



Health Canada grants Aphria licence to grow and sell marijuana

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Vic Neufeld CEO, left, Cole Cacciavillani, centre, and John Cervini co-chairs of Aphria, stand in front of some of their Medical Marihuana plants at the company's greenhouse in Leamington,

Ontario, May 26, 2014. (GEOFF ROBINS For The Globe and Mail)

Health Canada has expanded its roster of licensed medical marijuana companies, adding Aphria Inc. to the list of firms that can grow and sell the drug to patients.

The company was granted its permit Thursday, bringing the total number of licensed medical marijuana producers in Canada to 14 since the new program began. It is the first new licence Health Canada has granted since the summer.

Aphria is headed by Vic Neufeld, the former chief executive officer of vitamin giant Jamieson Laboratories, along with Leamington, Ontario-based greenhouse operators Cole Cacciavillani and John Cervini, whose facilities grow flowers and vegetables for large retail chains across the country.

After retiring from Jamieson this year, Mr. Neufeld sees his new job as CEO of Aphria to be a natural transition.

"We really want to be there for the patient," Mr. Neufeld said in an interview. "It starts with having the right people aboard. We feel very good about our story."

The nascent sector is projected to be a multi-billion dollar industry in the years to come, and there has been a long list of companies trying to get a licence.

Under an order from the Supreme Court of Canada, the federal government must provide patients who use medical marijuana with a safe, secure supply of the drug. The list of conditions the drug is often used for ranges from glaucoma and epilepsy to pain and appetite loss associated with cancer treatment.

The federal government set out last year to create a market that lets regulated firms produce the drug at secure operations and sell to patients with prescriptions. The program, which began April 1, replaces a previous system that had been in place since 2001, which allowed patients with medical marijuana prescriptions to grow their own, buy from other private growers or purchase from a government-contracted grower.

The government decided to scrap that program last year amid mounting concerns over crime and diversion -- where medical marijuana was finding its way into the street market.

In getting rid of the old system, though, the government now faces a court challenge in B.C. from licensed home producers who want to retain their ability to grow for themselves, and have won an injunction to continue. That case, which will be heard in the spring, hangs over the new market since it is not clear how the rules will develop going forward.

In the meantime, Health Canada has been battling a backlog of applications, which had bogged down licence approvals. More than 1,000 applications have been submitted by aspiring medical marijuana companies, and the government has said it was getting an average of 25 new applications a week. The first licence was issued in the fall of 2013.

Until this week, Aphria had been operating on a partial licence from Health Canada which allowed it to grow crops and stockpile inventory in advance of being awarded a licence to sell. With inventory on its shelves, Mr. Neufeld said the company will be ready to begin taking

patients' prescriptions on its website in the next few days, and can begin shipping in about two weeks.

The company is licensed to produce and sell 700 kilograms of medical marijuana between now and March 2015, at which point it will seek to expand that number in a renewed licence, Mr. Neufeld said.

That type of licence marks a shift for Health Canada, which early on had been licensing companies to produce several thousand kilograms of the drug, even if it exceeded their actual production. However, the regulator is now basing its licences more on what companies are able to produce, and has been scaling back those numbers for existing and new licensees.

In order to ensure there is enough supply of medical marijuana in the market, Health Canada has allowed eight other companies to grow crops ahead of being licensed to sell. The regulator also made that list of companies public this week. It includes: ABCann Medicinals Inc., CannMedica Pharma Inc., Maricann Inc., Prairie Plant Systems Inc., RedeCan Pharm, Thunderbird Biomedical Inc., Tweed Farms Inc., and 167151 Canada Inc./Marihuana Médicale. Some of these companies, such as Tweed, have full licences at a main facility, but have been granted the partial licence for a second operation.

Mr. Neufeld said Aphria's shares will go public in the next few weeks, after the company completed a reverse takeover that will see it list it on the TSX Venture Exchange under the symbol APH. It joins other licensed Canadian producers who are publicly traded, including Tweed, Bedrocan Canada Inc., OrganiGram Inc. and Mettrum Ltd.

Aphria is 52 per cent owned by Mr. Cacciavillani, Mr. Cervini, and Mr. Neufeld. Delavaco Group Inc., which led a series of private placement financings this summer, owns roughly six per cent, while the Serruya family owns about three per cent.

The company expects its shares to begin trading at \$1.10 a share, giving it a market capitalization of about \$62-million. Tweed has the largest market value of the publicly traded licensed companies, at about \$96-million, followed by Mettrum at \$62-million, OrganiGram at \$58-million, and Bedrocan at \$56-million.