

Ag & Vet Weekly



Monday July 31 - Friday August 4, 2023

All the news on ASX-listed agriculture and veterinary companies

- * ASX UP, AVW-42 EVEN: SEAFARMS UP 20%; SUSTAINABLE NUTRITION DOWN 11%
- * APIAM UNAUDITED REVENUE UP 23% TO \$193m
- * BUBS RECEIPTS DOWN 23.5% TO \$69.8m
- * ECOFIBRE RECEIPTS UP 8% TO \$33.9m
- * WELLNEX RECEIPTS UP 30.5% TO \$23.3m
- * RLF RECORD RECEIPTS UP 24.7% TO \$12.5m
- * MGC RECEIPTS DOWN 33.5% TO \$4.1m
- * SUSTAINABLE NUTRITION RECEIPTS UP 2.7% TO \$3.9m
- * SUSTAINABLE NUTRITION 99.8% VOTE FOR ELIXINOL TAKEOVER
- * QUEENSLAND \$3.9m FOR 24 AGRICULTURAL BUSINESS
- * ECOFIBRE \$9m UNDER ARMOUR SUPPLY DEAL
- * MGC SHARE PLAN FOR \$2.7m
- * ROOTS: \$165k FIRST STATE LOAN
- * AUSTRALIAN AGRICULTURAL DENIES DIRECTORS LEAK TO JOE LEWIS
- * PHARMAUST EPICHEM LIQUIDATION
- * AUSCANN EXPANDS EU CANNABIS CORP MARIJUANA COLLABORATION
- * MGC SLOVENIA PSILOCYBIN MUSHROOM PERMIT
- * BIO-GENE WINS FLAVOCIDE US PATENT
- * ROOTS PATENT FOR ROOT ZONE TEMPERATURE CONTROL
- * EPSILON REBRANDS THC PHARMA, TETRA HEALTH AS 'EPSILON'
- * WELLNEX EXTENDS PAINAWAY PURCHASE DEADLINE
- * CARR, LIN, WILLIS, AZ BELOW 5% IN BUBS
- * COBRAM DIRECTOR PROF JONATHAN WEST DIES
- * SELECT HARVESTS \$275k CEO DAVID SURVEYOR 'RETENTION' PAYMENT
- * NEXT SCIENCE LOSES DIRECTOR JUDITH MITCHELL
- * BIO-GENE: ALEX DING, TIM GROGAN IN; ROBERT KLUPACS, RICHARD JAGGER OUT
- * ORIGINAL JUICE LOSES DIRECTOR JIANPING (ROCKY) ZHOU
- * MGC LOSES CO-CO-SEC ARRON CANICAIS

MARKET REPORT

The Australian stock market was up 0.19 percent on Friday August 4, 2023, with the ASX200 up 13.6 points to 7,325.3 points. Thirteen of the AVW-42 stocks were up, 12 fell, seven traded unchanged and 10 were untraded.

Seafarms was the best, up 0.1 cents or 20 percent to 0.6 cents, with 263,167 shares traded. Botanix climbed 7.1 percent; Cann Group improved 4.2 percent; Clover was up 3.3 percent; A2 Milk, Anantara, Bega, Clean Seas, Elders and Nufarm rose one percent or more; with Australian Agricultural, Costa and Next Science up by less than one percent.

Sustainable Nutrition led the falls, down 0.1 cents or 11.1 percent to 0.8 cents, with 465,477 shares traded. RLF lost 9.1 percent; Avecho fell 7.7 percent; Apiam, Memphasys and Pharmaust were down more than three percent; Cobram and Ecofibre shed two percent or more; Ridley, Select Harvests and Terragen were down one percent or more; with Synlait down by 0.3 percent.

APIAM ANIMAL HEALTH

Apiam says unaudited revenue for the year to June 30, 2023 was up 22.6 percent to \$192.8 million on last year, with net profit after tax down 14.9 percent to \$3.9 million.

Apiam said revenue was driven by its veterinary clinics for dairy and mixed companion animals, which accounted for 77 percent of revenue in the year to June 30.

The company said its earnings were impacted by increased wage costs following the recruitment of more skilled veterinarians earlier in the year, with profit impacted by rising interest rates and loans to fund acquisitions increasing its interest expenses.

Apiam said it had “finalized a cost-saving redundancy and restructuring program” that would reduce the amount of non-veterinarian staff in the company and save it \$2.6 million in wage expenses.

Apiam fell 1.5 cents or three percent to 47.5 cents.

BUBS AUSTRALIA

Bubs says receipts from customers for the year to June 30, 2023 were down 23.5 percent to \$69,783,000, compared to the previous corresponding period.

Bubs said sales of its infant milk formula for the three months to June 30, 2023 were down 64.5 percent to \$10,676,000.

The company said it had a cash burn of \$12,985,000 for the three months to June 30, with cash and cash equivalents of \$26,053,000 compared to \$16,273,000 at June 30, 2023.

Bubs was unchanged at 19.5 cents.

ECOFIBRE

Ecofibre says receipts from customers for the year to June 30, 2023 were up 7.9 percent to \$33,855,000, compared to the previous corresponding period.

Ecofibre said sales of its hemp food products, food additives, yarn, textiles and bioplastics for the three months to June 30 were up 10 percent to \$8,939,000.

The company said it had a cash burn of \$1,030,000 for the three months to June 30, with cash and cash equivalents of \$7,290,000 compared to \$7,251,000 at June 30, 2022.

Ecofibre fell 0.5 cents or 2.4 percent to 20.5 cents.

WELLNEX LIFE

Wellnex says receipts from customers for the year to June 30, 2023, was up 30.5 percent to \$23,349,000 compared to the previous corresponding period.

Wellnex said that receipts from customers, primarily from its Iron Company slow-release iron gummy product, its Wakey Wakey complementary medicine and its liquid paracetamol product, for the three months to June 30, 2023 were down 7.5 percent to \$4,352,000.

The company said it had a cash burn of \$1,230,000 for the three months to June 30, with cash and cash equivalents of \$724,000 compared to \$4,062,000 the previous year and with a \$5.3 million loan had an estimated 4.5 quarters of funding.

Wellnex was in a suspension at 5.3 cents.

RLF (RURAL LIQUID FERTILIZERS) AGTECH

RLF says receipts from customers for the year to June 30, 2023 were up 24.7 percent to a record \$12,472,000, compared to the previous corresponding period.

RLF said sales of its plant nutrition products were up 26.3 percent to \$4,310,000 for the three months to June 30.

The company said it had \$266,000 positive cash flow for the three months to June 30, with cash and cash equivalents of \$4,259,000, compared to \$7,999,000 at June 30, 2022.

RLF fell 1.5 cents or 9.1 percent to 15 cents.

MGC PHARMACEUTICALS

MGC says receipts from customers for the year to June 30, 2023 were down 33.5 percent to \$4,079,000 compared to the previous corresponding period.

MGC said sales of its consumer supplement and medical marijuana products for the three months to June 30 were down 55.3 percent to \$691,000.

The company said it had a cash burn of \$2,664,000 for the three months to June 30, with cash and cash equivalents of \$259,000, compared to \$1,793,000 at June 30, 2022.

MGC said it had an unused convertible note facility of \$7,652,000 with Mercer Street Opportunity Fund LLC, and estimated it had three quarters of cash.

MGC was unchanged at 0.3 cents with 6.5 million shares traded.

THE SUSTAINABLE NUTRITION GROUP

Sustainable Nutrition says receipts from customers for the year to June 30, 2023 were up 2.7 percent to \$3,853,000, compared to the previous corresponding period.

Sustainable Nutrition said sales of its hemp and plant-based health products for the three months to June 30, 2023 were down 0.6 percent to \$1,034,000.

The company said it had a cash burn of \$280,000 for the three months to June 30, with cash and cash equivalents of \$105,000 compared to \$378,000 at June 30, 2022.

Sustainable Nutrition said although it only had 1.45 quarters of cash, it felt it would not continue at the current level of operating cash flows due to improvements in revenue growth, strict cost control measures and a proposed merger with Elixinol Wellness.

Sustainable Nutrition said it had a loan agreement with Elixinol of \$2.4 million as it progressed its merger scheme with the complaining, and that the remaining drawdown of \$300,000 was expected to occur by October, 2023.

Sustainable Nutrition fell 0.1 cents or 11.1 percent to 0.8 cents.

ELIXINOL WELLNESS, SUSTAINABLE NUTRITION

Elixinol and Sustainable Nutrition say that the latter's shareholders overwhelmingly supported the scheme of arrangement for Elixinol to acquire Sustainable Nutrition. Sustainable Nutrition said that the meeting had 45,376,262 votes (99.76%) in favor and 110,188 votes (0.24%) against the scheme, with 110 shareholders (88.7%) in favor and 14 shareholders (11.3%) against.

Sustainable Nutrition said it would seek Court approval for the scheme on August 7, 2023. Elixinol was untraded at 1.2 cents.

QUEENSLAND GOVERNMENT

The Queensland Government says its Rural Economic Development Grants Program will provide 24 Queensland agricultural businesses a total of \$3.9 million.

The Government said this was the fifth round of funding, with successful applicants receiving up-to \$200,000 each and would create up-to 215 jobs through projects in a range of industries including nursery, horticultural processing and packaging, and meat snacks processing.

A media release from Queensland Minister for Agricultural Industry Development Mark Furner said funding for a sixth round of grants had been allocated for the year to June 30, 2024, with applications to open later this year and focusing on supporting Indigenous-owned agri-businesses and low-emissions agriculture projects.

The Government said the grants program had provided a total of \$13.3 million in funding over five years, supporting 59 regional agricultural business projects, worth more than \$52.4 million and creating an estimated 2,500 jobs.

ECOFIBRE

Ecofibre says subsidiary Hemp Black has a three-year agreement with Under Armour to supply yarn for apparel use, with an expected annual revenue of \$9,000,000.

Ecofibre said it expected equipment commissioning to begin by December 2023, with a second machine expected to be acquired within 12 to 18 months.

The company said it had an agreement with sustainable packaging company Cruz Foam to manufacture a sustainable, bio-degradable packaging material for its customers.

MGC PHARMACEUTICALS

MGC says it hopes to raise \$2,685,728 through a share purchase plan at 0.23 cents a share, a 14.56 percent discount to the five-day volume weighted average price.

In July, MGC said it hoped to raise GBP650,000 (\$A1.242 million) at 0.12 pence (0.23 Australian cents) a share and GBP50,000 from a convertible note (AVW: Jul 12, 2023).

This week, the company said shareholders would receive one option for every two shares subscribed, exercisable at 0.3 cents by July 31, 2026.

MGC said the plan had a record date of July 31, would open on August 4 and close on August 18, 2023.

The company said its chief executive officer Roby Zomer would participate in the share plan for up-to \$30,000 worth of shares, subject to shareholder approval at an extraordinary general meeting.

MGC said the funds would be used for production, raw material and laboratory costs associated with production of its cannabinoid medicines Cannepil and Cognicann, as well as paying debt, corporate and audit costs, and providing working capital.

ROOTS SUSTAINABLE AGRICULTURAL TECHNOLOGIES

Roots says it has a \$165,287 unsecured short-term loan from unrelated party First State Pty Ltd for general working capital.

In its Appendix 4C, Roots said it had a \$US216,000 (\$A324,661) cash burn for the three months to June 30, 2023, with cash and equivalents of \$US15,000 at June 30.

The company said the loan had 30 percent interest for the term and it would mature three months from the first drawdown date.

Roots said it intended to negotiate “additional short-term loans” on the same terms to meet working capital requirements until a capital raising “in the coming months”.

Roots was untraded at half a cent.

AUSTRALIAN AGRICULTURAL CO

Australian Agricultural has told the ASX that no directors shared information about material losses with principal shareholder Joe Lewis prior to a public announcement.

Last week, Australian Agricultural said it had sought legal advice on matters relating to it from the US legal action against Mr Lewis, who was charged with “insider trading and financial fraud” (AVW: Jul 28, 2023).

This week, the ASX referred to a board meeting on or about February 10, 2019 which discussed the effects of flooding on the company and asked whether a directors shared information contained in the 2019 announcement prior to its release with Mr Lewis.

The company said: “Enquiries have been made of the two relevant board members.”

“Based on the information available to AACo, including information provided by the two relevant board members, the answer is ‘no’,” Australian Agricultural said.

The company said that enquiries were continuing.

Australian Agricultural was up one cent or 0.7 percent to \$1.51.

PHARMAUST

Pharmaust says Grant Thornton has been appointed as the liquidator for the voluntary winding-up of its wholly owned subsidiary Epichem.

Last year, Pharmaust said Epichem would receive up to \$32,000 for medicinal chemistry services to Geneva’s Drugs for Neglected Diseases Initiative (DNDI), but the partnership would cease in March 2023 due to the development of monepantel “reaching a new phase and changes in the DNDI program funding”.

Last year, the company said its \$3.4 million for the year to June 30, 2022 was primarily from Epichem’s synthetic and medicinal chemistry contracts (AVW: Aug 26, 2022).

This week, Pharmaust said that following the end of its contract with DNDI, Epichem had been operating at a loss, with its shortfall funded by Pharmaust.

The company said that despite Epichem’s best endeavors, contracts to replace the DNDI contract could not be secured.

Pharmaust said it had engaged external advisors to conduct a review of Epichem and provide a report setting out the options available, including restructuring, recapitalization or the closing of Epichem, and that following this report it had determined it would not provide further funding to Epichem.

The company said the voluntary liquidation of Epichem was not expected to impact the rest of Pharmaust’s operations and it would enable the company to focus all its resources on the clinical development of monepantel in human diseases and the canine anti-cancer and licencing activities.

Pharmaust fell 0.3 cents or 3.75 percent to 7.7 cents.

AUSCANN GROUP HOLDINGS

Auscann says it has expanded its agreement with European Cannabis Corporation (ECC) to sell and distribute medical marijuana in Australia and New Zealand.

Auscann said under the agreement the ECC would provide it a diverse cannabinoid product portfolio of raw flower and standardized full spectrum extracts, but that the expansion had not resulted in any additional consideration.

The company said the ECC would also provide it with all necessary regulatory support for the products supplied, including documentation required to satisfy compliance with the Therapeutic Goods Administration's standard for medical cannabis.

Auscann non-executive director Robert Clifford said "having explored mutual opportunities with ECC since the binding term sheet announced in April 2022" the company was pleased to announce this agreement which expanded the two party's relationship.

"We absolutely see this as a mutually beneficial move for each company, allowing opportunity for Auscann to market and sell ECC's ... products to patients and customers in need ... across Australia and New Zealand," Mr Clifford said.

Mr Clifford added that the agreement also provided ECC with a "technology that has the ability to significantly improve delivery of its cannabis products".

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

MGC PHARMACEUTICALS

MGC says it has been granted its first import permit for 200 grams of psilocybin raw mushroom material from Psycene Group to its Slovenian research facility.

MGC said the import was part of a material transfer agreement it had with Psycene, a psychedelics manufacturing company for the healing of psychological trauma and mental health.

BIO-GENE TECHNOLOGY

Bio-Gene says the US Patent and Trademark Office has granted a patent for its Flavocide pesticide for insecticide-resistant insects and arachnids.

Bio-Gene said the patent, titled 'Control of resistant pests', would protect its intellectual property until December 2039.

The company said the patent covered the use of Flavocide in "all significant environments" where pest infestations occur, in addition to a previous patent that covered the use of flaveson and related molecules in agricultural environments.

Bio-Gene was untraded at 8.5 cents.

ROOTS SUSTAINABLE AGRICULTURAL TECHNOLOGIES

Roots says it has filed a Patent Cooperation Treaty (PCT) for its root zone irrigation and liquid fertilization temperatures.

Earlier this year, Roots said the US Patent and Trademark Office had approved a design patent for its heat exchange probe technology (AVW: May 19, 2023).

This week, the company said the patent was titled 'Fluid Management System for Supporting Root Systems' but did not state its expected duration.

EPSILON HEALTHCARE (FORMERLY THE HYDROPONICS COMPANY)

Epsilon says it will rebrand THC Pharma and Tetra Health subsidiaries as Epsilon Pharma and Epsilon Clinics, respectively.

Epsilon said that THC Pharma operated its Australian Therapeutic Goods Administration-licensed Southport Queensland marijuana processing factory.

The company said that Tetra Health operated a “medicinal cannabis telehealth clinic”.

Epsilon was unchanged at 2.2 cents.

WELLNEX LIFE LIMITED

Wellnex says it has extended the deadline for its purchase of Pain Away to August 14, 2023 so both parties can work “through conditions precedent to the purchase”.

In May, Wellnex said it would buy the Sydney-based Pain Away for \$22 million in cash, including \$1.15 million of its over-the-counter pain remedy inventory, and would raise \$2.2 million in a placement, \$5.3 million in a non-renounceable, one-for-four entitlement offer and \$20 million in a second placement (AVW: May 26, 2023).

This week, the company said it had completed the non-renounceable entitlement offer and was in the process of completing the shortfall offer and institutional placement, with an update to be provided once the capital raisings were complete.

BUBS AUSTRALIA

Former Bubs chief executive officer Kristy Carr on behalf of former Bubs chair Dennis Lin and other related parties say they have ceased their substantial shareholding.

Last week, Bubs said that up to 63.25 percent of investors defeated all board spill resolutions proposed by Mr Lin and Ms Carr (AVW: Jul 28, 2023).

Today, Ms Carr said in compliance with the Corporations Act all related parties had ceased any such association with one another.

COBRAM ESTATE OLIVES

Cobram says that non-executive director Prof Jonathan West has died after “losing his battle with motor neuron disease”.

Cobram said Prof West was with the company for 15 years, “during which his dedication, expertise and guidance played a significant role in shaping the company’s success”.

The company extended its deepest sympathies to everyone affected by the loss.

Cobram fell 2.5 cents or 1.95 percent to \$1.255.

SELECT HARVESTS

Select Harvests says it has agreed to a \$275,000 retention payment for its chief executive officer David Surveyor, payable on October 25, 2025.

Select Harvests said the payment included superannuation and was based on Mr Surveyor’s continued employment until October 25, 2025.

Select Harvests chair Travis Dillon said Mr Surveyor had begun “developing and implementing a comprehensive strategy that will re-shape Select Harvests”.

“This arrangement demonstrates the belief the board has that the delivery of this strategy over the next two years will deliver additional value to shareholders,” Mr Dillon said.

Select Harvests fell six cents or 1.4 percent to \$4.14.

NEXT SCIENCE

Next Science former chief executive officer Judith Mitchell says she has ceased to be a director of the company, effective from July 31, 2023.

In June, Next Science said that Harry Hall IV would replace managing-director Judith Mitchell, effective from July 10, with Ms Mitchell to remain with the company until July 31, 2023 (AVW: Jun 16, 2023).

Next Science was up half a cent or 0.9 percent to 54 cents.

BIO-GENE TECHNOLOGY

Bio-Gene says it has appointed Alex Ding as chair, effective from August 1, 2023 and Tim Grogan as chief executive officer, effective from August 28, 2023.

Bio-Gene said Mr Ding was replacing Robert Klupacs who retired on July 31, 2023 and Mr Grogan replaced Richard Jagger, who resigned and would transition to an “advisory role focused on stakeholder management of Bio-Gene’s existing and future development partnerships”.

Bio-Gene said Mr Grogan had been chief executive officer of Sira Pty Ltd and Dimerix and held a Bachelor of Law and a Bachelor of Science from the University of Melbourne.

Bio-Gene said Mr Grogan would receive a \$336,538 base salary including superannuation, along with up to 50 percent of his base salary in short-term incentives and up to 50 percent of his base salary in long-term incentives.

ORIGINAL JUICE CO (FORMERLY FOOD REVOLUTION)

Original Juice says director Jianping (Rocky) Zhou has resigned from the board after three years with the company, effective from July 31, 2023

In 2020, the-then Food Revolution said it had appointed Mr Zhou as a non-executive director (AVW: Sep 25, 2020).

Original Juice chair Jeff Kennett said he would “like to thank Rocky for his support and contribution on the board and we wish him well with his future endeavors”.

Original Juice was untraded at 10 cents.

MGC PHARMACEUTICALS

MGC says its joint company secretary Aaron Canica has resigned effective from July 28, 2023, with Rowan Harland remaining as sole company secretary.