

Ag & Vet Weekly



Monday February 13- Friday February 17, 2023

All the news on ASX-listed agriculture and veterinary companies

- * **ASX, AVW-41 DOWN: WELLNEX UP 9%; MGC PHARMA DOWN 10%**
- * **SEAFARMS SUSPENSION FOR PROJECT SEA DRAGON ADMINISTRATION**
- * **FEDERAL \$9.3m FOR LOAM BIO CARBON STORAGE**
- * **RIDLEY H1 REVENUE UP 25.4% TO \$638m, PROFIT DOWN 7.2% TO \$21m**
- * **CRESO 'FIRM COMMITMENTS' FOR \$2m PLACEMENT**
- * **ELIXINOL AWARDED CANNACARE \$835k**
- * **WIDE OPEN WINS \$350k COMMONLAND GRANTS**
- * **SYNLAIT: CHINA A2 MILK INFANT FORMULA RE-REGISTRATION AUDIT**
- * **WELLNEX DELIVERS 1st PHARMACY OWN PRODUCTS TO CH2**
- * **BOTANIX DENIES SWEATING PROFIT FORECAST, RETRACTS 'SCENARIOS'**
- * **CRESO TO RELEASE 134.1m VOLUNTARY ESCROW SHARES**
- * **FONTERRA TO LOSE COO FRASER WHINERAY**

MARKET REPORT

The Australian stock market fell 0.86 percent on Friday February 17, 2023, with the ASX200 down 63.5 points to 7,346.8 points. Eleven of the AVW-41 stocks were up, 16 fell, 11 traded unchanged and three were untraded.

Wellnex was the best, up 0.6 cents or 9.2 percent to 7.1 cents, with 12,900 shares traded. A2, Memphasys and RFL climbed more than six percent; Avecho improved five percent; Synlait was up 4.5 percent; Clover and Next Science rose more than two percent; Cobram was up 1.45 percent; with Costa and Select Harvests up by less than one percent.

MGC led the falls, down 0.1 cents or 10 percent to 0.9 cents, with 1.7 million shares traded. Tasfoods lost 6.7 percent; both Botanix and Creso were down 5.6 percent; Epsilon fell 4.2 percent; Elixinol, Fonterra, Nanollose and Pharmaust were down more than three percent; Cann Group shed 2.7 percent; Althea, Australian Agricultural and Terragen were down more than one percent; with Bega, Nufarm and Ridley down by less than one percent.

SEAFARMS GROUP

Seafarms says its subsidiary Project Sea Dragon Pty Ltd has been placed in voluntary administration and Seafarms has requested a voluntary suspension from the ASX. Seafarms said that BDO Business Restructuring Pty Ltd had been appointed as the voluntary administrators following Seafarms decision to no longer fund the Project Sea Dragon black tiger prawn aquaculture venture.

Seafarms chief executive officer Rod Dyer said that following the decision made by the adjudicator on February 3, 2023 regarding a construction dispute “the voluntary administration became a necessary step for Project Sea Dragon”.

“Seafarms’ other existing operations based in Queensland are separate to Project Sea Dragon and as such these operations are not under administration,” Mr Dyer said.

Last week, Seafarms said that the adjudicator of its dispute with Brisbane contractor Canstruct for its Project Sea Dragon in northern Australia, the Royal Institution of Chartered Surveyors said it owed Canstruct \$15.29 million (AVW: Feb 10, 2023).

At that time Mr Dyer said: “We believe the determination to be excessive and are now considering our next steps on this matter, including legal redress.”

“As stated in our [annual general meeting presentation in November 2022] the assessment of key risks to Project Sea Dragon in 2022 found there was no technical reason why it should not continue,” Mr Dyer said.

“We remain focused on the development of a new business case for Project Sea Dragon,” Mr Dyer said.

In 2021, the company appointed Canstruct as a “managing contractor” for management, procurement and construction of stage 1a of the project, involving building about 396 hectares (979 acres) of ponds and other infrastructure to support about 6,000 tonnes of “premium” black tiger prawns annually (AVW: Mar 26, 2021).

Later that year, Seafarms raised the maximum cost of stage 1a by 41.4 percent to \$410 million and awarded a \$95 million contract to Canstruct (AVW Oct 15, 2021).

Last year, a project review, led by former chair Michael McMahon and company secretary Ian Brannan concluded the project “cannot proceed in its current form - there is no funding to proceed given failure of the debt financing process” (AVW: Apr 8, 2022).

Also in April, former chair Ian Trahar and Avatar Industries called for the removal of Mr McMahon and replaced him in May, with Rod Dyer later appointed as chief executive officer (AVW: Apr 22, May 6, 20, 2022).

In June the company said it would assess “a number of matters raised” in its Project Sea Dragon Review briefing” (AVW: Jun 24, 2022).

In its request for a suspension from the ASX, Seafarms said it had “resolved that it is no longer in the best interests of the company to continue to fund Project Sea Dragon”.

“The result of the voluntary administration will likely be material to the value [of] Seafarms securities,” the company said.

Seafarms said the appointment of an administrator to Project Sea Dragon exposed it to significant risks that its shares “would be trading in an uninformed market”.

The company said that as it had “no control over the actions of the administrator and the materiality of Project Sea Dragon to [Seafarms], the company considers that the outcome of the voluntary administration may materially impact [its] financial position”.

Seafarms said that it requested the suspension to continue for the duration of the Project Sea Dragon voluntary administration.

The company said that the Project Sea Dragon administration was expected to begin on February 13 and end on April 17, 2023.

Seafarms last traded at 0.8 cents.

FEDERAL GOVERNMENT

The Federal Government says it will provide \$9.3 million to the Orange, New South Wales Loam Bio to develop microbial soil technology to store carbon in agricultural soils.

A media release from the Minister for Climate Change and Energy Chris Bowen and Minister for Agriculture, Fisheries and Forestry Murray Watt said the investment would “help Australian farmers increase soil carbon in cropping systems, improve soil health and resilience, and diversify farm income”.

The media release said that funds from the Clean Energy Finance Corporation took the Corporation’s investment in Loam to a total of \$15.1 million.

Mr Bowen said the technology could help lower emissions, improve soil carbon storage and enable farmers to participate in “valuable carbon markets”.

“By boosting water retention in soils, the Loam technology has the potential to help Australian farms to become more drought resistant and more sustainable,” Mr Bowen said.

RIDLEY CORP

Ridley says revenue for the six months to December 31, 2022 was up 25.4 percent to \$637,869,000 with net profit after tax down 7.2 percent to \$20,956,000.

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

The company said that “the ingredient recovery business delivered strong results from accessing premium markets with differentiated products”.

“Higher selling prices for protein meals and tallows more than off-set increased raw material and manufacturing costs,” Ridley said. “Sales in the aquafeed business declined as extrusion capacity was allocated to pet food production.”

Ridley said it would pay an interim fully-franked dividend of 4.0 cents, up 17.6 percent from 3.4 cents for the six months to December 31, 2021, with a record date of April 5, and a payment date of April 27, 2023.

The company said diluted earnings per share was down 5.9 percent to 6.4 cents, net tangible assets per share rose 5.6 percent to 76 cents, and it had cash and equivalents of \$39,272,000 at December 31, 2022, compared to \$27,753,000 at December 31, 2021.

Ridley fell one cent or 0.45 percent to \$2.19 with 875,450 shares traded.

CRESO PHARMA

Creso says it has “firm commitments” to raise \$2 million in a placement to institutional, professional and sophisticated investors at 1.506 cents a share.

Creso said the share price was a 16.33 percent discount to the last closing price of 1.8 cents on February 14, 2023, and subject to shareholder approval, it would issue two options for each share bought, one exercisable at three cents, within 18 months of issue, and the other exercisable at eight cents by January 31, 2027.

Creso said the placement included a \$100,000 commitment from managing-director William Lay, subject to shareholder approval.

Creso said that funds would be used US commercialization, completion of its psilocybin for post-traumatic stress disorder trial and general working capital.

The company said that Everblu Capital Corporate would receive a \$120,000 fee, and 2,000,000 shares for each \$1 million raised and attaching options, subject to approval.

Former Creso chair Adam Blumenthal is the chair of Everblu.

Creso fell 0.1 cents or 5.6 percent to 1.7 cents with 44.7 million shares traded.

ELIXINOL WELLNESS

Elixinol says subsidiary Elixinol BV has won a dispute with Cannacare Health GmbH and should receive payments and interest of EUR543,000 (\$A835,000) within 30 days.

Elixinol said that on June 29, 2021 it entered into a termination and withdrawal agreement with Cannacare investors to terminate the share purchase agreement for the acquisition by Elixinol BV of the Düsseldorf, Germany-based Cannacare (AVW: Mar 19, Jul 2, 2021). The company said that acquisition was expected to be completed in July 2021, but further due diligence “revealed a change in the German market outlook with rapidly intensifying competition”.

“These factors led the company to conclude that the acquisition, and the investments that would have been required to generate profitable returns, were not in the best interest of Elixinol Wellness’ shareholders at that time,” Elixinol said.

The company said the parties entered into a termination agreement which provided for the parties to be mutually released from the agreement and for Cannacare to pay a reimbursement to the company of EUR360,000 in respect of costs incurred to date for the purposes of the proposed acquisition.

Elixinol said that Cannacare failed to pay the money owed and it began arbitration proceedings to recover the amount owed, plus interest.

The company said that arbitration concluded in September 2022 and this week it received the arbitration award, which was approved by the German arbitration body, “The arbitration award is vindication of the company’s position that it was owed the termination payments outlined in the termination agreement and that the claims made by Cannacare’s shareholders were without merit,” Elixinol said.

Elixinol fell 0.1 cents or 3.7 percent to 2.6 cents.

WIDE OPEN AGRICULTURE

Wide Open says the Commonland Foundation has committed to provide \$350,000 in grants over the next four years for its participation in the ‘Four Returns’ program.

Wide Open said it was “the only listed Four Returns company in the world, with a mission of creating value ... in social, financial, natural and inspirational returns”.

The company said that the Amsterdam-based Commonland grants included an annual commitment of \$100,000 over the three years from 2023 to 2025 to support Four Returns initiatives focused on long-term regeneration of land in Western Australia.

Wide Open said that Commonland became a founding shareholder in 2015.

Commonland executive Jim Mackintosh said that the organization was a “strong supporter of [Wide Open] as it strives to deliver the Four Returns through a business model that enables holistic landscape restoration through the advancement of regenerative agriculture in Western Australia”.

Wide Open chief executive officer Jay Albany said that Commonland’s support “helps fund projects which measure, validate and prove the positive environmental impact of our activities”.

“This is incredibly important to our customers in plant-proteins and Dirty Clean Food,” Mr Albany said.

Wide Open said that Commonland was “a not-for-profit organization bringing people together to restore degraded landscapes and regenerate the Earth ... working with a diverse range of partners in over 20 countries to facilitate and drive the uptake of holistic landscape restoration on a global scale, aiming to restore 100 million hectares of degraded land by 2040”.

Wide Open was unchanged at 20 cents.

A2 MILK, SYNLAIT MILK

Synlait says China's State Administration for Market Regulation will conduct an on-site audit for re-registration of A2 Milk's infant formula product from February 26, 2023.

Synlait said it manufactured A2 Milk's Chinese labelled infant milk formula product and re-registration of the formula product was required under China's Guobiao (GB), or food safety legislation standards.

According to Wikipedia, the Guobiao Standards are China's national standards, enforced by law, administrative regulations and "concern the protection of human health, personal property and safety".

The company said the on-site audit at its Dunsandel factory, on New Zealand's South Island, was the last step in the re-registration process before requesting final approval.

A2 was up 42 cents or 6.3 percent to \$7.10 with 6.7 million shares traded.

Synlait was up 14 cents or 4.5 percent to \$3.28.

WELLNEX LIFE

Wellnex says it has delivered the first Pharmacy Own products to joint venture partner and exclusive distributor Clifford Hallam Healthcare (CH2).

Wellnex said that CH2 was "Australia's only fully integrated pharmaceutical and medical consumable distributor with an extensive network that includes over 2,500 pharmacies".

The company said that the joint venture would allow it "to gain immediate national distribution across CH2's extensive network, with Wellnex retaining 100 percent ownership of the Pharmacy Own brand ... [of] affordable, over-the-counter medicines".

Wellnex said it was targeting the launch of up to 20 Pharmacy Own products in the first 12 months, expanding to more than 50 products in the long term, across categories including cough and cold, hay fever, pain relief and vitamins.

Wellnex was up 0.6 cents or 9.2 percent to 7.1 cents.

BOTANIX PHARMACEUTICALS

Botanix says executive director Matthew Callahan did not say sofipironium bromide for sweating would generate \$144 million to \$288 million in profit a year.

Botanix said that the West Australian reported yesterday on sofipironium bromide for hyperhidrosis or excessive sweating, and the company had filed for US Food and Drug Administration approval.

The company said that the article "incorrectly attributes a forecast for the product's profits to ... Mr Callahan, specifically that the product 'would generate anywhere between \$US100 million to \$US200 million in profit a year'."

"Mr Callahan did not make that forecast at the recent JP Morgan conference, or at all," Botanix said.

Botanix said that the numbers quoted appeared to have been taken from the most recent Botanix investor presentation on January 31, 2023 and a slide titled 'US market opportunity for hyperhidrosis'.

The company said that the slide set out "various scenarios for potential market share and corresponding potential gross sales".

"To the extent that these scenarios could be considered a financial forecast, Botanix retracts the scenarios and examples sales figures given," Botanix said.

"Botanix does not have a reasonable basis for making a sales forecast at this stage," the company said.

Botanix fell 0.4 cents or 5.6 percent to 6.8 cents with 3.7 million shares traded.

CRESO PHARMA

Creso says it will release 134,105,335 shares from voluntary escrow on February 26, 2023.

According to its most recent filing, Creso said that it had a total of 1,958,847,517 shares on issues, with no shares in ASX escrow and further shares in voluntary escrow, due to be released on August 26, 2023 and January 10, 2024.

FONTERRA SHAREHOLDERS' FUND

Fonterra says that chief operating officer Fraser Whineray intends to resign from the company at the end of this financial year on July 31, 2023.

Fonterra said that Mr Whineray joined the company in 2020 and had “made a significant contribution during his time with the business”.

Fonterra fell 10 cents or 3.4 percent to \$2.85.