

Ag & Vet Weekly



Monday October 25 – Friday October 29, 2021

All the news on ASX-listed agriculture and veterinary companies

- * **ASX, AVW-44 DOWN: CRESO UP 9%; CANN GLOBAL DOWN 11%**
- * **JBS TAKES HUON; FIRB 'OK'; COMMITS TO WELFARE, ENVIRONMENT**
- * **APIAM PAYS \$2m FOR HORSHAM VETERINARY HOSPITAL**
- * **BUBS LAUNCHES 'FAMILY NUTRITION RANGE' MILK POWDER**
- * **FONTERRA FARMGATE MILK PRICE UP TO \$8.48kg/MS**
- * **CANN GLOBAL RAISES \$1.8m**
- * **CRESO \$217k SCRIP FOR IMPACTIVE MARIJUANA JOINT PAIN**
- * **ECOFIBRE 'MARIJUANA WORKS FOR CANCER'; 1.6 QUARTERS CASH**
- * **MEMPHASYS RECEIVES \$1.4m FEDERAL R&D TAX INCENTIVE**
- * **EPSILON EXTENDS \$4m LOAN REPAYMENT**
- * **MEMPHASYS: CHINA SPERM SEPARATION PATENT**
- * **TASSAL APPOINTS KATHY PARSONS DIRECTOR**
- * **BEGA AGM: 19% DISSENT**
- * **OCEAN GROWN 2m DIRECTOR OPTIONS, 1.6m RIGHTS AGM**
- * **MGC POTENTIAL 2nd STRIKE; 100% DIRECTORS' PAY POOL HIKE AGM**
- * **BLACKROCK TAKES 5% OF ELDERS**
- * **IFM TAKES 17.4% OF CLEAN SEAS**
- * **YARRA CAPITAL REDUCES TO 7% OF TASSAL**

MARKET REPORT

The Australian stock market fell 1.44 percent on Friday October 29, 2021, with the ASX200 down 106.7 points to 7,323.7 points. Seventeen of the AVW-44 stocks were up, 21 fell and six traded unchanged.

Creso was the best, up one cent or 9.1 percent to 12 cents, with 11.5 million shares traded. Pharmaust climbed 7.1 percent; Avecho was up 5.9 percent; Wellnex improved 4.55 percent; Anantara was up 3.6 percent; A2, Clover, Murray Cod, Nanollose, Palla Pharma and Terragen rose two percent or more; Cann Group, Cobram, Fonterra and Harvest were up more than one percent; with Apiam and Huon up less than one percent.

Cann Global led the falls, down 0.05 cents or 11.1 percent to 0.4 cents, with 26.5 million shares traded. Seafarms fell 4.1 percent; Althea, Epsilon, Next Science, Ocean Grown and Sustainable Nutrition (formerly AP Hemp) lost more than three percent; Costa, Ecofibre, Ridley, Tasfoods and Wide Open shed two percent or more; Botanix, Bubs, Elixinol, Select Harvests and Tassal were down one percent or more; with Bega, Elders, Memphasys and Nufarm down by less than one percent.

HUON AQUACULTURE GROUP

Huon says its scheme meetings voted more than 99.77 percent in favor of the takeover by Sao Paulo Brazil-based JBS SA's Australian subsidiary.

According to Huon's 2021 annual report it had 109,872,959 shares on offer, so the 103,301,421 votes in favor of the secondary scheme of arrangement implies that Dr Andrew Forrest's Tattarang Agrifood voted in favor of the takeover.

During the week, Huon said that JBS Australia had Federal Government Foreign Investment Review Board approval for its intended takeover of the company.

In August, Huon said that JBS had offered \$3.85 a share to acquire the company, valuing it at \$425 million (AVW Aug 13, 2021).

At that time, Dr Forrest and Tattarang said it had acquired 18.51 percent of Huon and the Tasmanian Alliance for Marine Protection raised concerns about the accountability of JBS on environment and animal welfare standards.

The following week, the Blacks Harbour, New Brunswick-based Cooke Aquaculture indicated it was interested in acquiring Huon (AVW: Aug 20, 2021).

This week, Huon said it proposed to pay a special dividend of 12.5 cents per Huon share prior to implementation of the takeover.

Ag & Vet Weekly understands that Cooke Aquaculture also received FIRB approval to acquire Huon this week, but given that the Bender family controlled about 52 percent of the vote, Cooke was unlikely to continue its bid.

Separately, Huon said that bidder JBS "reconfirms its unequivocal commitment to animal welfare and environmental sustainability globally".

Huon said that it noted an announcement by Tattarang calling on JBS SA, the parent company of JBS Australia, to declare its unequivocal commitment to animal welfare and environmental sustainability.

Huon reported Tattarang saying that until JBS SA made those commitments it intended to vote its shareholding against both schemes.

Huon said JBS SA responded to Tattarang saying: "JBS unequivocally supports the principle of 'no pain, no fear' animal welfare across its global operations".

Huon was up one cent or 0.3 percent to \$3.85 with 415,776 shares traded.

APIAM ANIMAL HEALTH

Apiam says it will buy the Horsham Veterinary Hospital for \$2.0 million, with \$1.60 million in cash and the balance in shares, in escrow for 12 and 24 months.

Apiam said that Horsham Veterinary Hospital provided veterinary services for companion animals and was a regional hub for Victoria's Wimmera and Southern Mallee area.

The company said that Horsham Veterinary Hospital had six veterinarians and would form part of Apiam's Western Victorian network with benefits expected to flow as the business is integrated into Apiam's eight clinic network in the region.

Apiam said that the acquisition would add \$2.55 million in revenue and \$400,000 in earnings before interest taxation depreciation and amortisation.

Apiam managing-director Dr Chris Richards said the acquisition was "expanding our reach into important regional communities, where companion and mixed animal ownership continues to accelerate rapidly".

Apiam was up half a cent or 0.5 percent to 94.5 cents.

BUBS AUSTRALIA

Bubs says it will add cow's milk powder "for the whole family" to its existing range of goat's milk specialty infant formula and children's nutrition products.

Bubs chief executive officer Kristy Carr said that the extension of into family nutrition "allows Bubs to tap into the \$US15.7 billion global cow's milk powder market, leveraging our extensive dairy expertise and manufacturing capabilities".

"The established familiarity of Bubs as a trusted nutrition brand will be stretched to cater for the whole family, providing a broader opportunity to introduce consumers in the mother and baby segment to Bubs premium quality brand attributes," Ms Carr said.

"Although Bubs infant nutrition range will continue to be our core margin driver, Bubs family nutrition facilitates new market access points to introduce Bubs brand to a significantly larger and growing category with less complex regulatory compliance than infant formula, expanding jurisdiction reach and catalysing value creation," Ms Carr said.

Bubs said the cow's milk powder business would have a "seamless integration into [the] existing business" with manufacturing at Deloraine in Melbourne's Eastern suburbs.

Bubs said it had supply agreements with multiple distribution and retail partners, with opening orders due to be shipped to China, Malaysia, Singapore, Vietnam, Pacific Islands and East Africa by the end of the year.

The company said that China was "a large consumer of milk powder, accounting for an estimated 20 percent of global market demand, worth \$US\$3.3 billion in 2021 and forecast to rise to \$US\$3.8 billion by 2025".

Bubs said that production of its family nutrition range would begin in November.

Bubs fell half a cent or one percent to 51.5 cents with 1.7 million shares traded.

FONTERRA SHAREHOLDERS' FUND

Fonterra says it has increased its 2021-'22 forecast farmgate milk price range to \$NZ7.90 to \$NZ8.90 (\$A7.53 to \$A8.48) per kilogram of milk solids (kg/MS).

In May, Fonterra said it increased its 2021-'22 forecast farmgate milk price range to \$NZ7.25 to \$NZ8.75 kg/MS (AVW: May 28, 2021).

Fonterra chief executive officer Miles Hurrell said "while the increase in milk price can put pressure on our input costs, we remain comfortable with our current 2021-'22 earnings guidance range of 25 to 40 cents per share".

Fonterra was up six cents or 1.6 percent to \$3.81.

CANN GLOBAL

Cann Global says it has raised \$1.8 million at 0.3 cents a share in a placement to sophisticated professional investors, introduced through Melbourne's 180 Markets. Cann Global said the proceeds would be used for working capital and to support expansion plans.

Cann Global managing-director Sholom Feldman said the company was "approached by 180 Markets saying they had large professional investors who had been following the company's development and had expressed strong interest to take a meaningful shareholding in Cann Global to support the Company's expansion operations".

"Following this strong, and unsolicited, investor interest we are pleased to be welcoming these professional investors to the register through this well supported placement," Mr Feldman said.

Cann Global fell 0.05 cents or 11.1 percent to 0.4 cents with 26.5 million shares traded.

CRESO PHARMA

Creso says it will issue Impactive \$C200,000 (\$A216,660) in shares for its marijuana-based joint-pain products.

Creso said Impactive's products delivered "anti-inflammatory relief to professional and amateur athletes suffering from chronic muscle and joint pain and joint and limb recovery".

The company said Impactive founders Brett Ayers and Kevin Tansey would work for it, and each would be issued 500,000 options exercisable at 13.75 cents within three years.

The company said it would seek shareholder approval to issue six million performance shares to Impactive, half converting on generating \$C20,000,000 of gross sales within three years, and the remainder converting at \$C40,000,000 in sales within five years.

Creso was up one cent or 9.1 percent to 12 cents with 11.5 million shares traded.

ECOFIBRE

Ecofibre claims it has "ground-breaking results in [a] study of [marijuana for] gynaecological cancers" and it has less than two quarters of cash.

Ecofibre said 31 patients participated in a pain study with the New South Wales University of Newcastle and "all patients have responded positively to Ananda's proprietary [cannabidiol] formulation" as illustrated by photos showing in-vitro responses of tissue samples from three women, comparing the marijuana derivative to an unnamed "control".

"The ground-breaking results from this clinical study using patient-derived organoids have led to four patent filings," Ecofibre said. "The photos ... demonstrate that diseased cells of varying gynaecological diseases were completely eradicated upon treatment with Ananda Health's proprietary formulation CBD Tx."

A table in the Ecofibre announcement said that the study at Newcastle University was for pain associated with endometriosis.

The company said it had filed four patent applications to the US Patent and Trademark Office but provided no further details.

Ecofibre headlined the announcement 'Four patents filed following ground-breaking results in study of gynaecological cancers'.

In its Appendix 4C Quarterly Report, filed a few minutes before the trial results, the company said it had 1.6 quarters of cash, having had a cash burn of \$3,127,000 for the three months to September 30, \$7,898,000 in customer receipts for sales of its marijuana hemp products and cash and equivalents of \$4,978,000 at September 30, 2021.

Ecofibre fell two cents or 2.6 percent to 76 cents.

MEMPHASYS

Memphasys says it has received \$1,359,512 from the Australian Tax Office under the Federal Government Research and Development Tax Incentive program.

Memphasys said the rebate related to expenditure for the year to June 30, 2021.

Memphasys fell 0.05 cents or 0.8 percent to 6.45 cents.

EPSILON HEALTHCARE

Epsilon says Mitchell Asset Management has agreed to a 12-month extension of its loan repayment to October 31, 2022.

Epsilon said the original loan amount was \$4 million and it had made about \$400,000 principal repayments over the first year of the facility.

Epsilon fell half a cent or 3.6 percent to 13.5 cents.

MEMPHASYS

Memphasys says the China National Intellectual Property Administration has granted a patent relating to its Felix sperm separation systems.

Memphasys said the patent, titled 'Sperm Separation by Electrophoresis' protected its intellectual property rights until October 20, 2037.

The company said it was its first patent granted in China, "the largest [in-vitro fertilization] market in the world".

In April, Memphasys said it had been granted two US patents, one with the same title as today's China patent.

TASSAL GROUP

Tassal says it has appointed Kathy Parsons as non-executive director, effective from October 29, 2021.

Tassal said Ms Parsons was formerly an executive with Ernst & Young and was currently a director of McMillan Shakespeare.

The company said Ms Parsons held a Bachelor of Commerce from the University of New South Wales.

Tassal fell five cents or 1.4 percent to \$3.55 with 299,042 shares traded.

BEGA CHEESE

Bega Cheese says all resolutions to its annual general meeting were carried but faced a 19.2 percent opposition against amendments to the constitution.

Bega said the amendments to the constitution was passed with 133,597,023 votes (80.7%) in favor and 31,750,376 votes (19.2%) against.

The company said that the remuneration report, the election of directors Harper Kilpatrick, Barry Irvin, Raelene Murphy and Richard Cross and the increase in director's fee pool by 45.8 percent to \$1,750,000 were passed overwhelmingly.

According to its most recent filing, Bega had 302,985,069 shares on offer meaning that the opposition to the amendments to the constitution amounted to 9.5 percent of the company, sufficient to requisition extraordinary general meetings.

Bega fell two cents or 0.4 percent to \$5.42 with 562,078 shares traded.

OCEAN GROWN ABALONE

Ocean Grown says investors will vote to issue 1,000,000 options each to directors Peter Harold and Danielle Lee and 1,570,354 performance rights to Bradley Adams.

Ocean Grown said the options were exercisable at a 150 percent of the 5-day volume weighted average price to the meeting and expiring on November 26, 2024.

The company said that executive director Mr Adams' performance rights, were dependent on him remaining with the company and the company meeting a two-year earnings before interest and taxation of target between \$200,000 and \$750,000.

The company said shareholders will vote on the remuneration report, the re-election as a director of chair Mr Harold and Mr Adams, the change of company name to Rare Foods Australia and the 10 percent placement capacity.

The meeting will be held at Fremantle Sailing Club Bridge Room, 151 Marine Terrace, Fremantle, Western Australia on November 26, 2021 at 10am (AWST).

Ocean Grown fell 0.3 cents or 3.85 percent to 7.5 cents.

MGC PHARMACEUTICALS

MGC says shareholders will vote on a potential second-strike remuneration report and to increase the non-executive directors' pay pool by 100 percent to \$500,000 a year.

Last year's annual general meeting voted 35.28 percent against the remuneration report, delivering a 'first strike' (BD: Nov 5, 2020).

Under the Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011 any company sustaining a vote of 25 percent or more against the remuneration report in two successive annual meetings is required to vote on a board spill and at the later meeting and if passed by more than 50 percent of votes the directors must stand for re-election at a subsequent meeting within 90 days.

Today, the company said the meeting would vote on the re-election of directors Nativ Segev and Dr Ross Walker, the ratification of prior issue of shares and deferred consideration shares for the acquisition of Medicanl, and the 10 percent placement capacity.

The meeting will be held at 1202 Hay Street, West Perth, on November 24, 2021 at 4pm (AWST).

MGC was unchanged at five cents with two million shares traded.

ELDERS

Blackrock and its related bodies say they have become substantial shareholders in Elders with 7,865,010 shares or 5.02 percent.

The New York-based Blackrock said that it bought and sold shares between June 28 and October 27, 2020 at prices ranging from \$11.00 to \$12.57.

Elders fell 10 cents or 0.8 percent to \$12.03 with 746,716 shares traded.

TASSAL GROUP

Yarra Capital Management and its subsidiaries say they have reduced their substantial holding in Tassal from 20,501,645 shares (9.6550%) to 14,938,704 shares (6.9935%).

The Sydney-based Yarra Capital and its Melbourne and London-based subsidiaries said that between April 13 and October 20, 2021 they sold 6,588,208 shares for \$23,163,542, or \$3.52 a share.

CLEAN SEAS SEAFOOD

IFM Fund Management says it has increased its substantial shareholding in Clean Seas from 25,832,071 shares (16.28%) to 28,800,700 shares (17.42%).

The Principality of Liechtenstein-based IFM Fund Management said between July 7 and October 19, 2021 it converted a bond and bought shares, with the single largest purchase 822,109 shares for \$464,492 or 56.5 cents a share.

Clean Seas was unchanged at 62.5 cents.