



Pot Of Gold: The Race To The Multi-Billion Dollar Marijuana Industry



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Photo: Dean Osland

Image: Supplied

The door to legalising marijuana in Australia is creeping open and a crowd of investors, bankers and doctors are preparing for the race to build a new multi-billion dollar industry.

With shaking hands, Michael Lambert opens a small Esky packed thick with boxes of potent pharmaceuticals and extracts a single white syringe oozing a greeny-black gunk.

He squeezes a tiny amount on to a kid-sized corn chip, shoves another on top to make a 'sandwich' and insists GQ swallows it – the same amount of medicinal cannabis he gives to his four-year-old daughter, Katelyn, morning and night, to control her brutal and traditionally untreatable form of epilepsy, Dravet Syndrome. It tastes a lot like lawn clippings. Or, if you're the sort who may know, mull cake.

Lambert, 44, is aware that what he's doing is illegal – growing the pungent crops that sit outside, hidden from plain sight among the pumpkin and tomato plants, all of them thriving with a verdancy that suggests at least one green thumb.

Police raided the Lambert family home last year – seven officers landing in three separate cars – after he drew attention to his daughter's plight, and the positive effects of marijuana, by writing to several politicians. Still, facing court with a lawyer who tells him he has no actual legal defence is better than the alternative.

"Dravet is a catastrophic form of epilepsy that's not treatable by normal medications, you just seize and you seize and you seize, you get more and more brain damaged and by the time you're 40, if you're not dead, you'll be a shivering, dribbling mess, and the only way to save them is to stop the big seizures. And we know cannabis works," he says, tears stealing his voice.

One by one, his children quietly leave the room, except Katelyn. Lambert's chest heaves.

"I know of a father who had a nine-year-old girl, who has now mercifully passed on. If you'd seized as much as she had for nine years, you'd wish you were dead. And he asked me about cannabis, but he didn't give her the medicine because he was scared about the law and his job, being a teacher. And I understand that. I don't blame him for her death, but I imagine the enormous suffering he must be feeling. The trials show cannabis reduces the seizures by 60 per cent."

For many, medicinal cannabis is a simple equation of life or death. And it's their stories, their desperation, that's moved Australia's political landscape to the point where legislation to allow government- controlled cannabis cultivation is now imminent. The Federal Government introduced legislation into parliament in February to legalise cannabis for medical use and scientific research. And in NSW, a trial testing the effectiveness of medicinal cannabis on 40 children with intractable epilepsy is already underway.

That law change will open a door, like it did in the US. And behind the door are a lot of people who have no medical need for marijuana at all – those who see it as a kind of magic beanstalk.

When you picture the kind of people who invest in marijuana, it's likely you're sketching Cheech and Chong types – dog-eyed, spaced wasters who can't remember why they got into the business in the first place.

The modern reality – in a world where the US state of Colorado raked in \$100m in tax revenue on legal marijuana in the last fiscal year, the state's second full period of legalised choof (and double earned on alcohol) – is different, with sharp-suited investors seeking a different kind of high return.

It's been labelled the 'Green Rush', a lucrative and new agricultural/ medical sector, and its global march has already led to companies listing on the Australian Stock Exchange (ASX). For now, their operations remain offshore, in countries where manufacture and supply is legal. Or they keep to niche areas, like topical creams containing cannabinoids, which can be used in Australia because as a cream, the drug isn't technically ingested.



But they're all positioning themselves to be ready when the laws change, when a potentially multi-billion-dollar local cannabis industry – an industry selling weed for everything from cosmetics to cancer to recreational highs – lights up.

There's already plenty of money in medical marijuana – from growing it to delivery systems to health supplements people can take every day. And if Australia takes the same path as four American states (with more set to follow), then full legalisation means a pot of gold on the horizon.

Those in the industry discuss a “legal journey” from decriminalisation of medicinal use to complete legalisation – it may take longer in some regions than others, but it happens eventually. And when recreational use does arrive, those same early investors will be raking in the green – we’re talking Marlboro money, Coca-Cola cash. You, everyone you know, and even your pets, could be taking cannabis, in some form, every day. To say nothing of the tourists.

Those astute types investing today, as the regulatory door creaks open an inch, don’t come across as soil-sampling scientists. Nor will you find much tie-dyed clothing or the lingering scent of Nag Champa swirling about their offices. But they are united in believing that the market for marijuana, both here and globally, is palm-rubbingly large.

Gaelan Bloomfield, 28, has a background in corporate finance and management consulting. He presents as the sort of man who’d wrinkle his nose in disgust if you passed him a joint at a party. But as spokesman for what he likes to call Australia’s “farm to pharma” company, MMJ PhytoTech, he’s very, very excited about cannabis.

“We’re talking about a drug that can help with pain, spasticity, untreatable epilepsy, chronic inflammation, multiple sclerosis... It’s good for fitness; gym junkies are keen on it because it’s anti-inflammatory and the list goes on,” says Bloomfield.

“It’s tough to give a number for just how big the cannabis market will be, but the best way to explain it is to look at the vitamin C story. Fifty years ago it was rare for people to take it – today it’s a multi-billion dollar market. And we really believe the medicinal cannabis market will grow to that size.”

MMJ PhytoTech grows, extracts, refines and sells cannabis pills – marketed as a dietary supplement and yours to purchase in Europe for €3 apiece, not that you could import them to Australia. While listed on the ASX, its operations are limited to other countries where medicinal cannabis is legal. For now.

The company floated in January 2015, its share price doubling within a day. In March of that year, the local outfit merged with Canadian cannabis growers, MMJ Bioscience, in a \$15m deal.

Medical marijuana’s been available in Canada since 2001, with between 35,000 and 40,000 patients enrolled in a program run by the nation’s health department. It’s a market worth as much as \$100m annually, with the country currently debating a move to legalise recreational use, expected to create a \$5bn pot market.

One of the most profitable potential uses for cannabis is the magical world of cosmetics.

Dr Ross Walker, a 59-year-old media-friendly health pundit and Sydney radio host, is so convinced of the potential benefits of medicinal marijuana that he's joined the board of another ASX-listed cannabis company, MGC Pharmaceuticals.

Dr Walker says cannabis creams have anti-wrinkle properties, the Holy Grail of cosmetics, and thus the potential for profit is huge. MGC hopes to have its cosmetics available in Australia by mid-2016.

"The financial guys say the world market for medical marijuana- based cosmetics is \$270bn, which is quite extraordinary," he explains.

So, as an actual doctor, how remarkable is cannabis as a cure-all, and won't we all end up fat from eating too much pizza while 'medicated'?



Dr Walker says that there are more than 200 different active substances in cannabis and one of them in particular, CBD (Cannabidiol), is good for everything from wrinkles to pain to inflammation to epilepsy. The other, more infamous, chemical is THC (Tetrahydrocannabinol), the one that makes people crave Coco Pops for their flavour and laugh out loud at Adam Sandler movies.

"Some people don't understand that medicinal marijuana is nothing to do with the stuff they smoke, THC, which is a poison and causes dementia, loss of memory, loss of motivation. And THC should, in my view, remain illegal," says Dr Walker. "I'm against people who think

that marijuana itself is harmless. People shouldn't smoke anything." Still, the case for CBD use against a wealth of ailments is strong,

and Dr Walker acknowledges that despite almost 80 years of scientists avoiding research on an illegal drug, evidence continues to mount in its favour.

"In Australia, seven per cent of people suffer from some chronic pain, and the way we're managing that is with painkillers that can be bad for your stomach, your kidneys, and increase the risk of heart attack," he says. "It's been shown that CBD has a significant effect on chronic pain.

"Another huge area is the treatment of cancer, because CBD can reduce nausea and help with pain; it can also replace prescription narcotics – drugs that now cause more deaths from overdose than heroin. There's also some work that shows CBD inhibits the growth and spread of cancerous tumours, at least in the lab. It's exciting stuff. We're looking at something that's probably going to rival things like stem-cell research."

Israel has been on the medicinal cannabis train since last century, with the Hebrew University of Jerusalem holding a number of cannabis patents. Oren Leibovitz, chairman of the country's Green Leaf political party, says the export of medical marijuana looks set to become legal in Israel, "which will make cannabis the country's No.1 export, superseding weaponry and, potentially, natural gas."

And it's this kind of talk that makes corporate heavy hitters giddy. "It's a green rush, without a doubt, and the trend of companies listing on public exchanges is a result of ambitious types with big plans looking towards the future," chimes Nativ Segev, 37, who worked in Israel's cannabis industry for more than five years, before becoming managing director of MGC Pharmaceuticals in early 2016.

"From food supplements to cosmetic products, pharmaceuticals to pet food, multiple industries are going to undergo serious changes. As for the ubiquity of cannabis, I hope and believe that it will be everywhere, even in products we now find it hard to imagine."

Amid this green flow of good tidings, Australia is well positioned to become a world leader in the budding cannabis market, given our climate and know-how.

According to Elaine Darby, managing director of AusCann, another medical marijuana start-up set to list on the ASX, cannabis is a lot like wine grapes – able to grow particularly well in specific regions. "The Hunter Valley, and south-west WA, Margaret River would be ideal locations."

AusCann, with \$3m in funding already secured, is currently setting up a trial plantation on Christmas Island in collaboration with Murdoch University.

Darby, 44, says she was drawn to AusCann by one of its board members, Dr Mal Washer, a GP and former Liberal MP.

“He’s my father, and when he first mentioned cannabis, I was sceptical – he’s a respected GP, an ex MP, I just thought, ‘What have you got into? But once I saw the potential evidence of medical benefits, I was straight on board.”

Unlike MGC Pharmaceuticals, AusCann plans to explore the medical benefits of the psychoactive ingredient of cannabis, THC, as closely as its other properties.

“I don’t understand why THC is demonised,” adds Darby. “And what surprises me is scientists, especially doctors, having this knee- jerk reaction.

“Let’s put [THC] through clinical trials – we don’t know until we try. It’s strange, there’s this whole emotional thing that people have about recreational use.”



Phil Warner, who’s already growing large fields of cannabis in NSW’s Hunter Valley through his company, Ecofibre Industries, couldn’t agree more.

“There’s cyanide in wool, but we don’t ban wool,” he points out.

Spend a few minutes talking to him and it’s quickly clear that he’s just about the best-informed cannabis expert in the country. Look closely and you’ll even see dents in his forehead where he’s banged his head against numerous walls trying to explain to everyone

– from politicians and punters to police – the science, background and what is, to him, the searingly obvious truth about marijuana.

His biggest struggle, though, is convincing people that there's no point smoking anything from the giant fields of familiar looking plants he currently grows.

The plants are legal because they're a strain of cannabis with ultra-low levels of THC, and used to create hemp products. They are, however, rich in CBD and could be used for cannabis pills and balms, among other products, once laws change to allow medical marijuana.

"The research we've done over many years shows that 90 per cent of cannabis species have just one per cent THC," says Warner, adding that the whole marijuana "fear campaign" is just a "misunderstood botanical reality".

After 20 years of trying to establish a cannabis-growing business in Australia, he's had more than his fill of politicians who don't want to talk about it.

"I have a letter from [Federal minister for health] Sussan Ley saying we can't legalise hemp seed food, which has zero marijuana in it, because it might send a confused message to consumers about the acceptability and safety of cannabis," he says. "So here's the whole world recognising the value of cannabinoids in medicine, yet we're still [saying] 'things that are illegal must be bad'. But it doesn't matter what anyone says – hemp is inevitable, like solar power or high- capacity batteries."

Warner's research into his industry – and the possibilities of what may lie ahead – has seen him make numerous trips to China, South America, Russia, Africa and the US, where THC-rich cannabis is often grown in multi-million-dollar warehouse facilities and stored in concrete bunkers.

"We're talking two-foot-thick cement walls, roof and floor, it's like a concentration camp, just to keep this cannabis safe – I know of one facility in Canada that cost \$20m, it's crazy," says Warner. "And yet we can go out tomorrow and grow you a crop that no one can smoke, or make money out of, and which has the medical benefits of CBD."

Beyond his NSW crop, Warner's company has cultivated 'grows' in WA, Tasmania and Queensland, with a planned set-up for the Northern Territory. He also has licences to cultivate (and has done so) in France and Africa.

"But Australia is my country. And sadly it looks as if we have to take everything overseas first, before we get going here, because of bureaucratic and political naivety."

Warner might, for now, only grow the plants no one wants to steal, but that doesn't mean he's against THC for medicinal purposes. "THC is not necessarily bad for you in certain doses. Look at

morphine – it's not good for you, but we give it to people for palliative care and most of those people die from morphine overdose," he says. "If you use a dose of THC in combination with your morphine you reduce your morphine need by three quarters, get the same level of pain relief and be more lucid and aware, because morphine sends you on a trip. THC, however, sends you to a happy world where you think you're a bit smarter than you are."

THC is, of course, popular in Colorado, where ingesting marijuana in various forms – smoke, vapour, doughnuts, soft drink, Gummy Bears – has become a lucrative industry and key tourist attraction.



Joe Hodas, chief marketing officer of Dixie Elixirs & Edibles, set to become the first US cannabis company to expand into Australia when its CBD topical creams and cosmetics go on sale this year, is a Colorado native who "lives, breathes and eats" his industry.

He says legalisation has been hugely successful in his state, alongside Washington, Oregon and Alaska – the combined market predicted to reach \$4.5bn in sales of recreational and medicinal marijuana this year. A billion of that will be funnelled back into Colorado, or "Pot Paradise" as he calls it.

"If you look at the black market nationally, and begin to think about what would happen if that all became legal, tracked and taxed, you'd be looking at \$50bn a year," says Hodas, 45, letting out a low whistle. "People often ask me why the US has become the first place to do this, or why Colorado. And the reason has a lot to do with who we are as a state. We're cowboys, we're mavericks, we have our own way of doing things and this was just a case of the will of the people triumphing."

The legal journey in Colorado started in 2000, when 54 per cent of residents voted in favour of medicinal use laws. Recreational use was legalised in 2013.

"Australia shares a lot of the same can-do, we-do-it-our-way culture that Colorado has. I've a few Aussie friends, they're a pretty rowdy group, so it makes sense it's one of the first countries we've gone to, we think there's a lot of opportunity for us."

Australian start-up CANN Group will market the Dixie-branded CBD cosmetics here, a first for the American firm.

"In the US, all our brands are THC products, because it works, and doctors here will talk about the 'Entourage effect', which is the idea that if you take cannabinoids individually they're not as powerful, so CBD and THC together is better," says Hodas. "And there is benefit in these products, if you're taking them for medicinal reasons. Don't think of it as a marijuana chocolate bar, it's a delivery system."

The American experience brings obvious joy to the bearded, braided brigade of true believers in Nimbin NSW, a town where the Aquarius Festival landed in 1973 and seemingly never ended.

It's the kind of place where many of the remaining hippies are now due for hip replacements; the kind of town where shops have signs announcing they may open at 10am, depending on how they feel.

Michael Balderstone, president of Nimbin's fragrant HEMP Embassy, is thrilled that medicinal cannabis has finally landed on the agendas of state and federal governments.

"Cannabis is so different to other illegal drugs, being a herb, and it really is a terrific pain reliever, but we're cynical about letting the pharmaceutical industry get involved," says Balderstone.

"They have a stranglehold on the pain-relief market, which is probably the most profitable industry in the world, and they'll fight tooth and nail to hang on to it."

Balderstone claims all kinds of miracles to have occurred in the US, economic and otherwise, on the back of cannabis legalisation: deaths, suicides and car accidents are all down, so too is crime now that police aren't tied up with misdemeanour drug endeavours.

“People have changed their minds quickly in the US – their neighbour’s given up drinking, started smoking green and now he’s a better bloke,” he says. “It’s hard for people to admit they’ve been wrong about cannabis, but I’d be amazed if there’s not 80 or 90 per cent support for medical use in Australia. Eventually, they’ll just have to let everyone grow their own plants.

Change is in the air, says Balderstone, pointing to what he labels “hemployment”, that is, the wealth of job opportunities that would ride shotgun on the drive to legalise weed.



Pru Goward, Liberal MP and NSW minister for medical research, and the person who’s pulled together the pieces of NSW’s early trial of medicinal marijuana, scoffs at the suggestion such moves would start an obvious journey to recreational use in this country.

“We don’t want recreational use, and I think the public knows that we will not allow that and we won’t be trying to pull a swifty,” Goward tells GQ. “And because we’re a conservative government, there’s a greater chance of that being accepted by the public.”

But she’s proud of what the NSW Baird government is doing: in March, 40 children with severe epilepsy are due to start a trial of Sativex, a cannabis-based drug. She recounts how it became her mission to make the drug available.

“We simply can’t keep denying anecdotal evidence, from good people who don’t usually break the law, who have sourced cannabis and are talking about the incredible impact it has on their children’s lives,” she says. “The problem is that there’s little research of a modern

standard, except for one drug, Sativex. It's GW Pharma's drug and I was told by the Health Department there's no way they'd let us be part of their global trial, so I wrote to them and got a polite "No".

Not wanting to end things there, Goward headed for London and a meeting with GW Pharmaceuticals' execs. "There was only one thing left to do, so I went over there and had what started out as a very tense meeting. And I eventually I worked out an agreement with them.

"I walked out of that meeting two inches off the ground. It was a day where I could say to myself, yes, I really achieved something."

Politicians, she admits, don't have many days like that.

Michael Lambert has no time for Pru Goward. Or any politician. For him, they're simply moving too slowly to save his beautiful, broken little girl, Katelyn Blossom Lambert.

He's tried to find a way to circumvent them, talking his parents, Barry and Joy, into donating \$33.7m to Sydney University to fund medicinal cannabinoid research. It's the largest donation of its kind, ever, but Barry Lambert, number 145 on the BRW Rich 200 List thanks to the sale of his wealth management business Count Financial, can afford it. He's also invested a few million with Phil Warner's Ecofibre Industries.

Michael jokes that he and his two sisters have basically chipped in \$10m each of their inheritance. Still, what man wouldn't be moved by seeing his granddaughter struggle with crippling seizures from the age of 10 months?

"Basically her brain is being electrocuted, it's like she's getting tasered, but it doesn't turn off after a second, it just goes on and on," says Lambert.

The injustice of the situation makes him furious. Discussing it, his hands ball into fists.

"You can give them addictive, psychoactive drugs, which you know will fuck them up, because they stop your child dying, but won't make them better. But I'm not allowed to give her cannabis, which has never killed anyone, not even in huge doses, because we don't know its effects. Seriously?"

His words won't come any more, the restless anger is too ragged. He charges off to pick up Katelyn, to introduce us.

Her words won't come either, not now, perhaps never. One side of her mouth hangs open, cropping her beautiful smile, but she grips GQ's hand and her eyes hold ours, laughing, searching. Pleading.