

Ag & Vet Weekly



Monday April 20 – Friday April 24, 2020

All the news on ASX-listed agriculture and veterinary companies

- * APR 24: ASX, AVW-45 UP: ECOFIBRE UP 5%; AP HEMP DOWN 8%
- * ABARES: MEDIUM-TERM AGRICULTURE PROSPECTS 'STRONG'
- * SEAFARMS PLEADS SCHULTZ TO ASX 35% QUERY
- * A2 MILK: COVID-19 LITTLE IMPACT, EXPECTS \$1.65b REVENUE
- * COVID-19 DELAYS SYNLAIT LAND DISPUTE COURT HEARING
- * CANN GROUP 5-YEAR SUPPLY AGREEMENT WITH PURE CANN
- * THC CANNDEO MARIJUANA TO LAUNCH IN AUSTRALIA EUROPE
- * CRESO PAYS COHEN \$409k, TAKES \$1m LIND FACILITY
- * IFM, BONAFIDE GLOBAL FISH TAKE 17% OF CLEAN SEAS
- * AUSTRALIAN TUNA FISHERIES REDUCES TO 6% OF CLEAN SEAS
- * SCOBIE WARD TAKES 6% OF TERRAGEN
- * COSTA VOTES ON UP-TO \$2.1m HARRY DEBNEY 'INCENTIVES'
- * MGC REQUESTS CAPITAL RAISING TRADING HALT
- * ELIXINOL: OLIVER HORN IN, STRATOS KAROUSOS OUT, HELEN WISEMAN
- * MGC CLAIMS 'MARIJUANA KILLS GLIOBLASTOMA IN-VITRO'

MARKET REPORT

The Australian stock market was up 0.49 percent on Friday April 24, with the ASX200 up 25.5 points to 5,242.6 points. Nineteen of the AVW-45 stocks were up, 10 fell, six traded unchanged and 10 were untraded.

Ecofibre was the best, up 13 cents or 5.35 percent to \$2.56, with 192,302 shares traded. Next Science and Roots climbed five percent or more; Clean Seas and Creso were up more than three percent; Auscann, Cann Group, Elixinol, Huon and Synlait improved more than two percent; Althea, Clover, Elders, Food Revolution, Nufarm and Regeneus rose more than one percent; with A2 Milk, Costa and Tassal up by less than one percent.

AP Hemp led the falls, down one cent or eight percent to 11.5 cents, with 465,184 shares traded. Seafarms fell 7.3 percent; Apiam was down 6.7 percent; Murray Cod shed 4.2 percent; Palla Pharma and Select Harvests fell more than two percent; Bega and Pharmaust lost one percent or more; with Bubs and Ridley down by less than one percent.

BUREAU OF AGRICULTURAL AND RESOURCE ECONOMICS AND SCIENCE

The Federal Government says that “the underlying medium-term prospects for the agriculture sector remain strong” in a report on the impacts of Covid-19.

Citing a report from the Australian Bureau of Agricultural and Resource Economics and Sciences (Abares), a media release from the Department of Agriculture, Water and Environment said that the short-term outlook for Australia’s agricultural sectors was increasingly uncertain.

Abares acting executive director Peter Gooday said that “despite the [Covid-19] pandemic, it is the recent difficult seasonal conditions in Australia that will continue to dominate industry fortunes over the short term”.

“While recent improvements in seasonal conditions will ease pressures on primary producers, the effects of Covid-19 compound the impacts on the sector from drought and this summer’s bushfires,” Mr Gooday said.

“With the virus now spreading well beyond China, second and third waves of impacts on Australia’s agricultural forestry and fisheries sectors are likely,” Mr Gooday said.

“The International Monetary Fund is currently forecasting a three percent contraction in global economic activity in 2020 - worse than the global financial crisis,” Mr Gooday said.

“However, because agricultural exports principally relate to food, trade will continue and consumers will continue to want Australian agricultural products,” he said.

“The key impact on global agricultural markets is likely to be softer prices from falling incomes and changes in where food is consumed rather than significantly reduced consumption for most products,” Mr Gooday said.

“In the early days of the virus, Australian agriculture’s exposure to China was a risk,” Mr Gooday said.

“The most exposed products were those typically associated with restaurants and cafés, and those feeding into manufacturing processes,” he said.

“We saw a drop in seafood exports but many other exports continued,” Mr Gooday said.

“China’s success in controlling the spread of the virus has allowed it to loosen restrictions and put its economy on a path to recovery,” Mr Gooday said.

“Provided the recovery is sustained, the negative impacts on Australia’s trade with China may be limited,” Mr Gooday said.

“However, with the virus now spreading well beyond China, second and third waves of impacts on Australia’s agricultural, forestry and fisheries sectors are likely,” he said.

Mr Gooday said that supply chain and logistics disruptions posed the most significant risk to the sector in the immediate future, but the government had taken several steps to keep agriculture producing and it expected consumers to continue to want Australian agricultural products as they principally related to food.

“Global stocks of major grains are currently very high, the outlook for global production is good, and the current restrictions are not expected to affect global markets significantly,” Mr Gooday said.

The report, titled ‘Impacts of Covid-19 on Australian agriculture, forestry and fisheries trade’ is at: https://daff.ent.sirsidynix.net.au/client/en_AU/search/asset/1030221/0.

SEAFARMS GROUP

Seafarms has told the ASX that it is not aware of any information it has not announced which, if known, could explain recent trading in its securities.

The ASX said the company’s share price rose 34.5 percent from 5.5 cents to 7.4cets on April 20, 2020, and noted a “significant increase” in the trading volume.

Seafarms was down 0.4 cents or 7.3 percent to 5.1 cents with 1.05 million shares traded.

A2 MILK CO

A2 Milk says it expects revenue of between \$NZ1.7 billion to \$NZ1.75 billion ((\$A1.60 billion to \$A1.65 billion) for the year to June 30, 2020 despite Covid-19 uncertainty.

A2 Milk said it expected a full year earnings before interest, taxes, depreciation, and amortization (EBITDA) margin of between 31 and 32 percent, higher than expected due to increased revenue, pandemic-related pantry stocking among consumers, favorable exchange rate movement between the US and New Zealand dollars and lower than expected costs for travel and other expenses due to a delay in recruitment because of Covid-19 restrictions.

The company said it had strong revenue growth across all regions, particularly infant nutrition in China and Australia, with revenue for the three months to March 31, 2020 above expectations and reflective of changes in consumer purchase behavior due to the Covid-19 pandemic such as pantry stocking and online purchases.

A2 Milk said significant uncertainty remained surrounding the potential impact on supply chains and consumer demand.

A2 Milk was up six cents or 0.3 percent to \$18.65 with 2.5 million shares traded.

SYNLAIT MILK

Synlait says that a New Zealand Supreme Court hearing relating to the use of land at Pokeno has been delayed until June 3, 2020, due to the Covid-19 pandemic.

Synlait said that in February 2018, it announced the conditional purchase of 28 hectares of land in Pokeno, in the Waikato District, to establish its second nutritional powder manufacturing site and in November 2018, the New Zealand High Court removed covenants over the land which would have hindered Synlait's development of the land.

The company said that in May 2019, the Court of Appeal overturned the High Court decision to remove the historic covenants and in June 2019, Synlait filed an application for leave to appeal to the Supreme Court to have that decision overturned.

Synlait said that in October 2019, the Supreme Court held an oral hearing to decide whether the case would be heard and in November, the Supreme Court said it would hear the case in April 2020.

Synlait chief executive officer Leon Clement said it was "understandable that the Supreme Court of New Zealand has deferred our case given the unprecedented times we find ourselves in".

Ag & Vet Weekly asked Synlait to explain the nature of the covenants, but the company declined, referring to previous ASX announcements.

New Zealand Court of Appeal documents said that the land was zoned for aggregate extraction and processing, and a previous owner "entered into the covenants with the then owners of two adjoining properties, to help protect the operation of any quarry it might establish from complaints from neighbours".

The Court documents said that the covenants "provide that the servient land is only to be used for the purposes of grazing, lifestyle farming and/or forestry, and they preclude the owner for the time being of the servient land from complaining about any adverse effects which might arise from quarrying on the dominant land".

Ag & Vet Weekly believes the dispute is over the status of the land and whether it is properly zoned industrial or agricultural.

Synlait was up 18 cents or 2.8 percent to \$6.69.

CANN GROUP

Cann says it has a five-year agreement to produce and manufacture medical marijuana for the Auckland-based Pure Cann NZ.

Last year, Cann said that through its subsidiary, Botanitech Pty Ltd, it would invest \$NZ6 million (\$A5.7 million) for a 20 percent stake in Pure Cann (BD: Apr 26, 2020).

Today, the company said it had invested \$NZ1 million and held 3.9 percent of Pure Cann and under the supply agreement it would receive \$NZ1 million of Pure Cann shares and increase its holding to 7.7 percent.

The company said it would not be obliged to invest the remaining \$NZ4 million previously committed and in exchange would issue Pure Cann \$NZ1 million worth of its shares.

Cann said the share exchange would occur following Cann's completion of a capital raising of at least \$10 million within five years, subject to shareholder approval, and Cann would pay Pure Cann \$NZ1 million in lieu of its shares if shareholders did not approve.

Cann Group chief executive officer Peter Crock said that the company's "ability to secure supply agreements with quality long-term partners helps support the value of our expansion plan and reinforces Cann Group as a leader in cannabis genetics, cultivation and manufacture".

Cann Group was up two cents or 2.3 percent to 88 cents.

THC (THE HYDROPONICS COMPANY) GLOBAL GROUP

THC says its Canndeo-branded marijuana will be available in Australia from May 20, 2020 and Germany's ACA Müller will distribute Canndeo in Europe.

THC said it would supply the marijuana for pharmacies, clinics, and hospitals in Australia and it expected its first order under the 18-month agreement by September 2020.

THC was unchanged at 31 cents.

CRESO PHARMA

Creso says it will pay \$US260,000 (\$A409,225) to Asah Cohen and Cohen Propagation Nurseries in relation to their Israeli joint venture for medical marijuana.

In 2018, Creso said through subsidiary Creso Pharma Switzerland GmbH, it would own 74 percent of the joint venture to grow marijuana for medical purposes (BD: May 16, 2018).

Last month, the company said the joint venture agreement had been terminated following a disagreement on the Cohen Group's responsibilities and entitlements, and the Cohen Group intended "to seek damages in respect of alleged breaches by Creso GmbH of its obligations under the ... agreement" (BD: Mar 3, 2020).

Today, Creso said that while the company denied the allegations, it had agreed to pay the Cohen Group "in order to procure the settlement of the dispute in a timely manner".

The company said it would pay the Cohen Group an initial payment of \$US60,000 within seven days from the judgement of the settlement and \$US60,000 within 30 days of the initial payment, and the remaining \$US140,000 in five equal monthly payments.

The company said that it would issue 5,310,954 shares to a nominee of other parties involved in the settlement, following shareholder approval, and if shareholders did not approve the arrangement it would pay \$US200,000 in cash to the nominee.

The company said that Creso GmbH would transfer all Israel joint venture shares to the Cohen Group with 30 days of the settlement judgement.

Creso said that if it did not meet the payment obligations and if the breach was not remedied within 30 days, it would have to pay \$US150,000 "as liquidated damages".

Creso was up 0.2 cents or 3.2 percent to 6.4 cents.

CRESO PHARMA

Creso says it has a \$1,000,000 convertible securities agreement with Lind Global Macro Fund LP and has drawn down \$500,000 from L1 Capital Global.

Creso said that it would issue New York's Lind Global a debt security worth \$1,111,111 at a subscription price of \$1,000,000 as an unconvertible debt until shareholders approve the debt to be replaced by a convertible security and pay Lind a \$77,777 commitment fee.

The company said it would issue Lind 21,000,000 collateral shares, with 6,000,000 shares issued on or before May 15, 2020, and 15,000,000 shares subject to shareholder approval.

Creso said that subject to shareholder approval, it would issue Lind 10,752,688 options exercisable at 13.86 cents each within three years.

The company said that Sydney's Everblu Capital Pty Ltd was the lead management of the debt raising and would be paid a cash fee \$66,667 and, following shareholder approval, would be issued 833,333 shares and 833,333 options exercisable at 20 cents within three years.

Creso director Adam Blumenthal is the chairman of Everblu.

Creso said the Lind funds would be used for "liabilities and outstanding obligations" and general working capital.

In February, the company said it had a convertible note agreement with L1 Capital for up to \$17,482,500, and could request an initial \$1,750,000 advance (BD: Feb 5, 2020).

Last week, Creso said it would issue L1 Capital 10,812,526 additional collateral shares to top up the outstanding balance of collateral shares (BD: Apr 14, 2020).

Today, Creso said it had drawn down a further \$500,000 from L1 Capital and would pay lead manager Everblu Capital a cash fee \$33,334 and 111,112 shares, pending shareholder approval.

The company said that following the decline in its share price, it would issue 15,000,000 additional collateral shares to Suburban Holdings Pty Ltd, 15,000,000 additional collateral shares to L1 Capital and 2,000,000 additional collateral shares to Chifley Portfolios Pty Ltd.

Creso said the additional collateral shares would be paid for with \$87,500 of the funds from Lind.

CLEAN SEAS SEAFOOD

IFM, as trustee for the Bonafide Global Fish Fund, has increased its holding in Clean Seas from 14,875,707 shares (16.22%) to 17,316,869 shares (17.32%).

The Liechtenstein-based Independent Fund Management AG said that on April 9, 2020 it converted 2,441,162 shares for \$1,091,443 or 44.7 cents a share through a convertible bond.

Clean Seas was up two cents or 3.2 percent to 65 cents.

CLEAN SEAS SEAFOOD

Australian Tuna Fisheries says it has reduced its substantial shareholding in Clean Seas from 101,562,733 shares (7.45%) to 6,026,690 shares (6.15%).

The Port Lincoln, South Australia-based Australian Tuna Fisheries said that on July 8, 2019 it bought 10,000 shares for \$8,800 or 88 cents a share and on March 23, 2020 it bought 164,280 shares for \$57,498 or 35 cents a share.

In November 2018, Clean Seas undertook a 20-to-one consolidation.

TERRAGEN HOLDINGS

Scobie Ward says he has become substantial in Terragen with 11,399,393 shares or 6.10 percent of the company.

The Otago, New Zealand-based Mr Ward said between March 20 and April 16, 2020 he acquired 7,339,393 shares at prices ranging between 8.19 to 16.5 cents a share.

Terragen was untraded at 12 cents.

COSTA GROUP HOLDINGS

Costa will vote to issue chief executive officer Harry Debney up to \$1,073,100 in short and long-term incentives, in addition to his \$1,022,000 a year salary.

Costa said the short-term incentive began at \$459,900, to be issued on achieving target earnings and could be extended to \$715,400 if stretch targets were met, while the long-term incentive was 372,604 options valued at about \$357,700.

Costa said the short-term incentive performance rights, subject to performance measures, would be equal to 45 percent of Mr Debney's \$1,022,000 total fixed remuneration, with an opportunity for a maximum of 70 percent of his remuneration, with two thirds in cash and one third as 12-month deferred performance rights.

Costa said it would also vote on its remuneration report, the re-election of director Neil Chatfield, an amendment of its constitution, and consider financial reports.

The meeting will be held virtually on May 29, 2020 at 11am (AEST).

Costa was up one cent or 0.4 percent to \$2.66 with 1.5 million shares traded.

MGC PHARMACEUTICALS

MGC has requested a trading halt pending "the release of an announcement by the company in relation to a capital raising".

Trading will resume April 28, 2020 or on an earlier announcement.

MGC last traded at 2.9 cents.

ELIXINOL GLOBAL

Elixinol says it has appointed Oliver Horn to replace nine-month chief executive officer Stratos Karousos, and Helen Wiseman as a director, effective immediately.

Last year, Elixinol said it had appointed Mr Karousos as chief executive officer, replacing Paul Benhaim (BD: Jul 16, 2019).

Earlier this month, Elixinol said it appointed former Swisse Wellness chief executive officer Mr Horn as a director and appointed Mr Benhaim as chair (BD: April 6, 2020).

Today, the company said Mr Karousos had resigned from the Elixinol board.

Elixinol was up one cent or 2.8 percent to 37 cents.

MGC PHARMACEUTICALS

MGC says its marijuana cannabinoid formulations kill the brain cancer glioblastoma multiforme in-vitro.

MGC said the research program was conducted by the National Institute of Biology and the Ljubljana, Slovenia-based University Medical Centre's Neurosurgery Department.

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