

Ag & Vet Weekly



Monday February 14 – Friday February 18, 2022

All the news on ASX-listed agriculture and veterinary companies

- * **ASX200, AVW-42 DOWN: ROOTS UP 9%; NANOLLOSE DOWN 12%**
- * **SEA FOREST: FEDERAL \$1.5m FOR ANTI-METHANE SEAWEED TRIALS**
- * **RIDLEY H1 REVENUE UP 8% TO \$509m; PROFIT UP 95% TO \$22.6m**
- * **TASSAL H1 REVENUE UP 43% TO \$419m, PROFIT UP 31.6% TO \$36.4m.**
- * **FONTERRA SELLS 67% OF GLOBAL DAIRY TRADE**
- * **WELLNEX, AUSTRALIAN DAIRY J-V FOR A2 INFANT FORMULA**
- * **PHARMAUST'S EPICHEM: 'PROMISING RESULTS' ON E-WASTE PROJECT**
- * **AA CO 12,525ha CENTRAL QUEENSLAND LEASE**
- * **PALLA 'FAILS TO ATTRACT A BUYER; TO BEGIN WIND-DOWN'**
- * **ANATARA READY FOR 3FDC DEPRESSION TRIAL**
- * **CANN GROUP TRIALS MARIJUANA FOR SLEEP DISTURBANCE**
- * **FIRETRAIL REDUCES TO 6% OF NUFARM**
- * **'TWIGGY' FORREST TAKES 5% OF AA CO**
- * **CANN GLOBAL COMPLETES 25-TO-1 CONSOLIDATION**

MARKET REPORT

The Australian stock market fell 1.02 percent on Friday February 18, 2022, with the ASX200 down 74.5 points to 7,221.7 points. Ten of the AVW-42 stocks were up, 18 fell, 11 traded unchanged and four were untraded.

Roots was the best, up 0.05 cents or 9.1 percent to 0.6 cents, with 256,000 shares traded. Apiam improved 4.1 percent; Ecofibre, Elixinol, Pharmaust and Select Harvests rose one percent or more; with AA Co, Next Science and Synlait up by less than one percent.

Nanollose led the falls, down 1.5 cents or 12 percent to 11 cents, with 151,423 shares traded. Cann Global lost 10.3 percent; Auscann fell 4.8 percent; Avecho, Ridley, Seafarms and Tasfoods were down more than three percent; Memphasys and Nufarm shed more than two percent; Bubs, Clean Seas, Clover, Creso, Elders and Tassal lost more than one percent; with Bega, Cobram and Costa down by less than one percent.

SEA FOREST

By Noah Nicholas

Sea Forest says it is the co-recipient of \$1.5 million from the Federal Government to trial seaweed supplements for the reduction of livestock methane output.

According to the United Nations Food and Agriculture Organisation, methane is about 28 times more potent a greenhouse gas than carbon-dioxide, with livestock accounting for 14.5 percent of total global carbon dioxide (CO₂) equivalent emissions every year.

In 2016, the Commonwealth Science and Industry Research Organisation (CSIRO) designed a laboratory ruminant stomach model to rank seven species of seaweed on their anti-methanogenic potential, with the trial identifying *Asparagopsis taxiformis*, a red seaweed native to Australia, as a potent methane-reducing product.

In 2020, CSIRO said that a 28-cow, farm-based trial showed that a 0.2 percent *Asparagopsis* supplement added to daily feed reduced a cow's methane output by 98 percent.

The CSIRO said that the same trial showed early evidence that the seaweed could help livestock digest more efficiently, increasing their average daily weight gain.

Today, the Federal Government said that \$1 million would fund gathering further data on feed productivity in a trial partnership between the Triabunna, Tasmania-based Sea Forest, the Kenmore, Queensland-based Bovine Dynamics and the Jondaryan, Queensland-based Stockyard Kerwee Feedlot.

The Federal Government said a further \$500,000 would fund a University of New England, Australian Wool Innovation and Sea Forest trial of the seaweed's effect on sheep.

Sea Forest chief executive officer Sam Elsom said the company was working with Australian Agricultural Company (AA Co) for a whole-of-life trial on 80 of AA Co's Wagyu cows, as well as a pilot program within Fonterra's dairy herd.

Mr Elsom said Sea Forest was working with Australian men's fashion brand MJ Bale to introduce carbon-neutral wool and the food chain Grill'd for carbon neutral meat.

A spokesperson for Sea Forest told Ag & Vet Weekly today that the company had signed a licencing agreement with Futurefeed, the CSIRO's *Asparagopsis* spin-out, to sell the seaweed to primary producers as an anti-methane supplement.

Mr Elsom said that with most of the company's industry trials finishing this year, the next stage would be "all about scaling up" to begin selling the product to primary producers.

Mr Elsom says that in September last year, Sea Forest took possession of a 1,600-hectare 30-year marine lease located within the Mercury Passage off Eastern Tasmania.

He said it was the biggest marine lease in the Southern Hemisphere and was in a location where *Asparagopsis* grew endemically.

The company said it had acquired a 30-hectare, 660-pond Abalone farm 40 minutes north of Triabunna near Swansea on the East Coast of Tasmania for further capacity, and to develop technology that could be licenced in countries where *Asparagopsis* was not part of the natural ecosystem.

Sea Forest said that once both sites were fully operational, it would be able to cultivate 7,500 tonnes of *Asparagopsis* each year.

Mr Elsom said that the economies of scale at full capacity would be key to the success of the business.

"We've got a way to go," Mr Elsom said.

He said that Sea Forest aimed to have "a minimum of 35,000 head of cattle" receiving an *Asparagopsis* feed supplement by the end of the year.

Sea Forest is a private company.

RIDLEY CORP

Ridley says revenue for the six months to December 31, 2021 was up 8.2 percent to \$508,725,000 with net profit after tax up 95.2 percent to \$22,580,000.

Ridley said the introduction of a new computer system meant it adjusted last year's expenditure, decreasing last year's net profit after tax from \$11,569,000 to \$10,060,000.

Ridley said revenue was from its agriculture bulk stock-feeds and packaged feeds and ingredients segments as well as its Novacq prawn feed business.

The company said it would pay an interim dividend of 3.4 cents with a record date of April 4, and a payment date of April 29, 2022.

It did not pay a dividend for the same period last year.

Ridley said its diluted earnings per share were up 88.9 percent from 3.6 cents to 6.8 cents with net tangible assets per share up 16.1 percent to 72 cents.

The company said it had cash and cash equivalents of \$27,753,000 at December 31, 2021 compared to \$35,165,000 at December 31, 2020.

Ridley fell 5.5 cents or 3.6 percent to \$1.47.

TASSAL GROUP

Tassal says revenue for the six months to December 31, 2021 was up 43.3 percent to \$419,140,000 with net profit after tax up 31.6 percent to \$36,370,000.

Tassal said revenue came primarily from sales of its Atlantic salmon and tiger prawns, as well as the processing and marketing of salmon prawns and other seafood.

The company said it would pay an unfranked dividend of 8.0 cents a share to shareholders on the record date of March 15, to be paid on March 30, 2022, compared to the unfranked dividend of 7.0 cents a share in the previous corresponding period.

Tassal said diluted earnings per share rose 29.8 percent to 17.01 cents with net tangible assets per share up 1.8 percent to \$3.33.

The company said it had cash and equivalents of \$43,138,000 at December 31, 2021 compared to \$35,463,000 at December 31, 2020.

Tassal fell five cents or 1.4 percent to \$3.63 with 1.25 million shares traded.

FONTERRA SHAREHOLDERS' FUND

Fonterra says it will sell 66.66 percent of its Global Dairy Trade to the New Zealand Exchange and the Leipzig Germany-based European Energy Exchange.

Fonterra said that the sale of one-third each to the NZX and EEX would be subject to the approval of boards, clearance from European competition authorities, and finalization of transaction documentation, but completion was expected by the middle of the year.

Fonterra chief executive officer Miles Hurrell said the move to a broader ownership structure would further enhance the standing of Global Dairy Trade as a price discovery platform through greater independence, neutrality, and transparency.

"This is good news for our farmer owners, unit holders, and all dairy industry participants and is expected to lead to greater volumes being traded on GDT," Mr Hurrell said.

"It will bring more participants and transactions," Mr Hurrell said.

"A more liquid dairy trading environment allows for the growth of financial tools which can be used by all participants to better manage price volatility," Mr Hurrell said.

Fonterra was unchanged at \$3.29.

WELLNEX LIFE

Wellnex says it will form a joint-venture with Melbourne's Australian Dairy Nutritionals Group to produce "Australia's first organic A2 infant formula range".

Wellnex said the A2 milk, for the Ocean Road Dairies joint-venture, would be sourced from Australian Dairy Nutritionals farms, near Victoria's Great Ocean Road.

The company said the joint venture had secured distribution of the infant formula at Chemist Warehouse, with a national launch planned by July 2022.

Wellnex said the Ocean Road Dairies name would replace the existing Uganic brand.

The company said that its Gradulac Gentle infant formula would be distributed by Chemist Warehouse and Symbion.

Last year, Wellnex said the milk would be manufactured by Australian Dairy Nutritionals Group in Camperdown, while Wellnex was responsible for sales and distribution in Australian retail and pharmacy shops and aimed to expand the range to retail grocers (AVW: Dec 10, 2021).

The company said at that time that Australian Dairy Nutritionals would have the exclusive right to distribute the A2 infant formula offshore and would pay up to \$500,000 in royalties over three years.

Wellnex was unchanged at 13 cents.

PHARMAUST

Pharmaust says its subsidiary Epichem has used oxidative hydrothermal dissolution to separate electronic waste, removing plastics and concentrating metals.

Pharmaust said that the \$200,000 electronic-waste processing project was funded by the Western Australia Department of Jobs, Tourism, Science, and Innovation.

Last year, Pharmaust said that Epichem completed its benchtop oxidative hydrothermal dissolution flow reactor and it was operational (AVW: Aug 6, 2021).

Today, Pharmaust said Epichem used the oxidative hydrothermal dissolution technology to convert plastics into small organic compounds that could potentially be re-purposed and/or made biodegradable.

The company said that Epichem would optimize the process specific to different waste materials and determine the processed solids bio-degradability via respirometry tests.

Pharmaust said that other feedstock and biomass for conversion and re-purpose consideration included coal, agricultural plant matter, solar panels, batteries, textiles and anti-corrosive film.

The company said that the research and development program supported a process to collect electronic waste and reduce the amount of electronic waste ending up in landfill.

Pharmaust said that the flow reactor had the potential to convert plastics into renewable fuels or make them biodegradable; turn coal into diesel or agricultural bio-stimulants, convert rubber tyres into liquid fuels of chemical products; and trees into cellulosic ethanol or fine chemicals.

The company said that the technology could be used "to enhance the process of carbon storage in soils ...[and] have application in the minerals recovery sector"

Pharmaust said it was in negotiations with mining and waste industry stakeholders regarding the use of its oxidative hydrothermal dissolution technology.

The company said that Epichem would seek government support and project grant funding to further develop and validate the technology.

Pharmaust was up 0.1 cents or one percent to 10 cents.

AUSTRALIAN AGRICULTURAL COMPANY

AA Co says it has a 10-year lease for 12,525 hectares in Central Queensland, for its Wagyu beef herd.

AA Co said the properties near Rockhampton would be leased from Rural Funds Group but did not disclose the commercial terms of the lease.

The company said that the lease was subject to approval by the Foreign Investment Review Board due to its foreign based shareholders in AA Co, as well as requirements of the Queensland Land Act 1994 "given part of the property is leasehold subject to a lease from the State of Queensland".

AA Co said the property had "high average annual rainfall and substantial water allocations" and added to its 6.5 million hectare property portfolio.

AA Co was up half a cent or 0.3 percent to \$1.625.

PALLA PHARMA (FORMERLY TASMANIAN POPPY INDUSTRIES)

Korda Mentha, as administrators of Palla, say that they have been unable to find a buyer for the company, and intend to 'wind-down' operations in Australia.

Last year Palla said it had entered voluntary administration with Korda Mentha appointed administrators (BD: Dec 17, 2021) (AVW: Dec 17, 2021).

In January Korda Mentha said it would pursue a sale process, including wholly-owned subsidiaries, Palla Pharma Norway AS and Palla Pharma UK (AVW Jan 17, 2022).

This week, the administrators said it received non-binding indicative offers from two interested parties, but both advised they would not provide a bid for the business.

Korda Mentha said that all parties concluded that "due to high operating costs, the current depressed global opioid market price, and ongoing pandemic causing delays in elective surgery, an acquirer would struggle to operate the business on a going concern basis".

Korda Mentha said it consider the sale of Australian plant and equipment, inventory, intellectual property, and marketing authorizations granted to Palla's UK subsidiary.

The company said that the indicative offers "provided preferable outcomes for stakeholders and had the potential to preserve employment with transfer of entitlements".

Palla was in administration and last traded at 29.5 cents.

ANATARA LIFESCIENCES

Anatara says it will start a 100-participant, randomized, double-blind, placebo-controlled study of 3FDC in adults with moderate anxiety, stress and depression.

Anatara said recruitment would begin on February 21, 2022, and be conducted by the Commonwealth Science and Industry Research Organisation at its Nutrition and Health Research Clinic in Adelaide, with an interim report in August and the final report in 2023.

The company said that 3FDC included several components of its gastro-intestinal reprogramming (Garp) over-the-counter complementary medicine.

Anatara said the components were "coated for targeted release predominately beyond the small intestine to allow delivery and influence in the large intestine".

The company said that the 3FDC components were expected "to have direct and indirect effects including assisting the homeostasis of a healthy microbiome ... considered important for gut-brain axis balance".

Anatara said the 3FDC components were "selected to explore their effect on depression, anxiety and stress symptoms in otherwise healthy individuals".

The company said participants would receive 3FDC or placebo twice a day for six weeks.

Anatara was untraded at 11.5 cents.

CANN GROUP

Cann Group says it will begin a 212-patient, phase III trial evaluating the efficacy of its marijuana-Satipharm capsule for short-term sleep disturbances.

Cann Group said the randomized, double-blind, placebo-controlled study was part of a registration program to secure Australia approval for a Schedule 3 over-the-counter cannabidiol (CBD) marijuana product.

In 2020, the Therapeutic Goods Administration said it had down-scheduled "certain low dose cannabidiol preparations" up to a maximum of 150mg/day, from schedule 4 (prescription medicine) to schedule 3 (over-the-counter pharmacist only medicine) but there were no products available (AVW: Dec 18, 2020).

Today, Cann Group said the patients would be randomized to cohorts receiving one of three doses of the Satipharm formulation or placebo over four weeks.

The company said results were expected later in 2022.

Cann Group said that a phase I trial of the capsules showed "the safety and high performance of the oral capsule technology, including the superior absorption of [cannabidiol] by trial subjects compared to the leading medical [marijuana] product in the market".

The company said that a phase II trial showed the capsules to be "efficacious as an add-on therapy in the treatment of paediatric, intractable epilepsy".

Cann Group said that Australians spent about \$97 million on pharmacy-supplied over-the-counter sleep disturbance products in the year to June 30, 2021.

Cann Group said that "while strong anecdotal evidence exists to support the efficacy of cannabidiol for patients struggling to achieve sleep, it is extremely important that this is validated by well-designed clinical trials".

"Many products and supplements currently promoted as sleep therapies are not supported with rigorous clinical data, so it would be a great benefit to have a proven, registered CBD treatment available on a pharmacy-only basis," the company said.

Cann Group said that the Satipharm marijuana capsules would be produced at its manufacturing facility near Mildura.

Cann Group was unchanged at 27.5 cents.

NUFARM

Brisbane's Firetrail Investments Pty Ltd says it has reduced its holding in Nufarm from 26,311,869 shares or 6.93 percent to 22,294,672 shares or 5.87 percent.

Firetrail said that between February 3 and 10, 2022 it bought 1,603,600 shares for \$8,963,164 or an average of \$5.59 a share and between January 24 and February 10, 2022 it sold 5,620,797 shares for \$28,244,524 or an average of \$5.025 a share.

Nufarm fell 15 cents or 2.7 percent to \$5.49 with 454,555 shares traded.

AUSTRALIAN AGRICULTURAL CO (AA Co)

Tattarang and Dr Andrew 'Twiggy' Forrest say they have become substantial shareholders in Australian Agricultural Co (AA Co) with 31,998,695 shares or 5.31 percent.

The Perth-based Tattarang said it acquired the 31,998,695 shares between December 5, 2021 and February 14, 2022 for \$35,404,833, or \$1.11 a share.

CANN GLOBAL

Cann Global says that it has completed a 25-to-one consolidation reducing the number of shares on offer to 253,421,523 shares.

According to a recent filing, Cann Global had 6,335,486,785 shares on offer before the consolidation.

Cann Global fell 0.4 cents or 10.3 percent to 3.5 cents with 3.85 million shares traded.