

Ag & Vet Weekly



Monday November 21 - Friday November 25, 2022

All the news on ASX-listed agriculture and veterinary companies

- * **ASX, AVW-41 UP: WIDE OPEN UP 18.5%; ECOFIBRE DOWN 11%**
- * **SELECT HARVESTS REVENUE DOWN 31% TO \$200m, PROFIT DOWN 69% TO \$5m**
- * **ANATARA RIGHTS RAISE \$525k; TOTAL TO \$1.4m; \$308k SHORTFALL**
- * **AGRIFUTURES HORIZON SCHOLARSHIP APPLICATIONS OPEN**
- * **CLOVER AGM 35% BLOCK 'FULLY VIRTUAL MEETINGS'**
- * **APIAM AGM 24.7% OPPOSE M-D EMPLOYEE EQUITY PLAN**
- * **RIDLEY AGM 19.4% OPPOSE RE-ELECTION OF RHYS JONES**
- * **FONTERRA 'FLEXIBLE SHAREHOLDING CAPITAL STRUCTURE'**
- * **RLF TO RELEASE 6.1m SHARES FROM VOLUNTARY ESCROW**
- * **APIAM TO RELEASE 2.2m SHARES FROM VOLUNTARY ESCROW**
- * **CRESO TO TAKE HEALTH HOUSE FOR '\$4.6m', REPAY ZELIRA LOAN**
- * **CRESO 'NO LONGER THE SUBJECT OF ASIC INVESTIGATION'**
- * **ROOTS EXTENDS LOANS**
- * **TATTARANG, DR FORREST TAKE 18.5% OF AUSTRALIAN AGRICULTURAL**
- * **WILSON TAKES 5.7% OF SELECT HARVESTS**
- * **COMMONWEALTH SUPER BELOW 5% IN SELECT HARVESTS**
- * **FIL (FIDELITY) REDUCES TO 5% OF SYNLAIT**

MARKET REPORT

The Australian stock market was up 0.24 percent on Friday November 25, with the ASX200 up 17.7 points to 7,259.5 points. Fourteen of the AVW-41 stocks were up, 12 fell, seven traded unchanged and eight were untraded.

Wide Open Agriculture was the best on no news, up five cents or 18.5 percent to 32 cents, with 251,199 shares traded. Avecho climbed 12.5 percent; Epsilon was up 7.1 percent; Cann Group improved 4.35 percent; Bega and Cobram were up more than three percent; A2 and Tasfoods rose two percent or more; Botanix, Costa, Murray Cod and Wellnex were up more than one percent; with Ridley and Synlait up by less than one percent.

Ecofibre led the falls, down 3.5 cents or 10.9 percent to 28.5 cents, with 65,389 shares traded. Pharmaust lost 6.8 percent; Creso fell 4.8 percent; Next Science was down 3.1 percent; Fonterra and Nufarm shed more than two percent; Bubs and Food Revolution were down more than one percent; with Australian Agricultural, Clean Seas, Elders and Select Harvests down by less than one percent.

SELECT HARVESTS

Select Harvests says revenue for the 12 months to September 30, 2022, fell 30.7 percent to \$199,661,000 with net profit after tax down 68.5 percent to \$4,759,000.

Select Harvests said that revenue from continuing operations was down 12.7 percent and the net profit after tax from continuing operations fell 75.6 percent to \$6,172,000.

The company said that 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.

Last year, 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).

This week, Select Harvests said that the transfer of capacity and capability from the Thomastown facility to the Carina West processing centre had been successful. with improving throughputs and yields being achieved.

The company said that the results were impacted by the use of 2020 and 2021 crops as raw material input at prior period contracted pricing, which had an impact on gross margins.

Select Harvests said this would be rectified early in the coming 12 months “once the plant moves to the usage of lower priced 2022 crop”.

The company said that the exit from Thomastown in June 2022 reversed \$1.2 million of the \$9.0 million in provisions, predominantly through the sale of equipment at a higher price than the estimated write-down of the asset.

Select Harvests said that the global almond market “continued to recover from the impacts of Covid-19, the supply chain remained in oversupply and US growers further lowered prices to clear inventory ... [and] pricing was stubbornly low across all grades”.

The company said it was able to gain a price premium for larger sizes and quality in-shell into China and the Middle East.

Select Harvests said that late last year “a significant hull fire at the Carina West facility ... destroyed fumigation and warehousing assets” with repairs substantively complete and fumigation chambers due for arrival by April 2023

Select Harvests said it would pay a fully franked dividend of two cents a share, down from the previous year’s eight cents a share for holders on the record date of December 9, 2022 to be paid on February 3, 2023.

The company said that diluted earnings per share fell 69.3 percent to 3.9 cents, net tangible assets per share shed 2.7 percent to \$3.58, and it had cash and equivalents of \$1,135,000 at September 30, 2022 compared to \$1,995,000 at September 30, 2021.

Select Harvests fell one cent or 0.2 percent to \$4.59 with 679,425 shares traded.

ANATARA LIFESCIENCES

Anatara says it raised \$524,691 of a hoped for \$832,482 in its one-for-three, rights offer at 3.5 cents a share, taking the total to \$1,389,691, and will place the shortfall.

In October, Anatara said had “firm commitments” to raise \$865,000 in a placement at 3.5 cents a share and would offer a non-renounceable rights offer to raise a further \$832,000 (AVW: Oct 21, 2022).

At that time, the company said that participants in the placement and entitlement offer would receive one attaching option for two new shares, exercisable at seven cents by December 11, 2025.

Today, Anatara said it would seek to place the \$307,791 shortfall within three months from the closing date of November 21, 2022.

Anatara was untraded at four cents.

AGRIFUTURES AUSTRALIA

Agrifutures says applications for the 2023 Agrifutures Horizon Scholarship Program have opened for students entering their final two years of an undergraduate degree.

Agrifutures said the Horizon Scholarship was a collaboration between the Research and Development Corporations (RDCs), along with Cooperative Research Centre for Developing Northern Australia, the Philadelphia, Pennsylvania-based FMC (Australasia), the Albury, New South Wales-based Agriprove and Perth's Kalyx.

The organization said the scholarships provided eligible university students \$10,000 over two years and opportunities to develop their leadership skills and expand their networks. Agrifutures said that students would attend an annual four-day professional development workshop and complete two weeks of industry work placements, each year.

The organization said the program was open to students studying agriculture-related or science, technology, engineering and mathematics (Stem) degrees with major studies and/or subject selections that aligned to agriculture.

Agrifutures Australia managing-director John Harvey said that "attracting people from non-traditional agricultural backgrounds will be crucial to solving the workforce challenges of the future and ... the Horizon Scholarship Program ... [would] meet this need".

"Our cohorts are no longer made up solely of ag students from traditional farming backgrounds," Mr Harvey said. "We now have scholars studying engineering, law, business and communications."

"We have scholars from the inner city in the same room as students from cattle stations in central Queensland and this diversity in backgrounds and thinking is beginning to elevate the conversations beyond anything we've seen before," Mr Harvey said.

Agrifutures said that for information and to apply, go to: www.agrifutures.com.au/horizon. Applications close on January 13, 2023 with winners to be announced in April 2023.

CLOVER CORP

Clover says its annual general meeting blocked a special resolution to allow fully virtual meetings with 21,301,809 votes (34.83%) against and 39,858,052 votes (65.17%) in favor. Clover said all other resolutions passed easily.

According to its most recent filing, Clover had 166,439,311 shares on issue, meaning the votes opposing the constitutional amendment amounted to 12.8 percent of the company, sufficient to requisition extraordinary meetings.

Clover was unchanged at \$1.225.

APIAM ANIMAL HEALTH

Apiam says its annual general meeting saw up to 24.7 percent opposition to managing-director Dr Chris Richards participating in the employee equity plan.

Apiam said 5,784,806 votes (24.73%) opposed Dr Richards' participation in the employee equity plan, with 17,607,744 votes (75.27%) in favor.

The company said the special resolution to amend the constitution to allow for hybrid or fully virtual meetings saw the largest number of dissenting votes, with 6,105,031 votes (10.17%) against and 53,931,948 votes (89.83%) in favor.

Apiam said that all other resolutions passed more easily.

According to its most recent filing, Apiam had 175,408,592 shares on issue, meaning that the votes against the amendment to the constitution amounted to 3.5 percent of the company, not sufficient to requisition extraordinary general meetings.

Apiam was untraded at 70.5 cents.

RIDLEY CORP

Ridley says 42,423,002 annual general meeting votes (19.44%) opposed the re-election of non-executive director Rhys Jones with 175,786,932 votes (80.56%) in favor.

The company said that all other resolutions passed easily, with 9,362,678 votes (4.32%) against the issue of 716,905 performance rights to managing-director Quinten Hildebrand. According to its most recent filing, Ridley had 319,494,975 shares on issue, meaning that the votes against Mr Jones amounted to 13.3 percent of the company, sufficient to requisition extraordinary general meetings.

Ridley was up half a cent or 0.3 percent to \$1.95.

FONTERRA SHAREHOLDERS FUND

Fonterra says it will implement its 'flexible shareholding capital structure' to "make it easier for new farmers to join the co-operative and for existing farmers to remain".

Fonterra said its new capital structure would be implemented in late March 2023, subject to board approval and the proposal had a "strong farmer mandate in December 2021, with more than 85 percent of the total number of farmer votes cast in support".

Fonterra chair Peter McBride said flexible shareholding would support the company's strategy by "helping to maintain a sustainable milk supply, protecting farmer ownership and control, and supporting a stable balance sheet".

"We believe late March is the best date for implementation because it avoids our share trading black-out period associated with the co-op's interim results," Mr McBride said.

"The black-out period would impact our ability to support liquidity in the market via the transitional buyback, which is part of the package of liquidity measures of up to \$300 million that we have previously announced," Mr McBride said.

"It also gives shareholders time to fully digest the detailed information we will be sending through ahead of the implementation date, and to seek advice from their financial advisor," Mr McBride said.

In its 'Flexible shareholding booklet' Fonterra said that a Supplying Shareholder could hold up to four times their milk supply in shares, or a minimum of 33 percent of milk supply.

The company said that farmers joining the Co-op had six seasons "to reach your minimum holding of 33 percent or one share for every about 3.0kg milk solids (kgMS) supplied.

Fonterra said that votes were based on "share backed production, that is, one vote for every 1,000kgMS of shares backed by production".

The company said there were multiple options for farmers who ceased supplying milk to the Co-op, with full details at: <https://bit.ly/3GJiINL>.

Fonterra fell seven cents or 2.4 percent to \$2.85.

RLF (RURAL LIQUID FERTILISERS) AGTECH

RLF says it will release 6,107,146 shares from voluntary escrow on December 2, 2022.

According to its most recent filing, RLF had a total of 89,985,270 shares on issue, with a further 94,948,008 shares in ASX escrow.

RLF was untraded at 16 cents.

APIAM ANIMAL HEALTH

Apiam says it will release 1,103,753 shares from voluntary escrow on November 30, and a further 1,124,453 shares from voluntary escrow on December 2, 2022.

According to its most recent filing, Apiam had a total of 175,408,592 shares on issue.

CRESO PHARMA, ZELIRA THERAPEUTICS, HEALTH HOUSE INTERNATIONAL

Creso says it will acquire Health House for about \$4.6 million and pay Zelira \$550,000 in cash and \$800,000 in Creso shares to resolve the Health House loan.

In February, Zelira said it would acquire Health House International in scrip for 19.45 percent of the expanded company and lend the Perth-based medical marijuana distributor \$1.5 million, conditional on due diligence and a formal scheme implementation deed, among other standard conditions.

Ag & Vet Weekly calculated at that time that Zelira would issue Health House 399,400,517 shares valued at \$9,585,612, but \$7,721,210 after allowing for the dilution.

In June, Zelira said it had terminated its proposed scheme of arrangement with Health House "given the substantial change in market conditions" and as a result Health House would have to pay it \$50,000 immediately, as well as repay its \$1.5 million working capital facility loan, plus interest, within 60 days.

In August, Creso said it had a non-binding agreement with Perth's Health House for up to \$4,630,388 in shares and options (AVW: Aug 5, 2022).

Separately, Health House said 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 and take about 7.3 percent of Creso.

In September, Creso said it would lend Health House \$700,000 for "general corporate purposes and working capital" and use the loan to complete a scheme implementation deed and report (AVW: Sep 9, 2022).

Creso said it had provided \$500,000 to Health House, at 12 percent a year, with repayment by November 30, 2022, with its loan ranking second to the security held by Zelira; and later that week, Zelira said it had received \$400,000 from Health House and extended the term of the balance to October 31, 2022 (AVW: Sep 9, 2022).

Today, Zelira said that if Creso shareholder approval was not obtained for the issue of shares by December 31, 2022, Health House would remain liable to Zelira in the amount of the residual amount under the loan and Zelira might immediately call on Health House to repay this amount to Zelira on demand.

In separate announcements, Health House said it had a scheme implementation deed with Creso and Creso had increased its loan to \$3,400,000.

Health House said it would be issued 107,683,442 Creso shares, worth \$2.15 million at the current Creso price of two cents a share, which could be reduced subject to debts at the implementation date, representing 5.5 percent of Creso, and valuing Health House at a 200 percent premium to its market capitalization at November 18, 2022.

Creso said it would buy Health House for about \$4.6 million based on 4.3 cents a share. Health House said the scheme was not subject to finance, but was subject to customary provisions, including exclusivity and break fees of \$100,000 in certain circumstances.

Health House said that part of the Creso loan included \$400,000 to pay an assumed debt to Celtic Capital Pty Ltd.

Health House said the merger with Creso would "create a global organization with strong medicinal cannabis production and distribution capabilities".

The company said the scheme deed was expected to be executed on November 25, the Australian Securities and Investments Commission review to be completed and a court hearing held on January 20, the Health House scheme meeting to be held on February 17, the scheme record date on March 10 and the implementation date on March 17, 2023.

Creso fell 0.1 cents or 4.8 percent to two cents with 16.7 million shares traded.

Health House was in an ASX suspension and last traded at 1.3 cents.

Zelira was unchanged at 98 cents.

CRESO PHARMA

Creso says the Australian Securities and Investments Commission (ASIC) has confirmed that it is “no longer the subject of its investigation”.

Last year, ASIC told Ag & Vet Weekly that it had raided the offices of Everblu Capital, an investor in Creso and Roots Sustainable and other companies, including the delisted Esense (AVW: Nov 19, 2021).

Later that month, Creso said then chair Adam Blumenthal had stood aside, with James Ellingford to serve as interim chair, and 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” (AVW: Nov 26, 2021).

At that time, Creso said it appeared to be involved in the ASIC investigation because of “common directorships between it and its corporate adviser, Everblu Capital,” whose chair Mr Blumenthal was the then chair of Creso.

Last week, Creso said that director Boaz Wachtel had replaced Mr Ellingford as its chair (AVW: Nov 18, 2022).

Today, Creso said that ASIC had confirmed that “the scope of its investigation no longer includes any suspected contraventions by Creso Pharma”.

Creso said ASIC confirmed that, at the date of its letter, chair Mr Wachtel, director Mr Ellingford and chief financial officer Chris Grundy were “not persons of interest in its investigation, and that the current scope of ASIC’s investigation did not include any suspected contraventions by any such individuals”.

Creso did not name Mr Blumenthal in the announcement.

The company said that it did “not expect that any enforcement action will be taken against Creso Pharma, or any of its current officers or employees”.

“ASIC’s investigation concerning trading in Creso Pharma’s securities by external parties is ongoing,” the company said, adding that it had provided, and continued to provide, assistance to ASIC, as required.

ROOTS SUSTAINABLE AGRICULTURE

Roots says RAH Pty Ltd and Glacier Glow Pty Ltd have agreed to extend their short-term loans until January 31, 2023.

In September, Roots said the companies had loaned it \$225,000 at a non-compounding 60 percent a year, payable by December 31, 2022, to finance equipment required to fill a United Arab Emirates order and avoid using cash reserves (AVW: Sep 2, 2022).

This week, Roots said RAH had loaned it \$240,000 and agreed to be issued 80,000,000 Chess depository interests (CDIs) for \$134,882 of the outstanding amount owed, and that Glacier Glow Pty Ltd loaned it \$125,000 and agreed to convert \$61,639 of the remaining debt to 32,700,000 CDIs.

The company said that it would issue 112,700,000 Chess depository interests (CDIs) to repay partial amounts of its loans.

Roots was unchanged at 0.2 cents with 3.5 million shares traded.

AUSTRALIAN AGRICULTURAL COMPANY

Tattarang and Dr Andrew ‘Twiggy’ Forrest say they have increased their Australian Agricultural holding from 104,928,666 shares (17.14%) to 111,396,503 shares (18.48%).

Perth’s Tattarang and Dr Forrest said that between June 17 and November 22, 2022, they bought 6,467,837 shares for \$11,570,527 or at an average price of \$1.79 a share.

Australian Agricultural fell 0.5 cents or 0.3 percent to \$1.775.

SELECT HARVESTS

Wilson Asset Management Group says it has become substantial in Select Harvests with 6,886,449 shares or 5.69 percent.

The Sydney-based Wilson said it bought and sold shares “on-market” between July 22, and November 24, 2022, with the largest purchase on November 23 of 522,706 shares for \$2,476,764 or \$4.74 a share.

SELECT HARVESTS

Commonwealth Superannuation says it has ceased its substantial holding in Select Harvests, retaining 6,009,926 shares or 4.9689 percent.

The Canberra-based Commonwealth Superannuation said that on October 12 it bought 46,546 shares for \$238,478 or \$5.12 a share and on November 22, 2022 it sold 105,640 shares for \$534,387 or \$5.06 a share.

SYNLAIT MILK

FIL (Fidelity) Investment Management says it has reduced its substantial holding in Synlait from 13,262,788 shares (6.07%) to 11,002,350 shares (5.03%).

Earlier this week, the Sydney-based FIL said it reduced its holding in Synlait from 17,032,277 shares (7.79%%) to 13,262,788 shares (6.07%).

Yesterday, FIL said it sold shares between November 18 and 22, 2022 at prices ranging from \$2.65 to \$2.76 a share.

Synlait was up two cents or 0.8 percent to \$2.66.