

Ag & Vet Weekly



Monday July 3 - Friday July 7, 2023

All the news on ASX-listed agriculture and veterinary companies

- * **ASX, AVW-42 DOWN: ROOTS UP 25%; TASFOODS DOWN 9%**
- * **PAINE SCHWARTZ OFFERS \$1.6b FOR COSTA**
- * **ABARES SUSTAINABILITY REPORT BACKS AUSTRALIAN AGRICULTURE**
- * **TERRAGEN PLAN RAISES \$466k OF HOPED-FOR \$1m; TOTAL \$4.2m**
- * **BUBS STRATEGIC REVIEW; \$5.7m ALPHA, WILLIS, ALICE LEGAL DISPUTE**
- * **CANN UNAUDITED REVENUE UP 111% TO \$13.5m**
- * **WELLNEX ADDS WAKEY WAKE, NIGHTY NIGHT PRODUCTS**
- * **WIDE OPEN: 'STILL HUNTING A BUNTINE PROTEIN PARTNER'**
- * **PHARMAUST: 'MONEPANTEL MAY SUPPRESS MND INFLAMMATION'**
- * **PHARMAUST: LYMPHOMA DOG SURVIVES 365 DAYS; EGM 18% DISSENT**
- * **ECOFIBRE: EOF-BIO HEMP FOR ENDOMETRIOSIS, OVARIAN CANCER PAIN**
- * **RIDLEY CORP BUYS-BACK 3.7m SHARES FOR \$7m**
- * **MGC: AMC PHARMA BUYS \$1.5m ARTEMIC; HITS LSE ONE FARTHING**
- * **DIMENSIONAL ENTITIES TAKES 5% OF NUFARM**
- * **SPHERIA TAKES 6% OF BEGA**
- * **SAM BROUGHAM, STAMINA, CROFTON DILUTED TO 9% OF TERRAGEN**
- * **MIKE BARRY REPLACES TERRAGEN CHAIR TRAVIS DILLON**
- * **MGC TERMINATES UNNAMED EXECUTIVE**
- * **ELDERS LOSES DIRECTOR DIANA EILERT; PAUL ROSSITER CFO**
- * **LEONARD MATH REPLACES ROOTS CO SEC SARAH SMITH**

MARKET REPORT

The Australian stock market lost 1.69 percent on Friday June 30, 2023, with the ASX200 down 121.1 points to 7,042.3 points.

Seven of the AVW-42 stocks were up, 12 fell, 15 traded unchanged and eight were untraded.

Roots was the best, up 0.1 cents or 25.0 percent to 0.5 cents, with 300,000 shares traded, followed by Avecho up 20 percent to 0.6 cents with 2.2 million shares traded.

Bubs climbed 4.55 percent; Select Harvests was up 1.2 percent; with Clover Corp, Elders and Fonterra up by less than one percent.

Tasfoods led the falls, down 0.2 cents or 8.7 percent to 2.1 cents, with 600,000 shares traded.

Elixinol lost 7.7 percent; Botanix was down 3.7 percent; Ecofibre and Synlait shed two percent or more; Bega Cheese, Clean Seas and Nanollose were down more than one percent; with A2 Milk, Australian Agricultural, Nufarm and Ridley Corp down by less than one percent.

COSTA GROUP HOLDINGS

Costa says the San Mateo, California-based Paine Schwartz Partners LLC has offered \$3.50 a share excluding a proposed four cent dividend to acquire the company.

Costa's most recent filing said it had 464,709,793 shares on issue implying that the Paine Schwartz \$3.50 a share bid valued the company at \$1,626,484,276 and \$1,645,072,667 including the dividend.

The company said that on May 31, 2023 it received an unsolicited, confidential, non-binding indicative proposal from Paine Schwartz Partners.

According to Commsec data, at the time of receiving the proposal Costa closed trading on the ASX at \$2.65 a share.

Last year, Paine Schwartz said it became substantial in Costa through Australian Football Holdings LLC with 64,018,511 shares (13.78%) at \$2.60 a share,

At that time, Paine Schwartz said it would take up to 15 percent and had no intention of making an offer to acquire control but might be "interest in seeking a board seat, subject to [Foreign Investment Review Board] approval" (AVW: Oct 28, 2022).

This week, Costa said it had determined it was in the best interest of shareholders to grant Paine Schwartz an eight-week period of non-exclusive due diligence, beginning on June 6, to enable Paine Schwartz to determine whether to put forward a binding proposal.

Costa said there was "no certainty" that the indicative proposal would result in a binding offer or that any transaction would eventuate.

The company said it had appointed UBS Securities Australia as financial adviser and King & Wood Malletsons as legal adviser.

Costa was unchanged at \$3.28 with 2.75 million shares traded.

BUREAU OF AGRICULTURE AND RESOURCE ECONOMICS AND SCIENCES

Abares says Australia has “strong sustainability credentials using global indicators when local context is taken into account”.

Abares executive director Dr Jared Greenville said that compared to other significant agriculture producing nations, Australian farmers used less fertilizer, had better nutrient balances on their land and used more sustainable cropping practices”.

The Abares report showed that Australia had “strong sustainability credentials compared to many other major agricultural producing countries” through comparing sustainability practices and the diversity of natural environments and agricultural production systems. The report said the agricultural land area in Australia fell 28 percent from 1970 to 2020, but output rose by 104 percent, which allowed it to deliver more land to conservation and nature.

The report showed that about 80 percent of Australian land was not tilled compared to less than five percent in France, Germany, Italy, the Netherlands and the UK, 60 percent in Canada and about 35 percent in the US.

However, the report also showed that all the data on tillage practices in Australia reported conventional and not conservational, which was better for soil moisture and soil erosion control, was used. compared to a mix of both by other producers.

The report also showed how Australia’s land use was dominated by livestock grazing on native vegetation, low livestock units per hectare, or stocking rates, due to the use of arid and semi-arid land and the largest total area of land under meadows and pastures.

The Abares report showed an average use of 2kg of pesticides per hectare of cropping land, which was the same as Canada, slightly below the US and UK, with New Zealand using more than 8kg/ha and Netherlands more than 10kg/ha.

“That’s good news for Australia because environmental sustainability has become an increasingly large part of discussions on agricultural trade,” Dr Greenville said.

Dr Greenville said after adjusting emission intensity indicators to account for production and environment diversity Australia’s emission intensities were “below the average for cereals, cattle and specialist beef production, compared to the major ... exporters”.

“However, Australian agriculture will need to continue to improve its sustainability performance as consumer and trading partner government expectations are rising,” Dr Greenville said.

“The increased focus on sustainability will shape how Australia competes internationally in the future,” Dr Greenville said.

Abares said the report, titled ‘Environmental Sustainability and agri-environmental indicators – international comparisons’ was available at: www.bit.ly/44xLleA.

TERRAGEN HOLDINGS

Terragen says it has raised \$466,000 of a hoped-for \$1 million through a share plan at 2.4 cents, an 8.2 percent discount to the 15-day volume weighted average price.

In June, Terragen said it had commitments for \$3.7 million through a two-tranche placement at 2.4 cents a share, and hoped to raise a further \$1.0 million through a share plan (AVW: June 9, 2023).

This week, the company said it would use the proceeds to fund research and development, provide working capital and cover transaction costs from the raising.

Terragen was unchanged at 2.5 cents.

BUBS AUSTRALIA

Bubs says its strategic review has outlined a five-point plan to “responsibly manage capital and increase and... maximize shareholder value”.

In June, Bubs said former chair Dennis Lin and former chief executive officer Kristy Carr requisitioned an extraordinary general meeting under 249D of the Corporations Act, calling for James Jackson, Peter Nathan and Rupert Soar to replace directors Katrina Rathie, Steven Lin, Paul Jensen and Reg Weine (AVW: Jun 2, 2023).

The company said the extraordinary general meeting would be held on July 27, 2023.

This week, Bubs said the five-point plan included increasing sales to US groceries and pharmacies, “resetting” its China sales strategy with new leadership and trade partners, marketing its infant milk formula as a “premium” brand, increasing operating capacity of its Deloraine, Victoria manufacturing facility and increasing working capital, by reducing expenses.

The company said it was “committed to” increasing net sales revenue by 35 percent to \$80 million with gross profit margin of 40 percent and be “cash flow positive in 2024-’25. Bubs was up one cent or 4.55 percent to 23 cents with 7.7 million shares traded.

BUBS AUSTRALIA

Bubs says Willis Trading Ltd and Alice Trading Ltd, subsidiaries of Hong Kong’s Alpha Group, have outstanding debts of \$2.67 million and \$2.99 million, respectively.

Last week, Bubs said China distributors AZ Global, comprising Willis and Alice together owed Bubs’ subsidiary Infant Food \$5.65 million for delivered finished goods according to sales and purchase agreements (AVW: Jun 30, 2023).

This week, the company said the overdue and outstanding debts owed by Willis and Alice related to purchases made by Alpha Group between August and September 2022 and March 2023.

Bubs said in response to its pursuit of the outstanding debt that Willis and Alice alleged for the first time the “previous Bubs management team” had made promises to Alpha Group that the payers could unconditionally return stock they could not sell, without any liability. Bubs said the parties were also told by previous management that the company would provide credit for any nearly expired stock, amounting to about \$12.9 million worth of product and that they intended to return \$7.5 million worth of stock they hadn’t sold.

In May, the company said it had “terminated” chief executive officer Kristy Carr and executive chair Dennis Lin, effective from May 10, 2023 (AVW: May 12, 2023).

Later that month, Bubs said Mr Lin and Ms Carr had requested a board spill extraordinary general meeting under 249D of the Corporations Act (AVW: Jun 2, 2023).

This week, Bubs said that at that time Mr Lin and Ms Carr were collectively responsible for Bubs China strategy and managed the relationship with Alpha Group.

The company said sales agreements with Alpha Group did not provide for return of stock, sale on consignment or refund of goods unsold, and that no such promises were communicated to the board at the time by the “previous Bubs management team”.

Bubs said on June 30, 2023 and July 1, 2023 it had requested further information from Willis and Alice, and that Willis responded that it would “endeavor to provide that information by July 28, 2023”, a day after Bubs’ scheduled extraordinary general meeting.

Bubs said Willis was one of the shareholders who requisitioned the extraordinary general meeting scheduled for July 27, and that it had transferred its 9,541,620 shares (1.28%) in the company to Alpha Group on June 29, 2023.

CANN GROUP

Cann says unaudited revenue from sales of its marijuana products was up 110.9 percent to \$13.5 million for the year to June 30, 2023, from \$6.4 million last year.

Cann said strong demand increased revenue from its dried marijuana flower producers by about 500 percent on the previous year.

The company said the improvement was “driven by the domestic market” with strong sales from new clients entering into supply agreements and existing clients’ repeat orders.

Cann was unchanged at 13 cents.

WELLNEX LIFE

Wellnex says it has added four new products to its “Wakey Wake” product line and introduced a new brand “Nighty Night”.

Wellnex said it had added berry and lemon lime flavors to its Wakey Wake line, which was launched in October 2021 and included caffeine and magnesium.

The company said the elderberry-flavored Nighty Night had been in development for nine months and used ashwagandha, also known as Withania somnifera or winter cherry, for consumers looking for assistance falling asleep.

Wellnex was in a suspension and last traded at 5.3 cents.

WIDE OPEN AGRICULTURE

Wide Open says it was unable to announce a commercial lupin Buntine Protein production partner by June 30, 2023 “due to factors outside [...its] control”.

In May, the ASX said it had suspended Wide Open under Listing Rule 17.3.1, for failing to comply with a requirement for information about a “strategic production partner” (AVW: May 5, 2023).

Today, the company said it was working diligently to finalize all necessary agreements and expected an official announcement to be made “in the coming weeks”.

Wide Open remains in a suspension and last traded at 32.5 cents.

PHARMAUST

Pharmaust says data from its seven patient, phase I/II trial of monepantel shows the drug might suppress the inflammation responsible for motor neuron disease.

Last week, Pharmaust said it had dosed all 12 patients in cohort 3 in the phase I/II trial of monepantel for motor neuron disease (AVW: Jun 30, 2023).

This week, the company said monepantel tablets were intended to inhibit the mammalian target of rapamycin (mTOR) signaling pathway, which regulates cell proliferation, autophagy and apoptosis in the body, in the blood of patients.

Pharmaust said there was a clear correlation between reduced peripheral blood mononuclear cell B1 and P1 protein levels with monepantel treatment, with five patient B1 protein levels decreased and six patient P1 protein levels decreased.

Pharmaust executive chairman Dr Roger Aston said that molecular and cellular pathways of neurodegeneration in motor neuron disease were complex.

“However, it appears that oxidative stress, protein misfolding and aggregation may be underlying causes for the inflammation associated in neurons during [motor neuron disease] progression,” Dr Aston said.

Pharmaust was unchanged at eight cents.

PHARMAUST

Pharmaust says a dog in its trial of monepantel for canine lymphoma had passed 365-days with “stable disease and continued excellent quality of life”.

In March, Pharmaust said the dog had 240-days with stable disease (BD: Mar 7, 2023). Today, the company said its strategy for treating B-cell lymphoma was to induce stable disease for four to six months with minimal side effects.

Pharmaust said that dogs with B-cell lymphoma had a poor prognosis and without treatment it was often fatal in a few weeks.

“Even though chemotherapy can offer extended survival, typically around 12 months, it is only palliative and often results in an unacceptable adverse events profile and substantial costs,” the company said.

PHARMAUST

Pharmaust says all eight resolutions at its extraordinary general meeting passed, but with up to 18.12 percent opposition to the special resolution amending its constitution.

Pharmaust said 114,248,998 votes (81.88%) were in favor of amending its constitution, with 25,278,841 votes (18.12%) against.

The company said all other resolutions passed with 9.01 percent to 15.57 percent dissent. According to its most recent filing, Pharmaust had 317,474,940 shares, meaning the votes against the constitution amounted to 7.96 percent, sufficient to requisition extraordinary general meetings.

ECOFIBRE

Ecofibre says it has established EOF-Bio LLC to commercialize patents for marijuana for endometriosis and ovarian cancer pain developed with the University of Newcastle.

In May, Ecofibre said it had been granted patents covering an “intravaginal administration” of cannabis for ovarian cancer and the therapeutic use of cannabidiol (CBD) composition for fibroids and dysmenorrhea (period pain) (AVW: May 12, 2023).

The company said EOF-Bio would help raise equity and develop relationships in the pharmaceutical and oncology industries, as well as reduce financial risk for Ecofibre.

Ecofibre said it would initially invest \$US1.5 million (\$2.25 million) for a 4.8 percent ownership, and would invest \$US8.5 million in a second tranche by July 2024.

The company said Ecofibre USA would be the majority shareholder.

Ecofibre said EOF-Bio would have exclusive rights to commercialize intellectual property developed by it and the University of Newcastle.

The company said funds would be used for phase II trials, as well as development of additional patents and further development and execution of a commercial strategy.

Ecofibre fell half a cent or 2.7 percent to 18 cents.

RIDLEY CORP

Ridley says it has bought back 3,662,262 shares for \$7,023,593, at prices ranging from \$1.8350 to \$2.00 a share in an on-market share buy-back.

Last year, Ridley said it would buy back a maximum of 11,400,000 shares for \$20 million on-market from October 13, 2022 to June 30, 2023 (AVW: Aug 19, 2022).

This week, the company said Wilsons Corporate Finance Ltd was the buy-back broker.

Ridley Corp fell one cent or 0.5 percent to \$1.955.

MGC PHARMACEUTICALS

MGC says the Tampa, Florida-based AMC Pharma has bought \$US1 million (\$A1.5 million) of its over-the-counter food additive Artemic.

MGC said the order came alongside AMC's supply agreement to distribute more than 100 Holistic and Wellness Chiropractic offices in California and Florida.

According to the company's website, Artemic consisted of 60mg vitamin C, 20mg of Curcuma Longa extract and 15mg of Boswellia serrata extract.

On the London Stock Exchange last night, MGC closed at one farthing (0.25 pence) having listed on the LSE at 2.38 pence, following a GBP6.5 million (\$A11.6 million) capital raise at 1.475 pence (AVW: Feb 12, 2021).

MGC was unchanged at half a cent with 7.4 million shares traded.

NUFARM

Sydney's Dimensional Entities says it has become a substantial shareholder in Nufarm with 19,039,733 shares or 5.003 percent of the company.

Dimensional Entities said it bought shares between March 7 and July 4, 2023, with the single largest purchase of 40,196 shares for \$225,902 or \$5.62 a share on April 26, 2023.

Dimensional said it owned shares on behalf of Citi Group, National Australia Bank, HSBC Bank, JP Morgan, BNP Paribas Securities, State Street Bank and others.

Nufarm fell one cent or 0.2 percent to \$5.15 with 996,560 shares traded.

BEGA CHEESE

Spheria Asset Management Pty Ltd says it has become substantial in Bega with the 18,347,017 shares, or 6.03%.

The Brisbane-based Spheria said it bought and sold shares at a range of prices between March 2, 2023 and June 29, 2023, with the largest purchase 3,164,299 shares on June 29 for \$9,303,774, or \$2.94 a share.

Bega fell four cents or 1.3 percent to \$2.99 with 1.4 million shares traded.

TERRAGEN HOLDINGS

Sam Brougham, Stamina Pty Ltd and Crofton Development Pty Ltd say their Terragen 15,178,718 shareholding has been diluted from 10.31 percent to 8.96 percent.

Last month, Terragen said it had commitments for \$3.7 million placement at 2.4 cents a share, and hoped a share plan would raise a further \$1.0 million (AVW: Jun 9, 2023).

TERRAGEN HOLDINGS

Terragen says it has appointed Mike Barry as non-executive chair replacing Travis Dillon, effective from June 30, 2023.

Terragen said Mr Barry was currently the chair of Entyr Ltd and previously was an executive at Boral Ltd and had been MSF Sugar Ltd chief financial officer.

The company said Mr Barry would receive an annual fixed remuneration of \$75,000.

MGC PHARMACEUTICALS

MGC says it has “exercised its right to terminate a person discharging managerial responsibilities from their senior management role with the company”.

MGC said that following an internal investigation it had confirmed that the unnamed person “failed to comply with the company’s trading policy on numerous occasions during their employment ... [and] disposed of shares in the company during ‘closed periods’ and prior to announcements of information relating to the company, to which the [person] was privy”.

The company said “due to the serious nature of these breaches” the person’s employment had been terminated.

MGC chairman Dr Stephen Parker said the values, ethics and integrity of the company had always been of “paramount importance”.

“Unfortunately, the best of intentions and the most rigorous corporate governance framework cannot always prevent unacceptable behavior,” Dr Parker said.

“The board is committed to ensuring that further breaches of the company’s trading policy do not occur and is confident that the company’s excellent reputation will not be tarnished by the actions of one individual,” Dr Parker said.

MGC did not name the individual but said it had arranged additional training with all its persons discharging managerial responsibilities to reinforce the importance of compliance with its trading policy.

ELDERS

Elders says director Diana Eilert will resign effective from September 30, 2023 and it has appointed Paul Rossiter permanent chief financial officer, effective from July 7, 2023.

Elders said Mr Rossiter had been acting chief financial officer since August 2022, having joined the company in 2004 and appointed treasurer in 2012.

The company said Mr Rossiter had a Bachelor of Accountancy from the University of South Australia.

Elders said replacement directors were expected by September 30, 2023.

Elders was up six cents or 0.86 percent to \$7.01 with 1.5 million shares traded.

ROOTS SUSTAINABLE AGRICULTURAL TECHNOLOGIES

Roots says it has appointed Leonard Math company secretary, effective July 6, 2023, following the resignation of Sarah Smith.

Roots said Mr Math was an accountant with more than 15 years of resources industry experience, had been an auditor at Deloitte and was previously a company secretary, chief financial officer and company director.

According to his LinkedIn page, Mr Math held a Bachelor of Commerce from Perth’s Edith Cowan University.

The company thanked Ms Smith for her work with the company.

Roots was up 0.1 cents or 25 percent to 0.5 cents.