



# Biotech Daily

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*Daily news on ASX-listed biotechnology companies*

## Another Year In The Grass – With Shrooms & E

*A Biotech Daily Special Edition*

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It's been a year of smoke and mirrors for the 22 companies comprising Biotech Daily's Cannabis Corner.

While the sector closed November with a collective market capitalization of \$1,941 million, following an all-time high this year of \$1,973 million in May, the sobering reality is that despite all the hype and hope, it has only just caught up with where it was, albeit briefly, on July 31, 2019 with a record high of a \$1,913 million, or the "illusory high" as Biotech Daily defined it, when there were only 18 companies in Cannabis Corner.

The smoke started from the beginning, on January 20, 2015, when Phytotech was the first medical marijuana company to list on the ASX, claiming it was positioned to become "the Berkshire Hathaway of cannabis". Almost seven years later, the company is known as MMJ Group Holdings and has a share value of 6.7 cents. As for Berkshire Hathaway, the Motley Fool reported in February that "Warren Buffett and cannabis stocks go together like orange juice and toothpaste. In other words, they don't."

More smoke on January 3, 2018, when the Australian Broadcasting Corporation trumpeted: "Australia aims for global domination of the medicinal cannabis market."

Four years later, the ASX-listed medical marijuana movers simply hope for higher domestic returns and for investors to stop being grumpy and stop asking about the projected boom that didn't, in a year that went well but was marred perceivably by over-excited first quarter predictions

For example, in August, Stockhead announced: “It’s certainly the case that medicinal cannabis more broadly is having a bumper year.”

Also in August, Freshleaf Analytics predicted that 2021 total product revenues were expected to exceed \$200 million, with active patients at 60,000. By November active patents had increased to 111,000.

In contrast, 2020 ended with just over 35,000 active patients and \$100 million in product revenue.

Sounds good, but Stockhead added qualifications to its upbeat assessments. “But why aren’t we seeing the promised boom in 2021?” it asked. “And when will we see it?”

Experts agree that investors may have jumped prematurely, perhaps becoming over-excited by the February Australian Therapeutic Goods Administration declassification, when low dose cannabis became available over-the-counter at pharmacies.

Cann Group chief executive officer Peter Crock told Stockhead that the 2021 boom predictions based on the February 1 declassification were, well, a bunch of crock.

“Yes, people did jump on prematurely in terms of what they thought that would mean,” he said.

Overall, 2021 was a bit of a bumpy ride with highs and lows in between potholes (see chart below).

Cannabis Corner opened 2021 vigorously, following a slumped 2020 which saw savage mid-year lows when, according to Biotech Daily’s editor, “the sector was recovering from the realization that - despite the claims - marijuana wouldn’t cure coronavirus”. Following a rally of sorts, 2020 ended with a December collective market capitalization of \$1,450 million.

Enter 2021. January jumped 2.7 percent to \$1,660 million, up 18.8 percent for the year, then crept up to \$1,705 million in February, boosted partly by the number of TGA Special Access Scheme (category B) medical cannabis approvals hitting an all-time high of 8,057, surpassing the previous record in November 2020 of 6,356 approvals.

Good news also for the sector in February, with the Commonwealth Scientific and Industrial Research Organisation (CSIRO) announcing that under a new licence, it will support the local industry and partner with local manufacturers to develop new cannabis medications.

March heralded a record high collective market capitalization of \$1,945 million, knocking off the July 2019 record. The March figure also coincided with TGA medical cannabis approvals hitting another record number of 9,959 approvals.

The April collective market capitalization fell 8.5 percent from March’s high, to \$1,780 million, but up 118.1 percent from the all-time low a year earlier. April’s TGA approvals also nose-dived from the previous month, down to 6,682.

May saw another historic record collective market capitalization high of \$1,973 million, with TGA approvals also hitting a new all-time high of 9,965.

TGA approvals went gangbusters for the next four months, each month creating a new record culminating in September's approval figure of a whopping 13,666 Special Access Scheme approvals

June's TGA approvals first cracked the ten thousand mark, at 10,415, while June's Cannabis Corner collective market capitalization lost 17.8 percent to \$1,621 million. But that figure was actually a climb of 55.8 percent for the financial year, compared to June 30, 2020.

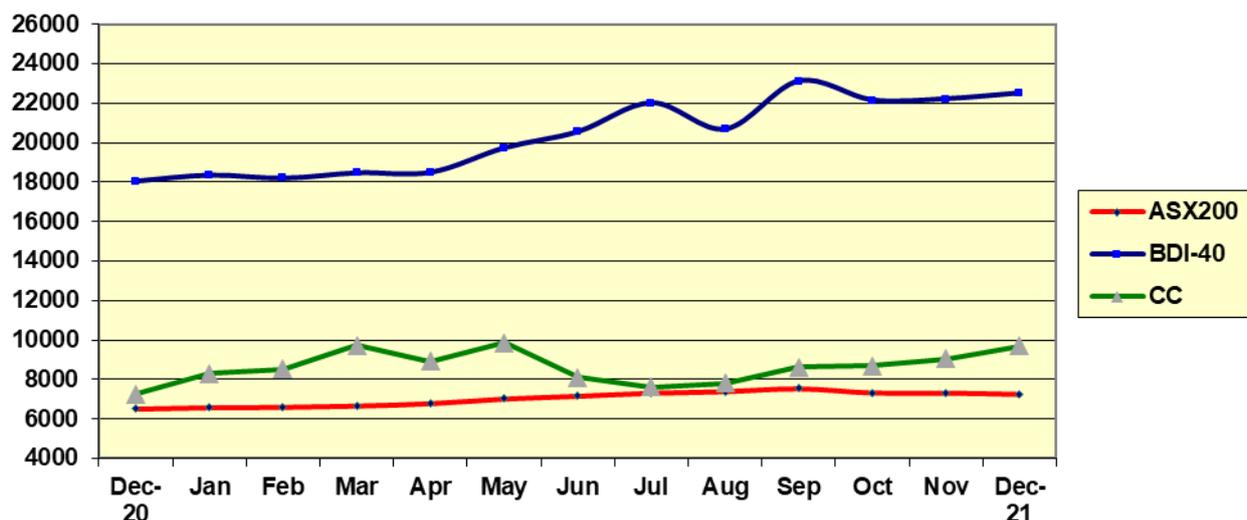
July saw another nasty fall, down to \$1,521 million, a record low for the year, while TGA approvals notched up another record high of 10,755.

In August, Cannabis Corner was up 10.3 percent to \$1,724 million, with Incannex starring, up 66.3 percent to \$454 million, while TGA approvals nudged up slightly to 10,791.

September TGA approvals rocketed through the roof with a record record-breaking 13,666, while the market cap rose slightly by 0.75 percent to \$1,737 million, rising again by 3.97 percent in October to \$1,806 million, but up 57.6 percent on 2020.

October's TGA approvals slumped slightly to 12,206. November's TGA approvals rose slightly to 12,508, while the collective market capitalization rose again, by 7.5 percent, to another near-record high of \$1,941 million.

**Cannabis Corner (\$m x 5) v BDI-40 (\$m), S&P ASX 200: Year to Nov 30, 2021**



But smoke and mirrors time again, as Biotech Daily pointed out, only five Cannabis Corner companies were up in November, with three unchanged and fourteen down.

The falls were mainly countered by three companies: Incannex up \$200 million or 40.9 percent to \$689 million, Cronos up \$19 million or 237.5 percent and Emyria up \$42 million or 110.5 percent.

All up, the year played out with positive developments for Cannabis Corner shares, with a combined market capitalization for the year to November 30 of \$1,941 million. And yet there was the overhanging pall of increasing investor impatience brought about partly by the realities of not much local product being manufactured – actually none at all – and not all that much product grown.

Fresh Leaf Analytics noted the number of cannabis medications had virtually doubled annually since 2018, with 190 products available for prescription as of July 2021. But not one of those products can be marked as made in Australia.

### **Who does what? Good question**

So, what are the medical companies doing? Some, it is suspected, are simply playing the waiting game, waiting for the real bonanza, when cannabis the drug - a.k.a. recreational marijuana - is legalized.

Research consultants Prohibition Partners estimate that the Australian cannabis market could reach \$US1.5 billion by about 2025, noting that changes to regulations in addition to medical cannabis “have some companies salivating at the prospect of a recreational market opening in the future”.

Cannabis Corner itself houses some so-called medical cannabis companies that have provided no real evidence that they are working on medicines for human health.

But creating a medication in Australia that gets through clinical trials is expensive, risky and tedious, with only a miniscule success rate. The biotech dictum is that one has a 50 percent chance of taking an idea from lab bench to mice or rats, a further one in two probability of going on to phase I, and again a 50 percent chance to phase II, the same odds to phase III and again a toss of the coin for registration, which does not necessarily mean sales. That multiplies out to about a 1.6 percent chance of “success”.

And to be fair there are a swag of companies desperately battling the notorious local red tape entanglements and eagerly vying to be among the first Australian companies to actually manufacture a cannabidiol (CBD) medication, although no company among the many working on submissions has a submission ready to go. As of yet, apparently.

But the word is that lots of local product will appear on pharmacy shelves, later in 2022. Hopefully.

### **Green and black markets**

Both potential producers and cultivators are also under attack from a burgeoning black market which, with its red-tape-free, hassle-free, prescription-free environment and low prices - especially the low prices - threatens to erode the legit industry profitability unless stamped out, which is possibly easier said than done considering that un-stamped-out, illicit marijuana cultivation has been with us since the early 1960s, especially in northern New South Wales.

In July, the Australian Institute of Health and Welfare's National Drug Strategy Household Survey reported that about 2.7 percent of the population, or 690,000 people in Australia above 14 years of age, used cannabis for medical purposes in the previous 12 months. But roughly only 3.9 percent of them, or approximately 27,000 people obtained cannabis medications legally through the medical system.

In August, the ABC's Landline program investigated the illegal medical cannabis market in New South Wales, and Elixinol Wellness founder and non-executive director Paul Benhaim told the program that some licenced hemp growers were producing CBD products for the wellness market, adding that this was common knowledge in - where else - northern New South Wales. He estimated Australia's medicinal cannabis black market was about "about 10 times larger" than the legal, prescription market.

Finally, after poking around 2021's nooks and crannies, there are a couple of overviews at play that haven't been given much reportage.

Firstly, there's the argument that the market might soften as medical cannabis comes out of its faddishness phase. Merriam-Webster defines "fad" as a practice or interest followed for a time with exaggerated zeal.

But possibly not with sales, as evidenced last month in Bangkok when The Pizza Company promoted its "Crazy Happy Pizza" topped with a cannabis leaf which generated a frenzied media buzz but not much in terms of sales, as the manager Panusak Suensatboon, confirmed. And keep an eye on Thailand as it rapidly embraces medical marijuana.

Secondly, there's been a lot written about whether marijuana-based medications work, but there doesn't seem to be any analysis of whether those medications are as good as, or better than, what's already available at the pharmacies in the non-cannabis department.

Not to mention pricing.

In October, the Western Australian Government investigated medicinal cannabis concerns that it is too hard to access, with advocates claiming patients struggle to find doctors to prescribe it - despite medicinal cannabis being legal in WA since 2016.

Up bobbed Mark Duncan-Smith, president of the Australian Medical Association Western Australian branch who said what others had failed to say: simply that there were better, more effective, and more evidence-based drugs available in pharmacies than medical marijuana.

## **Oils ain't oils**

Then there's competition from other "natural" substances.

Last year, Biotech Daily revealed that Elle magazine asked if CBD oil skincare really works, and the answer was not really. Now, an Australian Indian sandalwood supplier, Quintis, is giving CBD oil a run for its money in the skincare sector, especially following the ban of CBD oil use in China's cosmetic industry.

The Perth-based Quintis conducted a review of existing scientific studies to assess the benefits of sandalwood and CBD oil, and the findings showed that Indian sandalwood oil has more scientifically proven benefits than CBD oil, especially in skincare with wound healing and anti-inflammatory properties.

## **How was the trip?**

And then along came psychedelics, including lysergic acid diethylamide (LSD), 3,4-methylene-dioxy-meth-amphetamine (MDMA, ecstasy or E) and psilocybin, following a script eerily similar to that of medical cannabis development, but at a much-accelerated rate with bigger touted potential revenue figures.

Companies quickly incorporated psychedelics with their cannabis business, and an early starter was Creso Pharma which made history in March this year as the first ASX-listed psychedelics stock, but is also billed as “a cannabis and psychedelics company”.

When Creso acquired Canadian psychedelics and psilocybin purveyor Halucenex Life Sciences, opening the door to the much hyped: “**\$US100 billion dollar market in psychedelic medicines**”, its ASX market capitalization hit \$200 million and on December 2, its ASX shares shot up 6.25 percent on news that Halucenex had secured approval to produce more psychedelic substances.

In July, two psychology academics from Melbourne’s Swinburne University and the Western Sydney University founded the Psychae Institute with \$40 million from an unnamed “North American biotechnology company” to research psychedelics for mental health disorders. They did name the South American psychoactive plant, ayahuasca, which is quite popular among the in-crowd in California. After a brief flurry of media appearances all went silent.

Two more ASX-listed companies, Incannex and Emyria, are pursuing psychedelics, as is an unlisted company going by the more than politically correct name of Woke Pharmaceuticals.

As for 2022, stand by for a weeding out of the sector with some companies falling by the wayside, some merging and some actually making something ... including, possibly, profit.

Maybe.

***The writer was the co-founder of the Australian Marijuana Party and stood as Senate candidate JJ McRoach in the 1977 Australian Federal Election. Biotech Daily editor David Langsam was his campaign director.***

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