

Ag & Vet Weekly



Monday August 1 – Friday August 5, 2022

All the news on ASX-listed agriculture and veterinary companies

- * **ASX, AVW-42 UP: SEAFARMS UP 7%; ECOFIBRE DOWN 14%**
- * **CLEAN SEAS, CH4 TRIAL SEAWEED, KINGFISH CO-PRODUCTION**
- * **A2 MILK AWAITING US IMPORT APPROVAL**
- * **CRESO H1 RECEIPTS UP 69% TO \$4m**
- * **CRESO \$7m PLACEMENT TO BUY SIERRA SAGE HERBS**
- * **CRESO TO ACQUIRE HEALTH HOUSE FOR \$4.6m SCRIP**
- * **FONTERRA DIRECTOR NOMINATIONS OPENS**
- * **ASX REMOVES PALLA FROM OFFICIAL LIST**
- * **ECOFIBRE APPOINTS MARK BAYLISS DIRECTOR**
- * **ROOTS LOSES DIRECTOR PETER HATFULL**

MARKET REPORT

The Australian stock market was up 0.58 percent on Friday August 5, 2022, with the ASX200 up 40.7 points to 7,015.6 points. Eighteen of the AVW-42 stocks were up, 14 fell, six traded unchanged and four were untraded.

Seafarms was the best, up 0.1 cents or 7.1 percent to 1.5 cents, with 671,034 shares traded. Elixinol climbed 6.1 percent; Anantara, Epsilon and Terragen improved more than five percent; Clover, Elders, Food Revolution, Next Science and Wellnex were up four percent or more; Australian Agriculture, Bega, Costa and Nanollose rose two percent or more; Nufarm was up 1.15 percent; with A2, Fonterra and Select Harvests up by less than one percent.

Ecofibre led the falls, down four cents or 13.6 percent to 25.5 cents, with 8,885 shares traded. Creso lost seven percent; Tasfoods fell 6.4 percent; MGC was down 5.3 percent; Botanix, Bubs, Clean Seas, Cobram, Pharmaust and Synlait shed more than two percent; Ridley, RFL and Wide Open were down more than one percent, with Apiam down 0.7 percent.

CLEAN SEAS SEAFOOD

Clean Seas says it and the Henderson, Nevada-based CH4 Global will collaborate on synergistic production of Asparagopsis seaweed and Yellowtail Kingfish.

In February, Sea Forest said it was the co-recipient of a \$1.5 million Federal Government grant to trial seaweed supplements to reduce livestock methane (AVW: Feb 18, 2022).

Today, Clean Seas said CH4 would provide the intellectual property and capability to propagate pilot commercial quantities of Asparagopsis at Clean Seas' Arno Bay Yellowtail Kingfish hatchery.

The company said the agreement would run for three years, with options to extend, and while revenue to be generated and methane, carbon, and nitrogen to be abated was not quantifiable at this stage, the project would have no adverse effect on Kingfish production. Clean Seas said the project would assess the potential for joint production to reduce the nitrogen and carbon footprint of Kingfish production and reduce cost of production.

"If successful, the study is expected to confirm Asparagopsis as a suitable feed ingredient that can significantly reduce methane output from livestock, and while grown in synergy, have the potential to reduce the nitrogen and carbon footprint of Kingfish production, and reduce cost of production," the company said.

"Both [Clean Seas] and CH4 strongly believe in the future opportunities associated with the blue economy with a focus on the sustainable use of ocean resources for economic growth, improved livelihoods and job creation, and the preservation and health of the ocean's ecosystem," Clean Seas said.

Clean Seas fell 1.5 cents or 2.6 percent to 57 cents.

A2 MILK

A2 Milk says it has not received approval to import its infant milk formula into the US, despite a media report saying that approval could be "as soon as this week".

On Tuesday, A2 requested a trading halt "to provide us with additional time to properly consider the current information and to consider new information as it becomes available".

Shortly after, the company said that an article in the Australian Financial Review suggested the US Food and Drug Administration was nearing approval to allow it to import its infant milk formula products, and approval could be received "as soon as this week".

The company said that it "wishes to confirm that while we have been informed by the FDA that our application is under active review, at this stage there is no certainty as to the outcome of the application or the timing of any approval".

A2 Milk was up three cents or 0.6 percent to \$5.06 with 2.1 million shares traded.

CRESO PHARMA

Creso says receipts from customers for the six months to June 30, 2022, were up 68.6 percent to \$3,916,000 compared to the previous corresponding period.

Creso said that receipts for its cannabis-based and psilocybin-based products for the three months to June 30, 2022 rose by 84.6 percent to \$2,295,000, but that this did not include contributions from its subsidiary Sierra Sage Herbs LLC.

The company said it had a cash burn rate of \$2,008,000 for the three months to June 30, with cash and cash equivalents of \$3,108,000 and 1.5 quarters of funding available.

Creso said it had implemented measures to reduce overheads and improve cash flows, it had commitments for about \$7 million through a capital raise (see below), and had a \$25 million draw-down facility from New York's Obsidian Global Partners LLC.

Creso fell 0.3 cents or 7.0 percent to four cents with 19.2 million shares traded.

CRESO PHARMA

Creso says it has firm commitments for a \$7 million placement at four cents a share to fund its acquisition of the Lyons, Colorado-based Sierra Sage Herbs.

Creso said the placement was 'cornerstoned' by a \$1,740,000 commitment from directors including former chair Adam Blumenthal (\$1,440,000), managing-director William Lay (\$100,000) and Bruce Linton (\$200,000).

The company said the placement price was an 18.37 percent discount from its last closing price of 4.9 cents on July 26, 2022, and subject to shareholder approval, investors would receive one attaching option for every share acquired, exercisable at eight cents within four years.

Creso said Sydney's Everblu Capital, whose chair is Mr Blumenthal, would act as lead manager, with the Perth-based CPS Capital acting as co-manager.

The company said that as consideration for its work as lead manager, Everblu would earn a six percent cash fee or \$420,000 assuming a raise of \$7 million and, subject to shareholder approval, up to 175,000,000 options, equating to one option for every option issued under the placement, exercisable at eight cents within four years.

CRESO PHARMA

Creso says it has a non-binding agreement to the Perth-based medical marijuana distributor Health House International for up to \$4,630,388 in shares and options.

In June, Zelira said it had terminated its proposed acquisition of Health House in scrip for 19.45 percent of the expanded company, or 399,400,517 shares, valued at that time at about \$9,585,612, but \$7,721,210 after allowing for the dilution, due to "the substantial change in market conditions since ... announced".

Today, Creso said that subject to due diligence and conditions, it would issue one Creso share for every two Health House shares, based on a maximum equity value for Health House of \$4,630,388, as well one free option for every four shares issued, with an exercise price of eight cents, expiring four years from issue.

In a separate announcement, Health House said that Creso would acquire it for a 67 percent premium to its market capitalization based on the closing price of Health House shares on July 27, 2022 of 12 cents a share and Creso's share price of 4.9 cents a share at the same date.

The company said if the proposed scheme was accepted, Health House shareholders would be issued about 7.3 percent in Creso, with existing Creso shareholders retaining 92.7 percent ownership.

Creso said the acquisition would "provide a substantial increase to [its] revenue profile whilst strengthening the global marketing and distribution capabilities of the whole group", and that it would "immediately seek to reduce significant costs on the [Health House] business in order to fast track it to profitability ... [including] the removal of all corporate overheads, reduction in headcount, sales, manufacturing, distribution costs".

The company said the Sydney-based Everblu Capital Corporate would act as its corporate advisor for the proposed merger and would receive a 7.5 percent transaction fee, with the Perth-based CPS Capital Group Pty Ltd as Health House's corporate advisor.

Former Creso chair Adam Blumenthal is the chair of Everblu (AVW: Nov 26, 2021).

Creso managing-director William Lay said "subject to a formal scheme implementation deed being executed, implementation of the scheme would result in Creso Pharma significantly strengthening its global distribution capabilities and unlocking a number of new markets across the UK, Europe and Australia".

FONTERRA SHAREHOLDERS' FUND

Fonterra says nominations for its board of directors' election open today, August 5, 2022, with an election to be held for two former-elected directors.

Fonterra said directors Andy Macfarlane and Donna Smit would retire by rotation, with Mr Macfarlane to seek re-election.

The company said the returning officer would announce independent assessment process candidates on September 19, and confirm non-assessment candidates on September 30, 2022.

Fonterra was up half a cent or 0.2 percent to \$2.695.

PALLA PHARMA (FORMERLY TASMANIAN POPPY INDUSTRIES ENTERPRISES)

The ASX says Palla Pharma was removed from the Official list at the close of trading on August 2, 2022.

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

In February, Korda Mentha said it had been unable to find a buyer for the company, and would to 'wind-down' operations in Australia (AVW: Feb 18, 2022).

In March, Korda Mentha said administrators "do not anticipate a return to shareholders" (AVW: Mar 4, 2022).

Palla last traded at 29.5 cents.

ECOFIBRE

Ecofibre says it has appointed Mark Bayliss as a director, effective from September 1, 2022.

Ecofibre said Mr Bayliss currently the executive chair of A2B, and had previously a chief executive officer for CSG, Grays Ecommerce and Quick Service Restaurant Holdings.

The company said Mr Bayliss held a Bachelor of Science from the London School of Economics.

Ecofibre fell four cents or 13.6 percent to 25.5 cents.

ROOTS SUSTAINABLE AGRICULTURAL TECHNOLOGIES

Roots says Peter Hatfull has resigned as non-executive director, effective immediately.

In 2020 Roots said it had appointed Mr Hatful as a director (AVW: Jul 24, 2020).

Roots was unchanged at 0.3 cents with 2.2 million shares traded.