

Ag & Vet Weekly



Monday November 22 – Friday November 26, 2021

All the news on ASX-listed agriculture and veterinary companies

- * **ASX, AVW-42 DOWN: EPSILON UP 17%; CANN GLOBAL DOWN 33%**
- * **SELECT HARVESTS REVENUE UP 16% TO \$288m, PROFIT DOWN 40% TO \$15m**
- * **APIAM \$3.6m FOR FRASER COAST, NORTH HILL VET CLINICS**
- * **MEMPHASYS: 1st FELIX SALE TO CHINA'S DIAGENS FOR IVF**
- * **A2 MILK TO 'VIGOROUSLY DEFEND' SHINE CLASS ACTION**
- * **WIDE OPEN \$750k WOOLWORTHS OAT MILK DEAL**
- * **PALLA PHARMA SELLS COOLAROO SITE FOR \$33m, LEASEBACK**
- * **ROOTS: CHERRY IRRIGATION RZTO SOUTHERN AFRICA DISTRIBUTOR**
- * **CRESO ASIC QUERY; RAIDED CHAIR ADAM BLUMENTHAL STANDS ASIDE**
- * **RIDLEY AGM: 32% OPPOSE DIRECTOR DAVID LORD**
- * **MGC AVOIDS 2nd STRIKE, 25% OPPOSE DIRECTOR FEE POOL HIKE**
- * **WIDE OPEN REQUESTS CAPITAL RAISING TRADING HALT**
- * **MGC RECEIVES \$1m of \$4.2m US CIMETRA ORDER**
- * **M-D MATHEW RYAN REDUCES, DILUTED TO 11% OF MURRAY COD**
- * **MIN CHEN REPLACES SYNLAIT BRIGHT DAIRY DIRECTOR MIN BEN**
- * **CFO SHONA CROUCHER REPLACES TASFOODS CO SEC MARTA BUTTON**
- * **FOOD REVOLUTION APPOINTS ASHLEY BOTTRELL CFO**

MARKET REPORT

The Australian stock market fell 1.73 percent on Friday November 26, 2021, with the ASX200 down 128.0 points to 7,279.3 points. Nine of the AVW-42 stocks were up, 25 fell, seven traded unchanged and one was untraded.

Epsilon was the best on no news, up 1.7 cents or 17.35 percent to 11.5 cents, with 2.6 million shares traded. Roots climbed 12.5 percent; Creso was up 4.2 percent; Fonterra and Ocean Grown rose more than two percent; Bubs and Elixinol were up one percent or more; with Bega and Elders up by less than one percent.

Cann Global led the falls, down 0.1 cents or 33.3 percent to 0.2 cents, with 50.2 million shares traded. Palla lost 7.7 percent; Sustainable Nutrition (formerly AP Hemp) was down six percent; Botanix and Seafarms fell five percent or more; Costa, Ecofibre, Food revolution and Memphasys were down four percent or more; Clean Seas, Nufarm and Synlait were down more than three percent; A2, Althea and Next Science shed two percent or more; with Auscann, Cann Group, Cobram, Murray Cod, Nanollose, Ridley, Select Harvests, Tasfoods, Tassal and Wellnex down by one percent or more.

SELECT HARVESTS

Select Harvests says sales revenue for the 12 months to September 30, 2021, was up 16.1 percent to \$288,217,000, with net profit after tax down 39.5 percent to \$15,116,000. Select Harvests said revenue came primarily from growing, processing and sale of almonds and the processing, packaging, marketing and distribution of edible nuts, dried fruits, seeds, muesli and a range of natural health foods.

The company said that revenue from continuing operations was up 22.2 percent to \$228,595,000 "following the sale of the consumer foods branded business ... [and] has been adjusted".

In September, Select Harvests said it would sell its Lucky and Sunsol brands to Prolife Foods Pty Ltd for \$1.5 million plus finished goods inventory (AVW: Sep 3, 2021).

The company said that diluted earnings per share fell 51.0 percent to 12.7 cents, net tangible assets per share was up 6.4 percent to \$3.68 and it had cash and equivalents of \$1,995,000 at September 30, 2021 compared to \$1,451,000 at September 30, 2020.

Select Harvests fell seven cents or one percent to \$6.88 with 399,854 shares traded.

APIAM ANIMAL HEALTH

Apiam says it will pay \$3.6 million in cash and scrip for Queensland's Fraser Coast Veterinary Services and the Armidale, New South Wales' North Hill Veterinary Clinic. Apiam said the acquisitions would add \$5.2 million in revenue and \$600,000 in earnings before interest, taxation, depreciation and amortization (Ebitda).

The company said that the Fraser Coast Veterinary Services comprised three clinics in Maryborough, Howard and Childers about 250km north of Brisbane and employed 25 staff including nine veterinarians.

Apiam said it would pay Fraser Coast 80 percent in cash and 20 percent in shares.

The company said North Hill was a companion animal practice, employing four veterinarians and it would pay 70 percent in cash and 30 percent in shares.

The company has bought eight other veterinary clinics this year in Victoria and Queensland (AVW: May 28, Jul 2, Aug 6, 27, Oct 29, Nov 19, 2021).

Apiam managing-director Dr Chris Richards said the two acquisitions were "targeted to capture this growth and have strategic benefits given our growing clinic networks in the [Queensland] and [New South Wales] regions".

"Not only can we share skills and staff across our locations, but we can leverage our infrastructure from adjacent clinics," Dr Richards said.

Apiam was unchanged at 93 cents.

MEMPHASYS

Memphasys says it has sold its first Felix sperm separation device to the Diagens Biotechnology Co for in-vitro fertilization (IVF) for \$11,000.

Memphasys said it had worked with the Hangzhou, China-based Diagens over the preceding 18 months in gaining access to Chinese reproductive clinics in order to support a submission to the China National Medical Products Administration for fast-track regulatory approval.

The company said the sale of its Felix device was "a pathfinder sale" and Diagens would seek to deliver the platform to a "major Chinese medical research centre".

Memphasys said that sale was "a major milestone" in receiving revenue from Felix, and entering the Chinese market, the world's biggest in-vitro fertilization market world.

Memphasys fell 0.4 cents or four percent to 9.5 cents with 1.7 million shares traded.

A2 MILK CO

A2 says Shine Lawyers has filed proceedings in the Supreme Court of Victoria making "allegations which are broadly similar to those advanced by ... Slater and Gordon".

In October, A2 said it would "vigorously defend" itself against class action proceedings in the Supreme Court of Victoria brought by Slater and Gordon Lawyers on behalf of shareholders who acquired an interest in the company on the ASX or NZX Main Board between August 19, 2020 and May 9, 2021 (AVW: Oct 8, 2021).

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

Today, A2 said the proceeding related to the period from August 19, 2020, to May 9, 2021, and made allegations which were "broadly similar" to Slater and Gordon allegations. A2 said it considered that it had "at all times complied with its disclosure obligations, denies any liability and will vigorously defend the proceedings".

A2 Milk fell 14 cents or 2.3 percent to \$6.00 with 4.85 million shares traded.

WIDE OPEN AGRICULTURE

Wide Open says it expects Woolworths to sell more than \$750,000 of its Oatup oat milk at half of its Australian supermarkets, its "largest distribution agreement to date".

Wide Open said that through its Dirty Clean Food subsidiary it expected its Oatup oat milk to be present in more than 1,000 shops by the end of this financial year.

Wide Open managing-director Dr Ben Cole said the company was "thrilled with this agreement with Woolworths".

"Woolworths Group's sustainability plan 2025 demonstrates their commitment to encouraging regenerative farming practices and to have net carbon positive emissions by 2050," Dr Cole said.

"We were impressed by their knowledge of regenerative farming practices and their support of our initiative to produce carbon neutral oat milk made from regeneratively farmed oats, grown and rolled in Western Australia", he said.

Wide Open was unchanged at 85 cents.

PALLA PHARMA

Palla says it has a \$33.1 million sale and leaseback agreement for the pharmaceutical and medicine manufacturing site in Coolaroo, north of the Melbourne.

Palla said it received \$33.1 million for the site before transaction costs and expenses resulting in an "estimated book gain" of \$21.0 million.

The company said it had repaid all drawn shareholder loans and agreed with its lender to retain access to \$5 million under its existing credit facility.

Palla said it would have continued access to the Coolaroo site under an 18-month lease arrangement with the option to extend the lease term for a further six months.

The company did not disclose the cost of the lease.

In September, Palla Pharma said that its revenue for the six months to June 30, 2021, was down 42.7 percent to \$7,060,872 with net loss after tax up 267.2 percent to \$33,105,663 (AVW: Sep 3, 2021).

The company said it had cash and cash equivalents of \$897,312 at June 30, 2021 compared to \$1,644,223 at June 30, 2020.

Palla fell three cents or 7.7 percent to 36 cents.

ROOTS SUSTAINABLE AGRICULTURE

Roots says it intends to appoints Cherry Irrigation SA its root zone temperature optimization (RZTO) distributor for South Africa and Namibia.

Roots said the exclusive, non-binding letter of intent with Cape Town's Cherry Irrigation would provide access to high growth market segments including blueberries and marijuana and the three-year marketing, sales and installation rights would be conditional "on an average sale in three years of no less than EUR1 million (\$A1.55 million)".

Roots said Cherry Irrigation would pay a royalty for the sale and installation of each system "at a rate to be agreed ... in the definitive agreement, anticipated in early 2022".

Roots said the agreement included the purchase of four small scale RTZO systems to be used as pilot installations "over the coming months".

Roots was up 0.1 cents or 12.5 percent to 0.9 cents with 24.5 million shares traded

CRESO PHARMA

Creso says the Australian Securities and Investments Commission (ASIC) has required documents, and chair Adam Blumenthal has stood aside.

In an announcement titled 'Update on Price and Volume Query Response' Creso said chair Adam Blumenthal had stood aside with James Ellingford interim chair.

Last week, Creso told the ASX that although it was aware of articles "which reported that the Australian Federal Police were executing a search warrant at the Sydney offices of Everblu Capital ... it has not been served with any notices from any regulatory body in connection with the matter ... and as a result ... does not consider there to be any basis for it to make public announcement in relation to this matter" (AVW: Nov 19, 2021).

As ASIC spokesperson told Ag & Vet Weekly the Australian Federal Police raided Everblu, whose chair Adam Blumenthal is the chair of Creso, one of five locations in Sydney, one in Brisbane and one in Queensland's Gold Coast and the Australian Federal Police exercised warrants in relation to "certain market activities, among other things".

Today, Creso said that on Monday November 22, 2021 it "was served with a notice issued by ASIC under Section 33 of the ASIC Act, requiring it to produce certain documents to ASIC in connection with an ASIC investigation".

The company said the notice "identified for the first time that ASIC's investigation includes suspected contraventions by the company, its officers, agents, employees and representatives in relation to trading in its securities".

"The notice confirmed that it should not be construed as an indication by ASIC that a contravention of the law has occurred, nor should it be considered a reflection upon any person or entity," Creso said.

"Creso Pharma appears to have become involved in the ASIC investigation because of common directorships between it and its corporate adviser, Everblu Capital," it said.

"In order to distance Creso Pharma's operations and governance from the ASIC investigation, Mr Blumenthal has today offered to stand aside from his role as chairman of Creso Pharma which Creso Pharma has now accepted," the company said.

Creso said that executive director James Ellingford would be the interim chair.

The company said it had established a subcommittee comprising Mr Ellingford and director Boaz Wachtel to cooperate with the ASIC investigation.

Creso said the ASIC investigation did not impact on its ability to continue to operate.

The company said that its operations in Canada and Switzerland were managed by in-country executives, quarantined from this matter.

Creso was up 0.4 cents or 4.2 percent to 9.9 cents with 11.1 million shares traded.

RIDLEY CORP

Ridley says its annual general meeting passed all resolutions but with the re-election of David Lord as director facing up to 32 percent opposition.

Ridley said the resolution to re-elect Mr Lord was opposed by 72,624,011 votes (31.80%) with 155,740,352 votes (68.20%) in favor.

The company said all other resolutions including the remuneration report, the re-election of director Ejnar Knudsen, the issue of 1,045,273 performance rights to managing-director Quinton Hildebrand, the approval of issues under the long-term incentive plan and the proportional takeover provisions were passed easily.

According to Ridley's annual report, the company had 319,494,975 shares on issue meaning that the opposition to Mr Lord amounted to 22.7 percent of the company, sufficient to requisition extraordinary general meetings.

Ridley fell 2.5 cents or 1.8 percent to \$1.355

MGC PHARMACEUTICALS

MGC says it avoided a second-strike remuneration report vote with the spill resolution withdrawn and faced up to 25 percent dissent against the increase in director fee pool.

MGC said the resolution to increase the total aggregate remuneration for non-executive directors by 100 percent to \$500,000 a year was opposed by 62,990,279 votes (25.06%) with 188,318,324 votes (74.94%) in favor.

The company said the remuneration report avoided a potential second strike with 50,900,206 votes (20.20%) against, following last year's 35.28 percent first strike.

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 must vote on a board spill.

MGC said the re-election of directors Nativ Segev and Dr Ross Walker and the additional 10 percent placement capacity faced about 13 percent opposition with the ratification of the prior issue of shares for the acquisition of Medicanl passed easily.

According to its most recent filing, MGC had 2,404,895,855 shares on offer meaning that the opposition to the increased director fee pool amounted to 2.6 percent of the company, not sufficient to requisition extraordinary meetings.

MGC was unchanged at 4.4 cents with 1.2 million shares traded.

WIDE OPEN AGRICULTURE

Wide Open has requested a trading halt pending "an announcement regarding a proposed capital raising".

Trading will resume on November 29, 2021, or on an earlier announcement.

MGC PHARMACEUTICALS

MGC says it has received \$US750,000 (\$A1,038,494) of a \$US3 million (\$A4,154,550) minimum order under a contract with AMC Holdings for distribution of Cimetra.

MGC said that under the three-year \$US24 million agreement, the Tampa, Florida-based AMC Holdings had committed to a one-year \$US3 million minimum order of the Cimetra curcumin and boswellia Covid-19 "treatment" (BD: Aug 27, 2021).

The company said that AMC would provide \$US2.25 million for the balance of the order in the form of a cash deposit, letter of credit or other secured funding facility acceptable to MGC on delivery of the first Cimetra shipment to the US.

MURRAY COD AUSTRALIA

Murray Cod managing-director Mathew Ryan says he has increased and been diluted in the company from 68,928,572 shares (19.87%) to 73,608,761 shares to (11.00%).

The Griffith, New South Wales-based Mr Ryan said that on May 31, 2018 he bought 37,332 shares for \$2,234 or 5.98 cents a share.

Mr Ryan said that on March 7, 2019 he was given 19,642,857 "acquisition consideration shares" and on November 16 2021, he sold 15,000,000 shares off-market for \$5,025,000 or 33.5 cents a share.

Earlier this month, Murray Cod said it raised \$30 million in a placement at 33.5 cents a share and hoped to raise a further \$3 million in a share plan (AVW: Nov 12, 19, 2021). The company said that chair Ross Anderson would buy 10 million shares from managing-director Mat Ryan at 35.5 cents a share and Mr Ryan would not dispose of any further shares until the release of the company's half year results, expected in February 2022, at the earliest.

Murray Cod fell half a cent or 1.5 percent to 33.5 cents.

SYNLAIT MILK

Synlait says one of four Bright Dairy Holding directors Min Ben has been replaced by Min Chen.

Synlait said Bright Dairy held 39 percent of the company and had four board seats.

Synlait fell 11 cents or 3.4 percent to \$3.16.

TASFOODS

Tasfoods says it has appointed chief financial officer Shona Croucher as company secretary replacing Marta Button, effective today.

In April, Tasfoods said Ms Button was appointed company secretary and today said she would "continue to support the company secretarial function" (AVW: Apr 12, 2021).

Tasfoods fell 0.1 cents or one percent to 9.6 cents.

FOOD REVOLUTION GROUP

Food Revolution says it has appointed Ashley Bottrell as its chief financial officer replacing Steven Cail in the role from January 17, 2022.

Food Revolution's annual report said Mr Cail was appointed chief financial officer on March 4, 2021, and on July 12 replaced Tony Rowlinson as chief executive officer.

The company said Mr Bottrell previously worked for Emirates Leisure Retail Group and Wesfarmers Target.

Food Revolution said Mr Bottrell held a Bachelor of Commerce from Melbourne's Deakin University.

Food Revolution fell 0.1 cents or four percent to 2.4 cents.