

Ag & Vet Weekly



Monday October 4 – Friday October 8, 2021

All the news on ASX-listed agriculture and veterinary companies

- * **ASX, AVW-44 UP: MURRAY COD UP 18%; CANN GLOBAL DOWN 20%**
- * **A2 TO 'VIGOROUSLY DEFEND' SLATER & GORDON CLASS ACTION**
- * **SYNLAIT LAUNCHES REUSABLE SWAPPA STEEL MILK BOTTLE**
- * **HARVEST LAUNCHES US OPSIVITY FOR LABOR SHORTAGES**
- * **AVECHO STARTS PHASE I MARIJUANA ABSORPTION TRIAL**
- * **MGC: AMC ORDERS \$4m OF CIMETRA**
- * **CRESO: \$809k MARIJUANA ORDERS**
- * **WIDE OPEN APPOINTS GROWHUB OATUP SINGAPORE DISTRIBUTOR**
- * **WIDE OPEN SENDS LUPIN SAMPLES**
- * **ROOTS: US ALLOWS HEAT EXCHANGE PROBE PATENT**
- * **WIDE OPEN: 3.25m DIRECTOR OPTIONS AGM**
- * **SEAFARMS GROUP REQUESTS 'PROJECT COSTS' TRADING HALT**
- * **AP HEMP TO RELEASE 20m ASX, 6m VOLUNTARY ESCROW SHARES**
- * **PAUL SHERMAN REPLACES PALLA CFO BRENDAN MIDDLETON**

MARKET REPORT

The Australian stock market was up 0.87 percent on Friday October 8, 2021, with the ASX200 up 63.4 points to 7,320.1 points. Twenty of the AVW-44 stocks were up, 16 fell, seven traded unchanged and one was untraded.

Murray Cod was the best, up six cents or 18.2 percent to 39 cents, with 2.1 million shares traded. Althea climbed 8.3 percent; Palla was up 6.45 percent; Creso, Ecofibre and Terragen improved four percent or more; Food Revolution was up 3.7 percent; Clean Seas, Cobram and Wide Open rose two percent or more; A2, Botanix, Cann Group, Elders, Harvest Tech, Ridley and Synlait were up more than one percent; with AP Hemp, Bega and Huon up by less than one percent.

Cann Global led the falls, down 0.1 cents or 20 percent to 0.4 cents, with 7.4 million shares traded. Both Nanollose and Wellnex lost 6.7 percent; Apiam fell 4.2 percent; Avecho, Bubs and Clover shed more than two percent; Elixinol, Memphasys, MGC and Select Harvests were down one percent or more; with Costa, Fonterra, Next Science, Nufarm and Tassal down by less than one percent.

A2 MILK CO

A2 Milk says it will “vigorously defend” class action proceedings in The Supreme Court of Victoria brought by Slater and Gordon Lawyers on behalf of shareholders.

A2 said the shareholders were those who acquired an interest in the company on the ASX or NZX Main Board between August 19, 2020 and May 9, 2021.

The company said that “it has at all times complied with its disclosure obligations, denies any liability and will vigorously defend the proceedings”.

A2 said that it was “confident in the underlying fundamentals of the business and growth potential”.

On its website Slater and Gordon said that it was acting on behalf of shareholders “in relation to losses incurred following the company’s announcements to the ASX and NZX” on September 28 2020, December 18, 2020, February 25, 2021 and May 10 2021, in relation to revenue and earnings projections.

Slater and Gordon said that A2 projected revenue for the year to June 30, 2021 of \$1.8 billion to \$1.9 billion in September 2020 with earnings before interest, taxation, depreciation and amortization (Ebitda) of 31 percent, falling to \$1.2 billion to \$1.25 billion in revenue and Ebitda of 11 percent to 12 percent.

In August, A2 said that its revenue for the year to June 30, 2021 was \$NZ1,206,734,000 with Ebitda of \$NZ123,428,000 (10.2%) and a net profit after tax of \$NZ80,658,000 (AVW Aug 27, 2021).

Slater and Gordon alleged that “by no later than August 19, 2020, A2 was or ought to have been aware that the 2020-’21 guidance and subsequent representations did not adequately take account of a number of factors which would impact the company’s financial performance”.

Slater and Gordon said the factors included attempts to boost sales by pushing English label infant nutrition stock through cross-border electronic commerce with attendant price discounting consequences would necessarily negatively impact its daigou and reseller sales and cross-border electronic commerce sales would in turn be impeded by the disruption to the daigou and reseller sales and the loss of associated marketing activity to stimulate consumer demand.

Slater and Gordon alleged 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 representations which lacked reasonable grounds; and contravened its obligations of continuous disclosure of price sensitive information under the Corporations Act, by failing to withdraw the 2020-’21 guidance and subsequent representations or to disclose the matters which affected the achievement of that guidance”.

Slater and Gordon said it would seek a group costs order and if the Court made such an order, the legal costs could be calculated as a percentage of the amount of any award or settlement be recovered in the proceeding.

A2 Milk was up 10 cents or 1.7 percent to \$6.02 with 8.1 million shares traded.

SYNLAIT MILK

Synlait says it has launched its Swappa Bottle 1.5 litre, stainless steel reusable milk bottle. Synlait said the Swappa bottle would initially be available at two New World stores on New Zealand’s South Island, with plans to expand the availability over time.

The company said that customers could buy the fresh milk in the steel bottle, return the empty bottle and lid “helping Synlait to reduce waste and eliminating plastic packaging”.

Synlait was up six cents or 1.8 percent to \$3.47.

HARVEST TECHNOLOGY GROUP

Harvest says that it has launched Opsivity in the US to “solve technical issues in real-time to increase productivity for sectors that are challenged by labor shortages”.

Perth's Harvest said it acquired the then Snap Support in June 2021 and changed its name to Opsivity to become its “wholly owned software-as-a-service subsidiary” using artificial intelligence and augmented reality “to harness knowledge and share operational expertise across field teams” to solve productivity issues related to labor shortages.

The company said that agricultural companies faced “a potential brain drain due to retiring baby boomers in a Covid-19 environment”.

Harvest said that since it acquired Snap Support it had made “significant enhancements to the original platform, including user interface upgrades and a new integration with leading job and project management software, Simpro”.

The company said the Vancouver, Washington-based Opsivity had appointed Andy Lowery as the head of the company, David Fosberg as chief customer officer, Patrick Neise the chief technology officer, and Madhu Augustine as head of product development. Mr Lowery said the field service industry was “experiencing a shortage of skilled field technicians due to the Covid-19 pandemic, retiring baby boomers and difficulty in hiring their replacements”.

Mr Lowery said that Opsivity would provide field technicians access to the artificial intelligence-enabled knowledge base, that learned, enhanced and retained problem-solving expertise across field teams “and eliminates the worry that operational know-how gets lost when employees leave”.

“There are more than 600 million field workers globally across the heavy and light industry sectors,” Mr Lowery said. “Many of these professionals are responsible for keeping critical equipment running or solving issues quickly to prevent costly disruptions.”

“When downtime occurs, it can cost industries trillions of dollars,” he said.

“Opsivity enables field technicians’ access to problem-solving expertise across their organization to resolve technical issues quickly,” Mr Lowery said. “This reduces costly equipment downtime and improves operational productivity.”

Harvest was up half a cent or 1.5 percent to 34.5 cents.

AVECHO BIOTECHNOLOGY (FORMERLY PHOSPHAGENICS)

Avecho says it has begun dosing 16 healthy volunteers in a phase I pharmaco-kinetic trial of its 75mg tocopheryl phosphate mixture (TPM) cannabidiol soft-gel capsule.

Avecho said volunteers received their first dose at Adelaide's CMax clinical research unit on October 2, 2021 with no adverse events were reported.

The company said volunteers would receive two separate doses of 75mg and 150mg with second doses beginning on October 9.

Avecho said that blood samples would be analyzed for cannabidiol (CBD) and components of its tocopheryl phosphate mixture, including alpha-tocopheryl phosphate (TP) and di-alpha tocopheryl phosphate (T2P) for their maximum drug concentration in the blood, the time taken to reach the maximum drug concentration and the total drug exposure over time.

Avecho chief executive Dr Paul Gavin said “we are delighted to commence this study and complete the first dose in the cross-over [trial]”.

“While we won't have the CBD absorption results until later in the year, it is already good to see the CBD dose was well-tolerated by subjects,” Dr Gavin said.

Avecho said results were expected by the end of the year.

Avecho fell 0.05 cents or 2.6 percent to 1.85 cents.

MGC PHARMACEUTICALS

MGC says the Tampa, Florida-based AMC Holdings has ordered \$US3 million (\$A4.1 million) of its Cimetra.

In August, MGC said it had supply and distribution deal with AMC Holdings, with minimum orders of \$US24 million (\$A32.9 million) for its marijuana, and artemisinin and curcumin products over three years (AVW: Aug 27, 2021).

This week, the company said AMC was securing approval for receiving Cimetra for distribution within the US, which was expected take about six weeks and payment had been secured with a \$US375,000 deposit received and a \$US625,000 letter of credit. MGC fell 0.1 cents or 1.7 percent to 5.8 cents with 5.6 million shares traded.

CRESO PHARMA

Creso says its Canadian subsidiary Mernova Medicinal Inc has received \$C742,572 (\$A808,572) in purchase orders for its marijuana products.

Creso said \$583,261 of purchase orders had been generated from sales by its Canadian provincial partners, which had shown “strong interest in its dried flower and pre-roll joint range, Ritual Sticks”.

Creso was up half a cent or 4.55 percent to 11.5 cents with 10.3 million shares traded.

WIDE OPEN AGRICULTURE

Wide Open says it has appointed Growhub International to distribute its Dirty Clean Food's Oatup in Singapore, with a commitment to buy \$500,000 in the first 12 months.

Wide Open said it would use Singapore to expand into additional South East Asian markets and would export the Oatup Original oat milk to win initial customers and then roll-out other variations including new flavors and ready-to-drink formats.

Wide Open was up 1.5 cents or 2.1 percent to 74 cents.

WIDE OPEN AGRICULTURE

Wide Open says it has sent samples of modified lupin protein to food and ingredient companies in three continents and will participate in the Protein X accelerator program.

Wide Open said the companies based in North America, Europe and Australia were selected based on a “specific food or drink category”.

The company said its product development team was progressing prototype development of high protein flavored drinks and oat milk with similar protein levels as dairy milk.

Wide Open said that “internal competitive analysis studies highlight modified lupin protein has advantages over all other major plant-based proteins currently ... in the market”.

In May, the company said the lupin samples had protein content of 76 percent which was similar or higher to commercially available concentrates from other plant sources like pea and soy (AVW: May 3, 2021).

Today, Wide Open said studies highlighted that modified lupin protein had a higher protein concentration than traditional legumes providing an “encouraging competitive edge”.

The company said it had been invited to join the Western Australian Food Innovation Precinct 'X-Protein Lab' initiative which aimed to expand the state's market reach in the alternative protein space, focusing on Singapore.

Wide Open said the mentorship program would focus on technology readiness, product-market fit, market acceptance, investment potential and global relevance while liaising with Singaporean start-ups.

ROOTS SUSTAINABLE AGRICULTURAL TECHNOLOGIES

Roots says the US Patent and Trademark office has allowed a patent relating to the company's heat exchange probe design.

Roots did not provide the patent title but said the patent would protect its intellectual property for 15 years and it filed the patent application in November 2019.

Roots was unchanged at 0.9 cents with 1.7 million shares traded.

WIDE OPEN AGRICULTURE

Wide Open says its annual general meeting will vote to issue 3,250,000 options to five directors, exercisable at \$1.24 by November 30, 2025.

Wide Open said 1,000,000 options would be issued to managing-director Dr Ben Cole, 750,000 options would be issued to chair Anthony Maslin, with 500,000 options each to directors Stuart McAlpine, Elizabeth Brennan and Ronald Duncan.

The company said the meeting would vote on the remuneration report, the re-election of Anthony Maslin as director and the 10 percent placement capacity.

The meeting will be held at 1 Winton Street, Kewdale, Western Australia on November 17, 2021 at 10am (AWST).

SEAFARMS GROUP

Seafarms Group has requested a trading halt "pending an announcement to the market regarding ... project costs".

Trading will resume on Monday October 11, 2021 or on an earlier announcement.

In June and August, Seafarms said it has raised \$101.2 million in a placement and share plan at 5.5 cents for the \$281 million stage 1a of Project Sea Dragon expanding its black tiger prawn operations (AVW: Jun 25, Aug 13, 2021)

Seafarms Group last traded at 5.7 cents.

AUSTRALIAN PRIMARY HEMP

AP Hemp says it will release 20,195,000 shares from ASX escrow and 6,157,791 shares from voluntary escrow on October 18, 2021.

According to AP Hemp's most recent application for quotation of securities, the company would have 97,106,385 shares available for trading after the release from escrow.

AP Hemp was up 0.25 cents or 0.85 percent to 29.5 cents.

PALLA PHARMA

Palla has appointed Paul Sherman as chief financial officer replacing Brendan Middleton effective from October 19, 2021.

Palla said Mr Sherman was a chartered accountant with 25 years' experience in finance roles, most recently at Clover Corp and had worked for Fosters Group and Nylex.

Palla said that it thanked Mr Middleton for his four years as chief financial officer and as acting chief executive officer this year.

Palla was up two cents or 6.45 percent to 33 cents.