

# Ag & Vet Weekly



Monday July 24 - Friday July 28, 2023

*All the news on ASX-listed agriculture and veterinary companies*

- \* ASX, AVW-42 DOWN: MGC UP 50%; SEAFARMS DOWN 17%
- \* ABARES: FARM SECTOR DEBT \$110b
- \* ORIGINAL JUICE CO RECEIPTS UP 16% TO \$42m
- \* TASFOODS RECEIPTS UP 10.3% TO \$38.6m
- \* NEXT SCIENCE H1 RECEIPTS UP 119% TO \$13.5m
- \* CANN GROUP MARIJUANA RECEIPTS UP 131% TO \$15m
- \* MURRAY COD RECEIPTS DOWN 12% TO \$11.4m
- \* WIDE OPEN RECEIPTS UP 26% TO \$11m
- \* AUSTRALIAN AGRICULTURAL SEEKS JOE LEWIS LEGAL ADVICE
- \* BUBS 63% RESIST EX-CHAIR, EX-CEO SPILL
- \* CANN GROUP RIGHTS RAISE \$4.5m OF HOPED-FOR \$11.7m
- \* WELLNEX RIGHTS RAISE \$467k OF \$5.3m
- \* RLF SELLS COMMONWEALTH BANK 50k CARBON CREDITS FOR \$1m
- \* FONTERRA SHAREHOLDERS VOTE FOR \$735m CAPITAL RETURN
- \* FONTERRA UP-TO \$46m BUYBACK
- \* BIO-GENE, STK CROPS DEAL
- \* WIDE OPEN: '4 YEARS OF GROWTH, REGENERATION DOUBLES SALES'
- \* CORRECTION: BOTANIX PHARMACEUTICALS
- \* PHARMAUST DOSES MONEPANTEL FOR MND 3<sup>rd</sup> COHORT
- \* BIO-GENE FLAVOCIDE, QCIDE IN US VECTOR-BORNE DISEASE PROGRAM
- \* RLF HILLSTON SOIL CARBON PROJECT
- \* ALTHEA: IRELAND TO PAY \$542 FOR 50ml MARIJUANA CBD12:THC10
- \* CANN GROUP MARIJUANA HARVEST 'TWICE PREVIOUS YEARS'
- \* MGC: PREMIER SOLE INVESTOR IN RAISING
- \* TERRAGEN APPOINTS ROBYN SMITH CFO, CO SEC

## MARKET REPORT

The Australian stock market fell 0.7 percent on Friday July 28, 2023, with the ASX200 down 52.3 points to 7,403.6 points.

Twelve of the AVW-42 stocks were up, 15 fell, nine traded unchanged and six were untraded.

MGC was the best, up 0.1 cents or 50 percent to 0.3 cents, with 4.3 million shares traded. Memphasys climbed 14.3 percent; Nanollose, Pharmaust and Rare Foods were up more than three percent; Clean Seas and Synlait rose one percent or more; with A2 Milk, Australian Agricultural, Fonterra, Next Science and Ridley up by less than one percent.

Seafarms led the falls, down 0.1 cents or 16.7 percent to 0.5 cents, with 260,000 shares traded. Cann Group and Ecofibre lost 10 percent or more; Clover Corp shed 6.4 percent; Terragen was down 5.9 percent; Epsilon fell 4.35 percent; Althea, Elders, RLF and Select Harvests shed more than two percent; Apiam and Bio-Gene were down one percent or more; with Cobram, Costa and Nufarm down by less than one percent.

## BUREAU OF AGRICULTURE AND RESOURCE ECONOMICS AND SCIENCES

Abares says the value of farm sector loans increased from \$100.7 billion at June 30, 2021 to \$109.9 billion at June 30, 2022, a nine percent increase in lending.

Abares director Dr Jared Greenville said that broadacre and dairy farms, which accounted for about 68 percent of the value of output for the year to June 30, 2022, had borrowed mainly to fund land purchases and working capital.

Dr Greenville said the data showed that lending to the farm sector since 2016-'17 had increased at an accelerating rate each year.

"In 2021-'22, the average proportion of income consumed by interest payments was eight percent for broadacre and dairy farms - an historical low," Dr Greenville said.

"However, this proportion is likely to have increased since as a result of recent increases in interest rates," Dr Greenville said.

"The impact of higher interest rates will be felt by some farms more than others," Dr Greenville said.

"Those farms with relatively high debt servicing burdens will be most susceptible to interest rate increases, if this were combined with a downturn in farm cash income it would impact their ability to service debt," Dr Greenville said.

## THE ORIGINAL JUICE CO (FORMERLY FOOD REVOLUTION)

The Original Juice Co says receipts from customers for the year to June 30, 2023 were up 16.3 percent to \$42,002,000, compared to the prior corresponding period.

Original Juice said that receipts from customers from the sale of juices, including its Original Juice Black Label brand and Juice Lab shots, fibre and infused fruits for the three months to June 30 was up 30.8 percent to \$12,125,000

The company said it was cashflow positive by \$103,000 for the three months to June 30 and had cash and equivalents of \$1,564,000, compared to \$910,000 the previous corresponding period.

Original Juice was unchanged at 10 cents.

### TASFOODS

Tasfoods receipts from customers for the six months to June 30, 2023 was up 10.3 percent to \$38,563,000 compared to the previous corresponding period.

Tasfoods said receipts for its dairy, poultry and horticulture products for the three months to June 30, 202 were up 17.0 percent to \$20,177,000.

The company said that it had a cash burn of \$826,000 for the three months to June 30, 2023, with cash and cash equivalents of \$1,781,000 compared to \$3,122,000 at June 30, 2022.

Tasfoods was unchanged at 2.4 cents.

### NEXT SCIENCE

Next Science says customer receipts for the six months to June 30, 2023 was up 119.4 percent to \$US9,143,000 (\$A13,468,000) on the prior corresponding period.

Next Science said that receipts from customers from the sales of its wound care products Xperience, Bactisure, Surgx and Blastx for the three months to June 30, 2023 were up 139.95 percent to \$US5,327,000 compared to the previous corresponding period.

The company said it had cash burn of \$US3,770,000 for the three months to June 30, 2023, with cash and equivalents of \$US3,483,000 compared to \$US11,063,000 in the previous corresponding period, and 0.9 quarters of funding.

Next Science said it was "exploring fundraising options".

Next Science was up half a cent or 0.9 percent to 55 cents.

### CANN GROUP

Cann Group says receipts from customers for the year to June 30, 2023 was up 130.9 percent to \$14,968,000 compared to the previous corresponding period.

Cann Group said receipts for its marijuana products for the three months to June 30, rose 159.9 percent to \$5,073,000, compared to the prior corresponding period.

The company said that it had a cash burn of \$5,277,000 for the three months to June 30, 2023, with cash and equivalents of \$764,000 compared to \$1,998,000 the previous corresponding period, with 1.1 quarters of funding.

The company said it was scaling-up its Mildura production facility and expected the cash flow "to stabilize ... as Mildura the facility reaches capacity" and it raised \$4.46 million through a rights offer with the shortfall currently on offer.

Cann Group fell 1.5 cents or 10 percent to 13.5 cents with one million shares traded.

### MURRAY COD AUSTRALIA

Murray Cod says receipts from customers for the year to June 30, 2023 fell 11.8 percent to \$11,413,000.

Murray Cod said receipts for fish and aquaculture equipment sales for the three months June 30 were down 31.7 percent to \$2,358,000.

The company said that it had a cash burn of \$2,253,000 for the three months to June 30, with cash and cash equivalents of \$11,033,000 compared to \$26,968,000 at June 30, 2022.

Murray Cod said that "supply imbalances" impacted fish availability and it expected a significant improvement in supply in the three months to September 30, 2023.

Murray Cod was unchanged at 17 cents.

## WIDE OPEN AGRICULTURE

Wide Open says receipts from customers for the year to June 30, 2023 were up 26.3 percent to \$11,053,000 compared to the previous corresponding period.

Wide Open said receipts from customers for the three months to June 30, 2023, primarily from its Dirty Clean Foods plant-based milk substitute products and other plant-based food substitutes, was up 24.8 percent to \$2,955,000.

The company said that it had a cash burn of \$1,983,000 for the three months to June 30, 2023, with cash and cash equivalents of \$5,939,000, compared to \$19,689,000 in the previous corresponding period.

Wide Open was untraded at 32.5 cents.

## AUSTRALIAN AGRICULTURAL CO

Australian Agricultural says it has "sought legal advice on the matters relating to [it]" from the US legal action against principal shareholder Joe Lewis.

According to the website of the US Attorney's Office for the Southern District of New York, Mr Lewis has been "charged with insider trading and financial fraud".

The website said Mr Lewis "allegedly provided confidential information about publicly traded companies to his romantic partners, personal assistants, friends, and private pilots, including Patrick O'Connor and Bryan 'Marty' Waugh, who are also charged".

A US Justice indictment section, titled 'Insider Trading in Australian Agricultural Company Securities', said Mr Lewis held a majority of Australian Agricultural's stock and two employees of the Mr Lewis-controlled Tavistock, who reported to Mr Lewis, were directors. The indictment alleged that in 2019 directors provided updates to Mr Lewis on Queensland floods "and its potential impact on the business".

"At the time, the fact that the flooding was likely to cause a material financial loss to AAC was not publicly known, and reporting about the possible impact of the flooding had not been confirmed by the company," the indictment said.

The indictment said Mr Lewis called Mr O'Connor and they discussed that Mr O'Connor and Mr Waugh "should sell all of the stock of AAC that they had purchased previously". The indictment included an email from Mr O'Connor saying: "Just wish the Boss would have given us a little earlier heads up."

Australian Agricultural said it was aware of reports of charges being brought against Mr Lewis, who "through Tavistock Investments is the most significant shareholder".

In March, the AA Trust for the Tavistock Group said it held 307,940,850 Australian Agricultural shares (51.088%) (AVW: Mar 10, 2023).

Australian Agricultural said it "became aware through public reports that the New York Southern District Attorney has alleged that Mr Lewis shared non-public information of certain companies, including AACo".

The company said it had "sought legal advice on the matters relating to AACo".

Separately, Australian Agricultural said that the current two Joe Lewis Tavistock directors, Dr Shehan Dissanayake and Sarah Gentry, along with Jessica Rudd were re-elected by 99 percent of yesterday's annual general meeting votes, while the remuneration report was opposed by 51,490,656 votes (10.59%).

According to the company's most recent filing, it had 602,766,747 shares on offer, meaning the opposition to the remuneration report amounted to 8.5 percent of the company, sufficient to requisition extraordinary general meetings, noting that Mr Lewis controls more than 50 percent of the shares.

Australian Agricultural was up half a cent or 0.3 percent to \$1.475.

## BUBS AUSTRALIA

Bubs says up to 63.25 percent of investors defeated all board spill resolutions proposed by former chair Dennis Lin and former chief executive officer Kristy Carr.

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

The company said that the request came from Mr Lin, Carr Family Pty Ltd, Infant Food Business Pty Limited, AZ Global Corporation Pty Ltd and Willis Trading Limited and called for the removal of directors Katrina Rathie, Steven Lin, Paul Jensen and Reg Weine, and the appointment of James Jackson, Peter Nathan and Rupert Soar.

In May, Bubs said it had “terminated” chief executive officer Ms Carr and executive chair Mr Dennis Lin, effective from May 10, 2023 (AVW: May 12, 2023)

This week, Bubs shareholders voted down all of the spill resolutions with the strongest vote against the removal of chair Katrina Rathie, with 228,337,037 votes (63.25%) opposed and 132,674,917 votes (36.75%) in favor.

The company said that the strongest vote for the spill resolutions was for the appointment of Peter Nathan with 137,437,814 votes (37.97%) in favor and 224,515, 241 votes (62.03%) against.

All resolutions were defeated by about 63 percent to 37 percent, meaning that the supporters of Mr Lin and Ms Carr could defeat special resolutions, future remuneration reports and requisition further extraordinary general meetings.

In a separate

Announcement, Bubs said that the defeat of the resolutions were “a clear vote of confidence”.

“The vote provides a strong endorsement of the board’s commitment to good governance, growth and rebuilding shareholder value as recently outlined under Bubs’ strategic plan announced on July 6, 2023,” the company said.

Bubs chair Katrina Rathie said the company was “delighted with the result and thank each and every one of our Bubs shareholders, customers, suppliers and employees for their continued loyalty and support”.

“Approximately 48 percent of our institutional and valued individual shareholders voted,” Ms Rathie said.

“This is an excellent voting turnout for Bubs that reflects well on our shareholders, demonstrating a high level of engagement and interest in the company’s future direction,” Ms Rathie said.

“With this shareholder action now behind us, we can now focus on what we set out to do: deliver on our strategic plan, grow our business with a particular focus on the US, re-set China and restore shareholder value in the medium term,” Ms Rathie said.

“We expect to make a CEO appointment in August,” Ms Rathie said.

Bubs was unchanged at 20 cents with 8.0 million shares traded.

## CANN GROUP

Cann Group says its rights offer at 12 cents a share has raised \$4.46 million of a -hoped-for \$11.7 million.

In June, Cann Group said it hoped to raise \$11.7 million a one-for-four, non-renounceable rights offer at 12 cents a share, a 20 percent discount to the 5-day volume weighted average price (AVW: Jun 16, 2023).

Today, the company said the \$7.2 million shortfall shares would be offered to sophisticated and professional investors by lead manager PAC Partners Securities.

### WELLNEX

Wellnex said its one-for-four rights offer at five cents a share has raised \$465,656, leaving a shortfall of \$4,830,878 (AVW: May 26, 2023).

Wellnex said that the shortfall offer would remain open for three months.

The company said it was separately conducting an institutional placement to raise up to \$20 million which it expected to complete by July 28, 2023.

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.

The company said would raise \$2.2 million in an initial placement, \$5.3 million in a non-renounceable, one-for-four entitlement offer and \$20 million in a second placement.

Wellnex was untraded at 5.3 cents.

### RLF AGTECH

RLF says subsidiary RLF Carbon Pty Ltd will sell 50,000 Australian soil carbon credit units to a Commonwealth Bank of Australia-funded project for \$1.0 million.

RLF said the Commonwealth Bank would be entitled to purchase additional carbon credits generated by the pilot program, at a discount to the rate at the time.

The company said the purchase was its first “externally funded” soil carbon project supporting the generation of carbon credits in commercial farming operations from growers in the Australian grain market.

RLF said the deal would begin in Western Australia in June 30, 2024 and end on December 31, 2029.

RLF fell half a cent or 2.9 percent to 16.5 cents.

### FONTERRA SHAREHOLDERS FUND

Fonterra says shareholders overwhelmingly approved the scheme of arrangement to return about \$NZ800 million (\$A735.3 million) of capital to shareholders.

Fonterra said that 99.24 percent of shareholder votes were in favor of the resolution and final New Zealand High Court orders would be sought to undertake the return of capital.

The company said that the record date would be August 22, and payment would be made by August 29, 2023.

Fonterra said that if the final Court orders were not made by August 3, the record date would be five business days after the date on which the final orders were made.

Fonterra was up three cents or 0.9 percent to \$3.26.

### FONTERRA SHAREHOLDERS' FUND

Fonterra says it will allocate up-to \$NZ50 million (\$A45.83 million) in an on-market share buyback program for about 77 million shares, expected to begin in late August.

Fonterra said the buyback was expected to last for up-to 12 months and was no more than five percent of the shares on issue.

Fonterra chief executive officer Miles Hurrell said the primary purpose of the buyback was to be “value accretive, and any decision to buy back shares will be considered alongside Fonterra’s other discretionary investment opportunities”.

The company said the buyback would include shares bought through its earlier \$50 million buyback that began on June 30, 2022 and shares bought as part of its transitional buyback.



### BIO-GENE TECHNOLOGY

Bio-Gene says it has a deal with the Tel Aviv, Israel-based STK Bio-Ag Technologies to develop products from its Qcide insecticide for crop protection.

Bio-Gene said STK developed and sold crop protection products, including Timorex Gold. The company said STK would own the registered products, while it would continue to own the intellectual property relating to Qcide and retained unlimited access to the develop it for health, animal health and consumer markets.

Bio-Gene said STK would pay registration costs for developing a Qcide-based product, including environmental and toxicology studies, field trials and regulatory submission costs.

The company did not disclose the commercial terms of the deal.

Bio-Gene fell 0.1 cents or 1.2 percent to 8.5 cents.

### WIDE OPEN AGRICULTURE

Wide Open says, according to its annual “regeneration report”, it had 15 quarters of sequential growth and in the year to June 30, 2022 more than doubled sales.

Wide Open said it had paid more than \$8 million into the local economy, through paying suppliers in Perth and southwest Western Australia.

The company said the internal review showed an 87 percent reduction in its plastic packaging and 16.5 tonnes of cardboard reused and recycled, and will plant more than 100,000 seedlings as part of its carbon farming with the Noongar Land Enterprise Group and Carbon Farming Foundation.

Wide Open said that it supported more than 14 regenerative farmers and 60 ethical food partners of Dirty Clean Food and had participated in more than 25 community, academic and farmer events in the year.

The company said the review showed it had 500,000 customer interactions for its regenerative produce, and its team of 75 staff spoke 18 languages, with 31 staff members (41.3%) born outside Australia.

Wide Open chief executive officer Jay Albany said that company was “combatting climate change head-on by regenerating landscapes, fostering healthier soils, enhancing biodiversity, and sequestering carbon”.

“An investment in Wide Open is more than a financial decision ... it is a choice to support a business that is actively creating positive, dynamic change,” Mr Albany said.

### CORRECTION: BOTANIX PHARMACEUTICALS

Last week’s edition inaccurately had the headline ‘Botanix raises \$12.5m to extinguish debts’.

In fact, Botanix raised \$12.5 million to buy royalty streams.

The edited copy erroneously said that the company “was obliged to pay sales milestones of up-to \$US160 million on reaching the first \$US75 million of net sales, as well as royalties ranging from 12 percent to 20 percent on net sales”.

This was a misreading of the detailed announcement to the ASX.

In fact, the company said it was obliged to pay sales milestones of up to \$US160 million on reaching milestones including the first \$US75 million of net sales and up to \$1.8 billion of sales, as well as royalties ranging from 12 percent to 20 percent on net sales.

Ag & Vet Weekly apologizes unreservedly to Botanix and has offered the remains of the Friday sub-editor for pre-clinical testing.

Botanix was unchanged at 13 cents with 3.4 million shares traded.

## PHARMAUST

Pharmaust says it has completed dosing the third cohort in its monepantel for motor neuron disease trial, and subject to safety approval will move to cohort four.

In June, Pharmaust said it has 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 all participants from cohorts one, two and three had elected to continue with their monepantel treatment.

Pharmaust was up 0.3 cents or 3.85 percent to 8.1 cents.

## BIO-GENE TECHNOLOGY

Bio-Gene says the University of Wisconsin's Midwest Center of Excellence for Vector-Borne Disease will research its Flavocide and Qcide for vector-borne diseases.

Bio-Gene said it would work with the Midwest Center "to understand how Flavocide and Qcide can be harnessed to control vector-borne disease" including tick-borne pathogens like Lyme disease.

The company said the US Center for Disease Control (CDC) would invest \$US10 million (\$A14.9 million) over five years, which included university partners at Minnesota, Illinois, Michigan, Iowa and Indiana universities, including Purdue University.

In April, Bio-Gene said its insecticides Flavocide and Qcide could be effective when combined with other "commercially important insecticides" (AVW: Apr 28, 2023).

This week, Bio-Gene chief executive officer Richard Jagger "with climate change impacting the habitable range of vectors such as ticks, and current chemistry becoming less efficient due to resistance, finding new products is more important than ever".

"As this program is funded with a significant investment from the CDC, it shows how critical the issue of vector control is and the threat to public health it represents," Mr Jagger said.

"The work involving Bio-Gene's molecules will be conducted by Purdue University, under the direction of Prof Catherine Hill," Mr Jagger said.

The company said it expected the program to begin shortly and would use the results to discuss with researchers and potential commercial partners.

## RLF (RURAL LIQUID FERTILISERS) AGTECH

RLF says the Australian Clean Energy Regulator has added its Hillston soil carbon project to the Emissions Reduction Fund, allowing it to generate carbon credits.

RLF said the irrigated project was a 45-hectare area of land south of Hillston, New South Wales that was developed using its plant nutrition technology to generate cost-effective soil carbon credits.

The company said that while it typically took between four to five years for projects to generate carbon credits, it was hoping that the Hillston soil carbon project would generate soil carbon credits in one to two years.

RLF field advisor Richard Stone said that "the pivot irrigation system used in this project gives the ability to improve plant biomass production year-round, given that we are not at the mercy of rainfall variability."

"Irrigation also reduces the risk associated with drought that can impact the building and maintenance of soil carbon levels over time," Mr Stone said.

"In fact, the Hillston project area has access to water rights which currently exceed irrigation demand," Mr Stone said.



### ALTHEA GROUP HOLDINGS

Althea says Ireland will reimburse its CBD12:THC10 marijuana for spasticity associated with multiple sclerosis and chemotherapy-related nausea and vomiting.

In May, Althea said Ireland's Health Products Regulatory Authority has approved the sale and distribution of its THC20:CBD1 medical marijuana oil, and it was one of two companies to have a tetrahydrocannabinol (THC) based oral product, as well as cannabidiol (CBD) products (AVW: May 19, 2023).

This week, Althea said the reimbursement price was EUR327.89 (\$A541.56) for a single 50ml bottle of the marijuana oil, expected to last one month.

Althea fell 0.1 cents or 2.2 percent to 4.5 cents with one million shares traded.

### CANN GROUP

Cann Group says it has harvested 320 square metres (3,444 square feet) of marijuana crop, "twice the area of crop that had been harvested previously".

Cann Group said the amount equated to an "annualized" production level of eight tonnes, nearing its target of 12.5 tonnes at its Mildura facility and reaching earnings before interest, taxes, depreciation and amortization (Ebitda) profitability by June 30, 2025.

Cann Group chief executive officer Peter Koetsier said "this is a tremendous achievement by our production team at Mildura and gives us strong confidence that we are on track to reach our 12.5 tonne annualized volume target".

"The improvement in flower quality underscores the value of our focus on cultivation processes and the investment we have made in leading-edge technology at Mildura," Mr Koetsier said. "It is also a clear signal to our customers and the market in general that Cann Group is able to produce and supply high quality product on a reliable basis."

### MGC PHARMACEUTICALS

MGC says that London's Premier Fund Managers was the sole participant in its GBP650,000 (\$A1.245 million) placement at 0.12 pence (0.23 Australian cents).

Earlier this month, MGC said it hoped to raise GBP650,000 at 0.12 pence a share and GBP50,000 from a convertible note (AVW: Jul 14, 2023).

Last week, London's Premier Fund Managers said it increased its holding in MGC from 175,552,618 shares (5.59%) to 383,885,951 shares (9.82551%) (AVW: Jul 21, 2023).

MGC was up 0.1 cents or 50 percent to 0.3 cents with 4.3 million shares traded.

### TERRAGEN HOLDINGS

Terragen says it has appointed Robyn Smith as chief financial officer and company secretary, replacing Miles Brennan, effective from July 24, 2023.

In March, Terragen said Mr Brennan had been appointed chief executive officer, and would undertake the corporate and financial roles (AVW: Mar 31, 2023).

The company said that Ms Smith has 15 years' expertise in manufacturing and mining, had been its senior financial controller since April 2021 and according to her LinkedIn page, she held a Bachelor of Commerce from Durban's University of Kwazulu-Natal.

Terragen fell 0.2 cents or 5.9 percent to 3.2 cents with one million shares traded.