



Biotech Daily

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Daily news on ASX-listed biotechnology companies

Another Year In The Grass

A Biotech Daily Special Edition

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Prescient words from Harvard Health Publishing in December last year when, while discussing the cannabidiol (CBD) phenomena, it conjectured: "The only thing that is clear at this point: The marketing has gone way ahead of the science and the law when it comes to CBD products."

On November 28 this year, the 'Pharmacy and Clinical Pharmacology' journal published Swedish research which suggested that media coverage could be influencing cannabis clinical trial outcomes, especially when coverage appeared positive when there were no actual positive outcomes.

Or as the study's first author Filip Gedin said "We see that cannabis studies are often described in positive terms in the media regardless of their results."

Meanwhile in Australia in March, the Australian Broadcasting Corporation (ABC) headlined: "Medicinal cannabis being used by tens of thousands of Australians."

It reported Australian Therapeutic Goods Administration figures that showed medical marijuana prescriptions doubled from 2020 to 2021, to 122,000 prescriptions. This - the ABC did not note - equates to a minuscule 0.03875 percent of the 314,800,000 million medical prescriptions written in 2021.

Marijuana might not be good medicine

The ABC repeatedly reports that medical marijuana is good medicine without revealing what it can actually cure.

Not that that's a problem – the ABC experts suggests that with medical marijuana, the “cure” is not necessarily the cure all.

In the March piece, it highlighted the case of ‘David’ diagnosed with fibromyalgia. When he began using prescribed cannabis oils he found they helped “mask the symptoms” of fibromyalgia and improve his sleep.

But masking symptoms simply means the root cause is not being treated and healing is mostly not aided.

Melbourne general practitioner Dr Vicki Kotsirilos is the first authorized prescriber of medical cannabis in Australia and, according to the ABC, she said “medicinal cannabis isn't a ‘cure’, but can improve quality of life.”

Dr Jennifer Martin, physician and director of the Australian Centre for Cannabinoid Clinical and Research Excellence told the ABC that most prescriptions were being written for chronic pain and anxiety-related conditions that were not “satiated by biochemicals” alone and usually required psychological therapy and environmental changes to help address “underlying issues” and that “It may just be that [medicinal cannabis] is getting them through their current situation. It's not a problem in the sense that people often use chemicals in the short-term to cope with things.”

In other words, people may not be cured but they may feel good, a condition referred to by the mainly western hippy tribes that spread across the globe last century as “getting stoned” and quoted later by Noble Laureate Bob Dylan recommending that “Everyone must get stoned.”

Not that Biotech Daily wants to put the mozz on medical cannabis and the problems the sector faces, not the least being the results of the first high quality study, a trial led by the Mater hospital and the University of Queensland, looking at the impact of cannabidiol oil on palliative care patients with advanced cancer.

Lead author Prof Janet Hardy reported, “The trial found there was no detectable effect of CBD on change in physical or emotional functioning, overall quality of life, fatigue, nausea and vomiting, pain, dyspnoea or appetite loss.”

As the Guardian, which reported the trial, noted: “Palliative care is one of the conditions for which medicinal cannabis has been approved in Australia.”

Nor investment

And not that Biotech Daily wants to challenge the Daily Mail Australia's claim in August that “Aussies are getting super rich investing in marijuana.”

While medical marijuana may not be doing much medical healing, it urgently needs to heal investor anxiety.

The Australian publication Cannabiz hopes so. Noting that a slew of cannabis companies had gone back to the market for more cash this year, it said 2023 may be the “year of delivery,” with investors seeing returns on investment.

US newsletter MJ Biz Daily reported last month that American entrepreneurs and investors were “exhausted and eager to catch a break after a difficult year of declining sales, tumbling prices and vanishing capital”.

In Canada, analysts cut hundreds of millions of dollars from this year’s sales forecast for three major companies: New York-based Tilray, Ontario-based Canopy Growth and Alberta-headquartered Aurora Cannabis, which all have Australian connections.

Revenue as high as a kite

But despite setbacks, a flurry of global and Australian projections talk it up. Clever Leaves Holdings tipped that by 2027 the “rapidly expanding Australian medical cannabis market” would be valued at \$US1.2 billion and would be “the fifth largest in the world”.

Future Market Insights said Australia’s “legal cannabis market” could reach a market valuation of \$US67.39 million this year, with a “moderate” compound annual growth rate (CAGR) of 30.1 percent over 2022-’32 to a \$US936.22 million by 2032.

In the US, pot sales - recreational and medical - will jump from \$US25 billion (\$A36.9 billion) in 2021 to \$US42 billion in 2026, comprising 75 percent of global sales, according to marijuana analytics firm BDSA.

Street legal is a worry

BDSA noted that a decline of medical marijuana sales because of adult-use legalization was an emergent trend in most US states with the main exception Colorado, which went adult-use legal in 2014.

BDSA also projected that global cannabis sales - recreational and medical - will increase from \$US30 billion last year to \$US57 billion in 2026, a 13 percent CAGR.

The usual flurry of forward projections this year resulted in the usual rash of contradictory estimates:

* Statista valued the global cannabis market (GCM) at \$US22 billion, to reach \$US33 billion by 2025.

* Allied Market Research said the GCM generated \$US25.7 billion in 2021 and will reach \$148.9 billion by 2031 with CAGR of 20.1.

* Imarc Group claimed the GCM would reach \$US52.1 billion by 2027, with CAGR of 10.4 percent.

* Insight Partners said the GCM would reach \$US147.4 billion by 2027 from \$US14.3 billion in 2019, a CAGR of 29.1 percent.

Profit? Did someone say profit?

But nobody bothered to project profit, possibly because there isn't any to project.

Or hardly any.

So little in fact that in August, news that an Australian company had actually made a profit created the giddy aforementioned excitement at the Daily Mail newspaper which made its "super rich" declaration on news that Cronos had tripled its revenue and was the first ASX-listed medical marijuana company to pay a dividend, the dividend being fully-franked at 1.0 cent a share.

It was also noted that Cronos was possibly the world's first medical marijuana company to pay a dividend, although this is challenged in Canada, when in November MJ Biz Daily reported that Toronto's Sensi Brands chief executive officer Tony Giorgi claimed the "capital-light" company became "one of the only profitable cannabis producers in Canada" in 2021, ostensibly turning a profit last year.

But for most medical marijuana companies, profits and dividends are still the stuff of the dream time, especially when viewed through real-time data, rather than a \$2 kaleidoscope.

Cannabis Corner more snakes than ladders

To this end, Biotech Daily charted the course of eight medical marijuana companies in its Cannabis Corner collection that are not traveling well, as opposed to the two or three companies doing well.

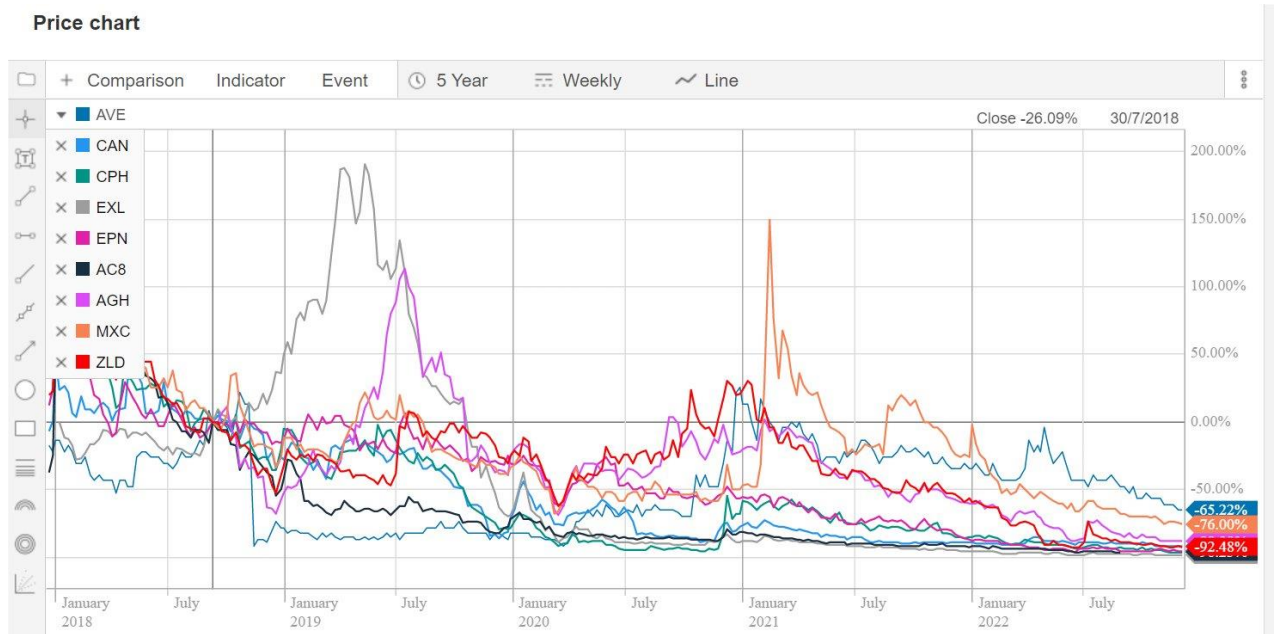
According to Commsec data, of the losers over a five-year period, Elixinol (which was one of the 11 removed to the agriculture sector) fell 97.7 percent; Creso dropped 97.6 percent; Epsilon – formerly The Hydroponics Co (96.8%), Auscann (94.1%); Zelira (93.8%), Cann Group (91.6%), MGC (86.25%), Althea (82.7%) and Avecho (52.6%) (see chart below).

Gasping for the oxygen of publicity

MGC made history on February 10 last year as London Stock Exchange's first medicinal cannabis company.

Since its debut share price of 2.38 Great British Pence, it sunk to 0.675 of a penny at the time of writing in mid-December, basking in the glory of being less-than a penny-dreadful.

On the same day, its ASX price was no better, also at 1.2 cents, which has varied slightly from the Great British Pfennig, depending on the vagaries of the foreign exchange currency market.



Despite such figures, Cannabis Corner showed a slight improvement year-on-year, but it was shored up by the one or two top performers.

Cronos continued as the star, by announcing on December 5 that it had sold its one millionth unit of medical marijuana through the Canview platform, which was launched in June 2020 and claims the majority of cannabis medications available in Australia. Cronos also said November had been a \$10.7 million “record month” of unaudited revenue, and forecast that the three months to December 31 will be another “record quarter.”

While it was a year of Cannabis Corner finances faring poorly, it was also a case of companies behaving badly.

On September 27, the Australian Therapeutic Goods Administration (TGA) announced that three licenced medical marijuana companies were fined almost \$1 million for “alleged unlawful advertising”. Little Green Pharma was fined \$372,960 for 28 notices, MGC Pharmaceuticals was fined \$306,360 for 23 notices and Cannatrek was fined \$293,040 for 22 notices.

The TGA accused the companies of allegedly promoting unapproved medicines, unlawfully advertising, and including unapproved references to treating serious conditions, including cancer and epilepsy.

Then there was “the vulgar world of Creso Pharma” as the Australian Financial Review put it. On Friday November 25 Creso director James Ellingford was bailed on six charges in a Southport Magistrate’s Court: two counts of contravention of a domestic violence order; one count of unlawful stalking; and three counts of “improper use of emergency call services, vexatious”.

Four days later, the Australian Financial Review derided Ellingford as “a social media starlet” regarding his “nauseating displays on TikTok,” where he had been documenting his volatile relationship with a woman 35 years his junior, including included outbursts about Chinese people.

The Australian Financial Review commented that, “Ellingford may be behaving extremely erratically and have filmed his vile rants in full view of dime bags of white powder, but the good doctor confirmed he had not been taking illicit drugs.

“He says these were actually bags of flour. What an exceptional piece of physical comedy.”

Creso dumped Ellingford, and he was later removed as director of another Everblu and Adam Blumenthal-related company, the Israeli innovative agriculture equipment manufacturer Roots Sustainable.

Outlook 2023 - or is that “Look out!”

So, what’s the prognosis for Australian medical marijuana for 2023?

Companies that invested in cultivation assets and sunk big bucks into glasshouse grow centres, like the “20-tonne capacity cultivation facility” earmarked to commence construction in regional Victoria next year, may realize that, like their Canadian and US counterparts, they have over-invested, especially if they are stuck with marijuana they can’t move, given the glut that’s emerged overseas.

But unlike some Western sector counterparts, the local medical marijuana market may be advantaged by Australia now becoming one of the more restrictive countries in the sector regarding the legalization of recreational cannabis.

This may prove a boon because the trend internationally in many markets is that recreational legalization ushers in lower weed prices overall and diminishes medical marijuana sales - an irony because many internationally argue that the uptake of medical marijuana softened marijuana’s image and helped open the door to legal recreational use.

With one or two major growers, such as Cann Group in its top-secret Mildura plant known to locals as ‘The Pink Glow’ after someone left the shutters open, and the planned Cannatrek Shepparton operation, along with the Cronos distribution of around 200 different marijuana flowers, capsules, oil and drops, there doesn’t look like much room for anyone else.

And as Lewis Carroll didn’t quite say: “If there’s not much room, try mushrooms.”

But that’s a story for next year.

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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