we operate as a business," Mr Penno said.

The company said it was discussing the proposed changes with affected team members and union representatives.

Synlait said the consultation process would take place over the next two weeks.

Synlait fell eight cents or 2.6 percent to \$3.00.

SYNLAIT MILK

Synlait says it will sell its Richard Pearce Drive, Mangere premises in Auckland for \$NZ30.05 million (\$A28.95 million) and lease the property from the new owners.

The company said the Synlait Auckland premises at Richard Pearce Drive was part of its North Island manufacturing network providing additional blending and canning capacity, warehousing and office space.

Synlait said settlement would take place on October 4, with an initial lease term of 10 years.

The company said that when it acquired the property in May 2017 the land and buildings were valued at \$NZ12.4 million.

Synlait chief executive officer John Penno said the sale would "free up cash and allow us to pay down debt".

EPSILON HEALTHCARE (FORMERLY THE HYDROPONICS CO)

Epsilon says it has a partnership with Valens Canada for the use of its Southport Queensland facility and will buy Alternamed from Cannvalate for \$4.3 million in shares. Epsilon said that the Kelowna, British Columbia-based Valens would pay “100 percent of the monthly operating costs of the Southport facility and have the right to use up to 85 percent of the production capacity”.

The company said the use of its Australian Therapeutic Goods Administration-approved and EU good manufacturing practice (GMP) Southport facility would provide Valens direct access to Australia and New Zealand, as well as Europe the UK and the Asia-Pacific. Epsilon said the contract was for five years with options to extend for a further six years and Valens would provide operational and management consultancy to bring its intellectual property, technology and team to Southport to take advantage of the GMP capability.

The company said that Valens would use Southport “for all production of medicinal cannabis products for sale in Australian or New Zealand, including through its distribution relationship with Cannvalate”.

Epsilon chief executive officer Jarrod White told Biotech Daily that the company would issue about 28 million shares valued at \$4.3 million at 15 cents a share to Melbourne’s Cannvalate for the acquisition of Alternamed Pty Ltd.

Mr White said the share issue was subject to shareholder approval and conditions precedent which he expected to conclude “by the end of the year” and the shares would be held in escrow for a further 12 months following the issue.

The company said that Cannvalate would be entitled to have a director on the board of Epsilon which was currently Dr Rob Jenny.

Cannvalate executive chair Dr Sud Agerwal is a director and chief medical officer of Incannex and Cannvalate is a 19.2 percent shareholder of the ASX-listed marijuana company Lifespot Health.

In its announcement, Epsilon said that the Alternamed acquisition included “its portfolio of provisional patent applications for three novel cannabinoid therapeutic clinical assets with potential for schedule 3 medicine development and access to a Sigma Pharmaceuticals storage facility controlled by Cannvalate”.

The company said the three assets targeted irritable bowel syndrome, menstrual pain, and smoking cessation which were “highly prospective in terms of their potential as schedule 3 medicines”.

Epsilon said that the Southport facility was “the largest cannabis extraction facility in the Southern Hemisphere with TGA and EU GMP capability”.

The company said that Cannvalate would provide advice “on matters including the launch of the Medimar platform, development of clinical trial drug manufacturing capabilities, and business development support services”.

Epsilon said that Cannvalate held 2,000,000 of its shares through a related entity and completion of the Alternamed acquisition was subject to the execution of the definitive agreements with Valens.

Epsilon chair Steven Xu said the two agreements were “a critical next step for Epsilon as we look to expand our global footprint with established partners, and increase our production throughput as a contract pharmaceutical manufacturer of scale”.

“The execution of these agreements is the culmination of many months of negotiations and due diligence between the parties, led on our side by our chief executive officer Jarrod White and our chief operating officer, Sonny Didugu and clearly sets out a path for the future of Epsilon’s production assets”.

Epsilon fell two cents or 12.1 percent to 14.5 cents with 1.9 million shares traded.

AUSCANN GROUP (ACQUIRED CANNPAL ANIMAL THERAPEUTICS)

Auscann says it has hired Knoell Animal Health to advise on the marijuana-based CPAT-01 clinical and US regulatory program for dog osteo-arthritis.

Auscann said it appointed the Mannheim, Germany-based Knoell ahead of its pre-submission conference meeting with the US Food and Drug Administration, Center for Veterinary Medicine (FDA-CVM) to approve CPAT-01.

The company said CPAT-01 was a veterinary drug candidate with tetrahydrocannabinol (THC) and cannabidiol (CBD) extracts for pain and inflammation in dogs.

Auscann said that Cannpal, later acquired by Auscann, opened an investigational new animal drug file with the FDA-CVM in March 2020 (BD: Nov 16, 2020).

Auscann was unchanged at nine cents.

ECOFIBRE

Ecofibre says Southern Cross University has enrolled the first of 438 patients in a phase IIb trial of over-the-counter botanical cannabidiol for sleep disturbances.

Last year, the Australian Therapeutic Goods Administration said it had down-scheduled "certain low dose cannabidiol preparations" to over-the-counter but there are no products available at that time (BD: Dec 15, 2020).

The TGA said it had moved low-dose cannabidiol (CBD) containing products, up to a maximum of 150mg/day, from schedule 4 (prescription medicine) to schedule 3 over-the-counter (pharmacist only medicine) without a prescription.

Today, Ecofibre said that Southern Cross University's Dr Janet Schloss was the lead investigator in the phase IIb, double-blind, randomized, placebo-controlled, multi-site clinical trial comparing Ecofibre's Ananda Hemp botanical cannabidiol (CBD) with placebo on participants' self-reported changes in sleep disturbances.

The company said that enrolment was progressing despite the impact of Covid-19 and study was an important part of its strategy to be a first mover in the Schedule 3 over-the-counter market in Australia.

Ecofibre chair Barry Lambert said the process of undertaking schedule 3 research and product registration was "rigorous and lengthy, but we expect in the future this will be a large, well-regulated and highly accessible channel for Australian patients".

Ecofibre fell one cent or 1.2 percent to 85.5 cents.

NUFARM LIMITED

Aware Super Pty Ltd says it has become a substantial shareholder in Nufarm with 19,759,960 shares or 5.20 percent.

The Sydney-based Aware Super said it bought shares between June 4 and September 6, 2021, with the single largest purchase 1,300,224 shares for \$5,775,218 or \$4.44 a share. Nufarm was up 17 cents or 4.1 percent to \$4.30 with two million shares traded.

COSTA GROUP HOLDINGS

The Vanguard Group says it has become a substantial shareholder in Costa with 23,385,372 shares (5.036%).

The Pennsylvania-based Vanguard says it bought and sold shares between May 3 and September 2, 2021, at prices ranging from \$4.67 and \$3.00.

Costa Group was unchanged at \$3.24 with 1.6 million shares traded.

NEXT SCIENCE

Next Science chief medical officer Dr Matthew Myntti says he has reduced his holding from 20,657,000 shares (11.53%) to 14,068,000 shares (7.11%).

Dr Myntti said that he sold 6,585,000 shares on-market between May 5, 2021 and September 3, 2021, with the single largest sale, 6,450,000 shares for \$1.30 each.

Dr Myntti said that he was diluted in a placement in September 2020 and share plan in October 2020.

In a separate announcement, Next Science said that Dr Myntti “needed to sell the shares ... in order to meet the financial obligations pursuant to a matrimonial settlement with his former wife”.

Next Science fell 1.5 cents or 1.15 percent to \$1.295.

ECOFIBRE

Perennial Value Management says it has become a substantial shareholder in Ecofibre Limited with 22,040,638 shares (6.46%).

The Sydney-based Perennial said It bought shares between May 25, 2021, and September 2, 2021, with the single largest purchase 3,277,187 shares for \$2,299,078 or 70.15 cents a share.

CRESO PHARMA

Creso says it has appointed former chief executive officer Dr Miri Halperin Wernli as an advisor and William Lay as head of “strategy, origination and operations”.

Creso said Dr Halperin Wernli was the company’s founder and previously held executive positions in Europe and the US with Merck, Sharpe and Dohme, Roche, and Actelion Pharmaceuticals, and had recently been appointed a director of the New York-based, psychedelic-focused Mindmed.

The company said Mr Lay was previously an executive at Canopy Growth and previously worked for BMO Capital Markets.

Creso said it had issued Mr Lay 20,000,000 options, 15,000,000 performance rights, subject to vesting conditions and 5,000,000 shares

The company said that subject to shareholder approval, Dr Halperin Wernli would be issued 15,000,000 shares for her role as an advisor.

Creso was unchanged at 12.5 cents with 7.7 million shares traded.