

Pot Stocks Hitting High on ASX

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Medical cannabis to light up pot stock boom

A pot stock boom looks set to sweep the Australian sharemarket in the wake of plans to legalise medical cannabis with a host of ASX-listed companies fast-tracking their plans to enter the market.



The good oil

Australia's first listed medical marijuana company, MMJ PhytoTech - which merged with Candian grower MMJ Bioscience in a \$15.5 million deal in March - will announce on Friday it has raised \$2 million from a Spanish-based fund which represents wealthy investors to launch its Australian operations, off the back of its businesses in Europe, Canada and Israel.

And MGC Pharmaceuticals - which raised \$2.7 million earlier this year - will also announce on Friday the appointment of renowned cardiologist and media commentator Dr Ross Walker as a director and appoint him to chair a strategic advisory board to evaluate the commercial opportunities of medical cannabis in Australia. MGC Pharmaceuticals struck a reverse takeover deal with Erin Resources earlier this year in the hopes of transforming the languishing gold-explorer into a cannabinoid resin producer for cosmetic products.

The flurry of activity follows a federal decision last week to lift a ban on growing cannabis for medical purposes which spiked the price of ASX's pot stocks. While several states have invested in clinical trials, Victoria is set to become the first state in Australia to legalise marijuana cultivation to treat serious medical conditions including cancer, multiple sclerosis, HIV/AIDS, epilepsy and chronic pain.

"We are talking about what I think is going to be one of the next big things in medicine ... I would say that we are probably one to two years away from cannabidiol being mainstream for the sort of conditions I have suggested," Dr Walker said. "For a lot of these conditions we are talking about people who are either in terminal pain or their life has been made a misery by chronic pain, so what is the problem?" Dr Walker asked.

MGC Pharmaceuticals, which is operated out of Israel, currently grows and exports cannabis from Slovenia, for use in products for the cosmetics industry but will investigate extending its operations

into medical cannabis in Australia. Fellow Australian cannabis producer, AusCann, secured permission to grow and export marijuana on Norfolk Island in May.

Ideal growing conditions

"MGC will, hopefully once it is made legal for Australia, cultivate it in Australia which has ideal growing conditions for crops and in the same way as Australia has wonderful wine growing regions, we will have the same thing for the appropriate cultivation of marijuana," Dr Walker said.

Australian spokesperson for PhytoTech, Gaelan Bloomfield described their business as a "farm to pharma" medical cannabis company which grows the crops and delivers the product to market through products including capsules and vaporisers. The company is teaming up with law firm Piper Alderman to advise on the regulatory approvals and the licensing needed to quickly launch into the Australian market.

"The perception that you are going to go down to the pharmacy to get a bud of marijuana and smoke it is the exact opposite of where the industry is headed," Mr Bloomfield said. "This is proper pharmaceutical-grade products in capsules, in liquids, in sprays, that are administered in controlled doses and come from production in controlled pharmaceutical-grade environments."

Head of corporate finance at Merchant Corporate Finance, Dan Fraser who raised the capital for both MGC and Phytotech predicted that investors would back the ASX's pot stocks.

"I think it is about to literally boom, we saw the values in them jump off the back of last week's announcement," Mr Fraser said. "But this is just the beginning, the public saying hey what is this? I think we are going to see more movement over the coming six to the 12 months based on the market waking up to how big the opportunity is."

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