

Ag & Vet Weekly



Monday June 26 - Friday June 30, 2023

All the news on ASX-listed agriculture and veterinary companies

- * **ASX UP, AVW-42 DOWN: BOTANIX UP 24%; SUSTAINABLE NUTRITION DOWN 14%**
- * **QUEENSLAND 2023-'24 AGRICULTURE RECORD \$23.44b VALUATION**
- * **BEGA SELLS PORT MELBOURNE FOR \$115m; EXPECTS \$160m EBITDA**
- * **FEDERAL \$392m INDUSTRY PROGRAM DESIGN DISCUSSION PAPER**
- * **WELLNEX: HALEON UK, IRELAND, UAE SOFT GEL PARACETAMOL DEAL**
- * **NEXT SCIENCE EXPECTS \$6.6m Q2 SALES, HIGHER THAN FORECAST**
- * **BUBS EXPECTS 2023 CHINA REVENUE DOWN 74.5%**
- * **BIO-GENE FLAVOCIDE US PATENT FOR APHIDS**
- * **NUFARM: NORWAY OKAYS AQUATERRA OMEGA-3 FISH FEED**
- * **FEDERAL COURT ELIXINOL, SUSTAINABLE NUTRITION MEETING**
- * **TASFOODS SELLS SHIMA WASABI FOR \$700k TO HILLWOOD BERRIES**
- * **PHARMAUST DOSES MONEPANTEL MND COHORT 3; RESULTS TRADING HALT**
- * **MGC PHARMA EGM PASSES RESOLUTIONS; 21% OPPOSE OPTIONS**
- * **WIDE OPEN TO RELEASE 14m ESCROW SHARES**
- * **PERENNIAL TAKES 9.8% OF ECOFIBRE**
- * **NEXT SCIENCE TO LOSE DIRECTOR BRUCE HANCOX**
- * **CANN TO LOSE CHAIR ALLAN MCCALLUM; DR JULIAN CHICK DEPUTY**
- * **AUSCANN APPOINTS EX-MGC CHAIR BRETT MITCHELL DIRECTOR**

MARKET REPORT

The Australian stock market was up 0.12 percent on Friday June 30, 2023, with the ASX200 up 8.4 points to 7,203.3 points. Eleven of the AVW-42 stocks were up, 14 fell, 12 traded unchanged and five were untraded.

Botanix was the best, up 2.5 cents or 23.8 percent to 13 cents, with 11.9 million shares traded. Cann Group climbed 9.1 percent; Elixinol was up 8.3 percent; Apiam, Ridley and Select Harvests were up one percent or more; with A2, Australian Agricultural, Costa, Nufarm and Synlait up by less than one percent.

Sustainable Nutrition led the falls, down 0.1 cents or 14.3 percent to 0.6 cents, with 313,370 shares traded. Memphasys lost 12.5 percent; Seafarms shed 11.1 percent; Original Juice fell nine percent; Nanollose was down 7.3 percent; Bio-Gene was down six percent; Epsilon and Murray Cod fell more than four percent; both Clean Seas and RLF were down 3.85 percent; Bega shed 2.4 percent; Elders was down 1.2 percent; with Clover and Cobram down less than one percent.

QUEENSLAND GOVERNMENT

The Queensland Government says the state's agriculture and fisheries is expected to reach a record \$23.44 billion in 2022-'23, compared to \$23.37 billion in the prior period. A media release from the Minister for Agricultural Industry Development and Fisheries and Minister for Rural Communities Mark Furner said Agtrends data provided the highest performing commodities and areas in the sector.

The media release said beef was the "king of commodities in Queensland, with cattle and calves valued at more than \$6 billion in 2022-'23, and meat processing estimated to be worth almost \$2.8 billion".

The Queensland Government said sugarcane and sugar processing had reached a combined valuation of about \$2.5 billion, with the gross value of production (GVP) of raw cotton increasing by 26.4 percent to more than \$1.5 billion.

The Government said Toowoomba had the highest GVP of all local government areas, about \$1.36 billion, with Western Downs also recording a billion-dollar GVP valuation of \$1.11 billion.

The Government said the biggest increase in valuation was Lockyer Valley, which was up 42 percent "off the back of a strong recovery from the 2022 floods".

The media release said full data was available at the Agtrends website at:

<https://www.daf.qld.gov.au/news-media/campaigns/data-farm/primary-industries>.

BEGA CHEESE

Bega says it has sold its Port Melbourne site for \$114.6 million, and expects earnings before interest, taxes, depreciation and amortization (Ebitda) to be about \$160 million. Bega said the sale of its facility at 1 Vegemite Way, Port Melbourne to Sydney-based property investment management group Charter Hall included a lease-back for an initial term of 15 years, with two additional five-year options.

The company said it would continue production of Vegemite and Bega Peanut Butter at the site, with the funds from the sale to be used to reduce debt and further support its strategy and transition to a "predominantly branded business".

In 2021, Bega said it had completed the \$534 million acquisition of Sydney-based Lion Dairy & Drinks, with executive chair Barry Irvin saying the acquisition would double the "size of the company" (AVW: Jan 29, 2021).

Today, Bega said the sale of its facility would "accelerate the final phase of synergy realization associated with the acquisition of Lion Dairy & Drinks" and that the restructure would increase the effectiveness of its branded business and reduce costs.

The company said its normalized Ebitda guidance for the year to June 30, 2023 was expected to be at the low end of \$160 million to \$190 million, compared to \$180.1 million in the prior period (AVW Aug 26, 2022).

Bega said the reduced earnings was due to the continued decline in Australian milk production, more than 700 million litres, or nine percent in the past two years, as well as significant input cost increases in its farm gate milk prices and logistical costs.

The company said that competition for farm gate milk remained "extremely robust" for the year to June 30, 2024 and that domestic prices were not reflective of the significant reduction in international dairy commodity prices over recent months.

Bega said with reduced Australian milk production and continued competition for raw milk, it has outlined the potential for a non-cash impairment of its bulk dairy assets.

Bega fell seven cents or 2.4 percent to \$2.85 with 4.1 million shares traded.

FEDERAL GOVERNMENT

The Federal Government says it has launched a discussion paper on the design and operation of the proposed \$392 million Industry Growth Program

A media release from the Federal Minister for Industry and Science Ed Husic said the program was intended “to support small businesses get their great ideas to market and overcome barriers to scale”.

The media release said that the discussion would ask how the program should be designed and operated for the best outcomes.

The Government said that the program would target priority areas under the \$15 billion National Reconstruction Fund including: value-add in agriculture, forestry and fisheries; renewables and low emission technologies; medical science; value-add in resources; transport; defence capability; and enabling capabilities.

Mr Husic’s media release said that the program would “help transform industry in Australia by providing expert business advice and matched grant funding to support enterprises to increase revenue, grow their workforce and attract investment”.

The media release said that an independent committee with expertise in commercialization and industry growth would be established to provide program oversight and recommendations to the Department of Industry, Science and Resources on projects to receive grant funding.

Mr Husic said the program was intended to support companies “to navigate the difficult aspects of getting ideas to market”.

“We’re particularly keen to help bridge the ‘valley of death’, where great ideas, often backed by solid research, are hamstrung only by a lack of funding and expertise,” Mr Husic said.

“This consultation is about creating the right conditions to ensure brilliant Australian entrepreneurs can grow and thrive here at home,” Mr Husic said.

“By supporting projects in National Reconstruction Fund priority areas, we’re setting up the next wave of Australian businesses to thrive for years to come,” Mr Husic said.

The Government said consultations would close on July 30, 2023 and the discussion paper was available at: <https://consult.industry.gov.au/industry-growth-program>.

WELLNEX

Wellnex says the Weybridge, England Haleon Plc will sell its soft gel liquid paracetamol in the UK, Ireland and the United Arab Emirates for an undisclosed price.

In March 2022, Wellnex said it had a three-year deal with the Brentford, England-based Glaxosmithkline to supply its liquid soft gel paracetamol in Australia and New Zealand (AVW: March 18, 2022).

Haleon’s annual report said it demerged from Glaxosmithkline in July 2022, and according at that time held about 12.9 percent of the company.

Wellnex said that Haleon would sell liquid paracetamol and liquid paracetamol plus caffeine to the UK and Ireland, and liquid paracetamol plus ibuprofen to the UK and United Arab Emirates.

Wellnex director Zack Bozinovski said the deal “builds on the existing arrangement of supplying our liquid paracetamol product for the Australian and New Zealand market which continues to deliver substantial sales for Wellnex”.

“With the expansion into these new international territories and the introduction of two new innovative products we expect to see significant growth in revenue from this arrangement during [the year to June 30, 2024] and beyond,” Mr Bozinovski said.

Wellnex was in a suspension at 5.3 cents.

NEXT SCIENCE

Next Science says it expects unaudited sales for the three months to June 30, 2023 to be more than \$US5.6 million (\$A6.6 million), compared to the first quarter \$US4.4 million.

Next Science said its product sales for the six months to June 2023 were on track to exceed previous half year periods, including \$US5.2 million for the six months to June 30, 2022 and \$US6.1 million for the six months to December 31, 2022.

The company said monthly sales of its wound care business surpassed \$1 million in April and that operating momentum had continued with sales traction in the commercial wound care market.

Next Science was unchanged at 58 cents.

BUBS AUSTRALIA

Bubs says it expects China revenue for the year to June 30, 2023 to fall 74.5 percent to the lower of its forecast \$13.5 million to \$13.8 million, from \$53.5 million previously.

Bubs said China distributors AZ Global comprising Alice Trading and Willis Trading together owed Bubs's subsidiary Infant Food \$5.65 million for delivered finished goods according to sales and purchase agreements.

Bubs chief executive officer Richard Paine said it was "clear that the exclusive distribution agreement with AZ Global has not delivered for shareholders".

"Bubs will take a more strategic approach to its distribution in China going forward," Mr Paine said.

"Our brand is well respected in this critical market, and we need to progress with a multi-channel strategy supported by professional and experienced trade partners on the ground who can deliver us real time, valuable market insights," Mr Paine said.

"Bubs has a great opportunity to grow our brand presence in China, alongside the US and other international markets," Mr Paine said.

"We look forward to providing a broader update on our strategic review shortly," Mr Paine said.

Bubs was unchanged at 18 cents with 13.6 million shares traded.

BIO-GENE TECHNOLOGY

Bio-gene says the US Patent and Trademark Office has allowed a patent protecting its insecticide Flavocide and related molecules for control of aphid pests on crops.

Bio-gene said the patent, titled 'Method for control of pests' would protect its intellectual property until May 2040.

Bio-gene chief executive officer Richard Jagger said the company was "extremely pleased with the allowance of this US patent application, as the US is a large target market for our products".

"Patent protection in this important market creates significant value for Bio-Gene and our commercial partners," Mr Jagger said.

"We are continuing to develop commercial applications for our products in both crop and non-crop markets and patent protection is critical to commercializing our technology," Mr Jagger said. "This allowance further strengthens our intellectual property and validates our commitment to cutting-edge solutions that deliver innovation in the field of crop protection."

Bio-Gene fell half a cent or six percent to 7.8 cents.

NUFARM

Nufarm says Norway's Food Safety Authority has approved its Aquaterra omega-3 canola oil for use in fish feed.

Nufarm said the Authority required feed to be safe and unharmed to human or animal health and not be made from animals unsuitable for human consumption.

The company said it had also met the Authority's environmental requirements.

Nufarm was up three cents or 0.6 percent to \$5.09 cents with 744,257 shares traded.

ELIXINOL WELLNESS, THE SUSTAINABLE NUTRITION GROUP

Elixinol and Sustainable Nutrition say the Federal Court of Australia has ordered Sustainable Nutrition to convene its shareholders to consider Elixinol's acquisition.

In November, Elixinol said it would acquire Sustainable Nutrition through a scheme of arrangement for about \$4 million in scrip (AVW: Dec 2, 2022).

Today, the companies said the meeting would be held on August 2, 2023 at 10am.

Elixinol and Sustainable Nutrition said that an independent expert's report had concluded that "in the absence of a superior proposal ... the scheme is not fair but reasonable and in the best interests" of Sustainable Nutrition's shareholders.

Elixinol was up 0.1 cents or 8.3 percent to 1.3 cents with 1.5 million shares traded.

Sustainable Nutrition fell 0.1 cents or 14.3 percent to 0.6 cents.

TASFOODS

Tasfoods says it has a binding contract to sell its Shima Wasabi Pty Ltd business to Hillwood Berries Tas Pty Ltd for \$700,000, expected to be finalized by June 30, 2023.

Tasfoods said it acquired Shima in 2016, with the sale due to the business being unable "to scale at the appropriate level to justify being retained within the core Tasfoods brand stable".

The company said the sale price represented 1.8 times the business' revenue, which it said was a "reasonable outcome in the current environment".

Tasfoods was untraded at 2.1 cents.

PHARMAUST

Pharmaust says it has dosed all 12 patients in cohort 3 of its open label, phase I/II trial of monepantel for motor neuron disease and amyotrophic lateral sclerosis.

Earlier this month, Pharmaust said it had begun dosing the third cohort for its monepantel for motor neuron disease trial at 6.0mg/kg (AVW: Jun 9, 2023).

Today, the company said the study aimed to determine tolerability, safety, pharmacokinetics and preliminary efficacy of oral monepantel for patients with motor neuron disease.

Pharmaust said dosages for the three cohorts had been well tolerated with no serious adverse events observed "implying" the drug had a good safety profile.

The company said interim independent analysis of the biomarkers and pharmacodynamics for the current phase I/II study were underway, and it expected "to proceed to phase II with favorable efficacy biomarker results".

Today, Pharmaust requested a trading halt "pending an announcement of pharmacodynamic results from the motor neuron disease phase I/II clinical trial".

Trading will resume on July 4, 2023 or on an earlier announcement.

Pharmaust last traded at 7.3 cents.

MGC PHARMA

MGC Pharma shareholders have passed all five extraordinary general meeting resolutions but with up to 21.4 percent of votes opposing the issuing of options.

MGC Pharma said 385,493,432 votes (78.62%) supported the issue of 100,848,293 options, exercisable at 1.2 cents each by April 12, 2024, with 104,852,239 votes (21.38%) opposed.

The company said 682,090,687 votes (86.47%) supported the approval of its share placement, with 106,724,952 votes (13.53%) opposed.

In April, MGC said it raised GBP2,347,480 (\$A4,480,940) in a placement at 0.44 pence or 84 cents a share and a broker option to high net-worth investors, with one attaching option issued for every two shares bought (AVW: Apr 14, 2023).

According to MGC's most recent filing, the company had 3,350,692,950 shares on issue, meaning the vote against the share placement amounted to 3.2 percent of shares on issue, not sufficient to requisition extraordinary general meetings.

MGC was unchanged at half a cent with 27.8 million shares traded.

WIDE OPEN AGRICULTURE

Wide Open says 14,000,000 shares will be released from voluntary and ASX escrow on July 6, 2023.

Wide Open said the shares were issued to director Ben Cole, chair Anthony Maslin and his wife Marite Norris, who had entered into a voluntary ASX restriction for a period of five years at its initial public offering, to reflect a "long term commitment" to the company.

According to Wide Open's most recent filing, it had 129,281,773 shares available for trading, and following the release of the escrow shares it would have 143,281,773 shares on issue.

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

ECOFIBRE

Perennial says it has increased its substantial shareholding in Ecofibre from 30,636,605 shares (8.77%) to 34,238,334 shares (9.80%).

The Sydney-based Perennial said that between March 27 and June 28, 2023 it bought and sold shares, with the single largest purchase 934,444 shares for \$168,570 or 18.0 cents a share on May 16, 2023.

Ecofibre was unchanged at 21 cents.

NEXT SCIENCE

Next Science says that director Bruce Hancox has retired effective from today.

Next Science said that Mr Hancox had been involved with the company for 12 years and had "provided sage advice and guidance".

The company said it would begin a search for a new director, potentially US based.

CANN GROUP

Cann says chair Allan McCallum will retire by October 2023, with non-executive director Dr Julian Chick has been appointed deputy chairman, effective from today.

Cann said Dr Chick was appointed a director last year (AVW Sep 23, 2022).

Cann was up one cent or 9.1 percent to 12 cents with two million shares traded.

AUSCANN

Auscann says it has appointed former MGC Pharma chair Brett Mitchell as an independent, non-executive director.

Earlier this month, MGC said that Auscann chief executive officer Layton Mills would replace Brett Mitchell as director (AVW: June 2, 2023).

This week, Auscann said Mr Mitchell was a founder and director of Chieftain Securities and director of Uvre Limited and held a Bachelor of Economics from the University of Western Australia.

Auscann said that, as a result of Mr Mitchell's appointment, executive director Chris Mews would step down while remaining the company's chief financial officer.

Auscann was in a suspension and last traded at four cents.