



# GLOBAL CANNABIS MARKETS

A Comparative Analysis of Emerging Opportunities



# Canada's newest growth industry steps into the spotlight

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With the federal government's October 17, 2018, legalization of recreational cannabis production and consumption, Canada finds itself at the vanguard of the global cannabis industry. Our country is looked to for guidance on how to effectively and safely transition to a world in which cannabis is appropriately controlled and legally available. Canadian cannabis companies are seen as leaders in a new and exciting industry with significant growth potential. But Canada alone can't supply the growth business leaders, investors and governments desire. While Canada is at the forefront of cannabis legalization, our country remains a small market on the global stage.

To achieve long-term growth, Canada's cannabis companies need to look beyond our borders. In this regard, Canada's cannabis industry is no different to our manufacturing, natural resources, or other industries: to grow, our companies need to compete globally and pursue new opportunities around the world.

MNP's *Global Cannabis Markets* report is designed to provide a snapshot guide to many of the global opportunities in the cannabis sector, from Uruguay to Malta and beyond. In particular, we want to draw attention to markets that may not get the attention their growing opportunities deserve.

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## ABOUT THIS REPORT

In the first section of the report, we take a brief look at the state of Canada's cannabis sector post-legalization—from what worked well to the bumps encountered in the first few weeks.

In the second section of our report, we provide an [overview of recent developments](#) in each market's cannabis sector, from current political and legal attitudes to cannabis production and the extent in which Canadian companies are already involved. We then undertake a [comparative analysis](#) of selected markets, evaluating their respective positions in terms of cannabis legality, available financing for cannabis companies, cannabis taxation and related costs, and the overall policy environment.

In the third section of our report, we close by offering our [perspectives on key issues](#) facing Canada's cannabis industry in the short to medium term.

We hope that our report will serve as a useful reference tool and a guide to important considerations when doing cannabis-related business abroad.



## What's in store for Canada's cannabis industry?

In the short term, Canada's cannabis sector will focus on tackling post-legalization challenges and ensuring its stability in domestic terms. Over the medium to long term, the industry will begin looking for opportunities abroad. At MNP, we're confident that companies, governments and regulators will quickly overcome the industry's early growing pains, making the improvements needed to deliver the products and experiences Canadian cannabis consumers expect.



Canada's position as the first G7 country to end cannabis prohibition means that the 'Canadian example' will be a blueprint for the rest of the developed world when they choose to liberalize their laws. Canadian companies will therefore have an advantage.

*Navdeep Dhaliwal, CEO, Supreme Cannabis*



Overall, Canada's legalization of recreational cannabis proceeded smoothly and without major incident. This isn't especially surprising, given the federal government focused on a careful, "get it right" approach that would ensure Canadians could purchase and consume a well-controlled, safe and reliable product. This cautious approach is one reason Canadian consumers cannot yet purchase edible cannabis products—because the government is still determining how best to control and regulate the potency, quality and safety of edibles and other cannabis products.

Many provincial and municipal governments would have liked more time to prepare for legalization. Cannabis consumers across the country have been frustrated by supply shortages, website outages and delivery delays. Due to the focus on the recreational markets, medical cannabis consumers have found it tougher to access their prescribed products. As a result of these hiccups, some Canadians aren't yet ready to abandon their illicit suppliers. Would delaying legalization a few more months make a difference? Maybe—but given human nature, probably not. When you're launching an entirely new industry, there are bound to be challenges. And Canada's experience with legalization will provide an invaluable advantage to our country's cannabis industry as global competition heats up.



Looking ahead in our post-legalization world, we'll see Canada's cannabis sector work with governments and regulators to find a way to safely introduce the non-combustible cannabis products many Canadians seek. Inevitably, companies will strive to differentiate themselves and their products through whatever branding and marketing are permitted. The industry will undoubtedly try to reduce any lingering

stigma surrounding cannabis consumption, repositioning it as a regular social activity similar to alcohol consumption. It won't take much time for Canadian cannabis companies to take steps to export their expertise to the world, whether directly or through partnerships with local firms. Canadian capital will fund cannabis businesses around the globe, capitalizing on our financial sector's acceptance and embrace of cannabis opportunities. In doing so, Canada will assert itself and secure a leadership position among one of the world's newest growth industries.



It will be a revealing year. Writing press releases and telling people what your plans are won't be good enough to attract any investment now. The switch to demonstrating your accomplishments is a little overdue.

*Jordan Sinclair, Vice President  
Communications & Media, Canopy Growth*



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## REPORT LIMITATIONS

This report is provided for information purposes and is intended for general guidance only. It should not be regarded as comprehensive or a substitute for personalized, professional advice.

We have relied upon the completeness, accuracy, and fair presentation of all information and data obtained from public sources. The accuracy and reliability of the findings and opinions expressed in this report are conditional upon the completeness, accuracy, and fair presentation of the information underlying them.

As a result, we caution readers not to rely upon any findings or opinions for business or investment purposes and disclaim any liability to any party who relies upon them as such.

Additionally, the findings and opinions expressed in the presentation constitute judgments as of the date of the presentation and are subject to change without notice. MNP is under no obligation to advise of any change brought to its attention which would alter those findings or opinions.



# SECTION 2

## Overview and Comparative Analysis



# Global Cannabis Opportunities

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To achieve long-term growth and success, many Canadian cannabis companies—like their counterparts in other sectors—will eventually look beyond domestic markets and search for new opportunities internationally. Canadian cannabis players are, in our view, uniquely positioned to thrive in an ever-evolving global cannabis industry, thanks to a combination of experience, business acumen, and a highly favourable policy, regulatory, investment and financial environment.

Cannabis remains an illegal substance in most countries around the world, but attitudes and laws are starting to change. As cannabis has gained acceptance as a means to manage chronic or severe pain or help control seizures, a rising number of governments have, like Canada, legalized the cultivation, prescription, and consumption of medical cannabis. Recreational cannabis is legal nationally in only two countries: Canada and Uruguay. However, many countries including Jamaica, Portugal and Malta have taken steps to decriminalize recreational cannabis. Whether legalization of medical cannabis or

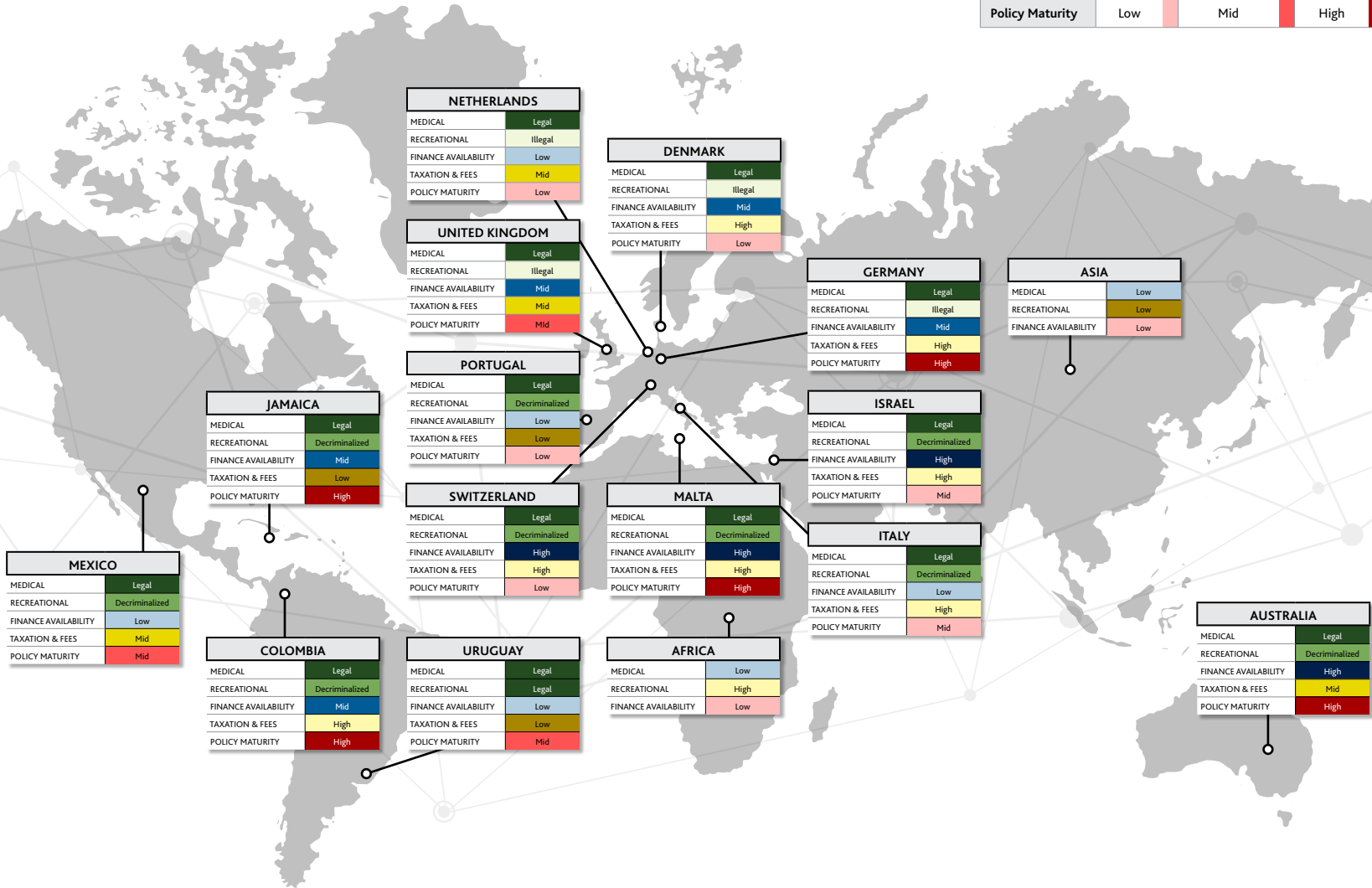
decriminalization of recreational cannabis should be viewed as precursors to the legalization of recreational cannabis remains to be seen.

In [Part A](#) of this analysis, we explore and evaluate important global cannabis markets and the potential opportunities they offer Canadian cannabis companies. We explore cannabis markets from the Americas to Europe to Australia and review developments in Asia and Africa. As well as looking at opportunities in expected markets such as Uruguay and the Netherlands, we also want to highlight markets that are sometimes overlooked, such as Israel and Malta.

In [Part B](#), we provide a comparative analysis of these markets in terms of several criteria: cannabis legality, available financing, taxation and costs, and overall policy environment. This analysis is designed to provide readers with a means to quickly get up to speed on the key factors that may shape future foreign investment or expansion decisions.

# GLOBAL COMPARATIVE ANALYSIS

Medical	Illegal		Legal
Recreational	Illegal	Decriminalized	Legal
Finance	Low	Mid	High
Taxation & Fees	High	Mid	Low
Policy Maturity	Low	Mid	High





SECTION 2

PART A: **Regional Overview** 

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In this section, we provide examples of Canadian companies currently operating in particular markets or working with companies operating in those markets. It is not intended to be an exhaustive list.





## URUGUAY

Uruguay was the first country in the world to legalize recreational cannabis, having passed a legalization bill in 2013.<sup>1</sup> The implementation of the bill took a few years, and now residents of Uruguay can sign up to produce or purchase a limited amount of cannabis.

### PRODUCTION

Five companies have been licensed by the government of Uruguay to produce cannabis: International Cannabis Corp. (ICC), Simbiosys, Silverpeak Life Sciences, Inverell S.A. and NettaGrowth International.<sup>2,3</sup> The Uruguayan government announced a new application process for recreational cannabis cultivation in December 2018 which could add up to five additional licensed producers<sup>4</sup>

### CANADIAN COMPANIES

The following are some of the Canadian companies operating in Uruguay:

- Cannabis Wheaton, now Auxly, announced in January 2018 that it was expanding into Uruguay through a binding interim agreement to purchase 80% of the issued and outstanding shares of Uruguayan cannabis cultivator Inverell S.A.<sup>5</sup>
- In 2017, Emblem entered a Memorandum of Understanding (MOU) with ICC Labs Inc. (former International Cannabis Corp.) to import CBD oil from Uruguay.<sup>6</sup>
- In November 2018, Aurora announced the completion of its acquisition of ICC Labs Inc., a fully licensed producer and distributor of medicinal cannabinoid extracts, recreational cannabis and industrial hemp products in Uruguay as well as a fully licenced producer of medicinal cannabis in Colombia. The acquisition positions Aurora as an industry leader in Latin America.<sup>7</sup>
- Khiron Life Sciences signed a binding letter of intent to acquire NettaGrowth International, an Uruguayan licensed producer through its subsidiary Dormul, in January 2019.<sup>8</sup>

1 Reuters. "Uruguay becomes first country to legalize marijuana trade." 2013. <https://www.reuters.com/article/us-uruguay-marijuana-vote-idUSBRE9BA01520131211>

2 PRI. "Uruguay (finally) names companies to grow public marijuana." 2015. Available from: <https://www.pri.org/stories/2015-10-04/uruguay-finally-names-companies-grow-public-marijuana>

3 New Cannabis Ventures. "Khiron to Enter Uruguay Cannabis Market with \$13.7 Million Acquisition." 2019. Available from: <https://www.newcannabisventures.com/khiron-to-enter-uruguay-cannabis-market-with-13-7-million-acquisition/>

4 Marijuana Business Daily. "Uruguayan government announces new application process for recreational cannabis cultivation" 2018. Available from <https://mjbizdaily.com/uruguay-recreational-marijuana-cultivation/>

5 Globe Newswire. "Cannabis Wheaton Income Corp. Announces Expansion to Uruguay and Securing of Significant CBD-Rich Hemp Production." 2018. Available from <https://globenewswire.com/news-release/2018/01/30/1314002/0/en/Cannabis-Wheaton-Income-Corp-Announces-Expansion-to-Uruguay-and-Securing-of-Significant-CBD-Rich-Hemp-Production.html>

6 Lift News. "Emblem to begin importing CBD from Uruguay." 2017. Available from <https://news.lift.co/emblem-begin-importing-cbd-uruguay/>

7 Newswire. "Aurora Cannabis Receives Final Regulatory Approval and Completes Acquisition of ICC Labs." 2018. Available from <https://www.newswire.ca/news-releases/aurora-cannabis-receives-final-regulatory-approval-and-completes-acquisition-of-icc-labs-701095022.html>

8 Newswire. "Khiron Life Sciences Signs Binding LOI to Acquire 100% of NettaGrowth, Securing the First Medical THC and CBD Cannabis Licence and Cultivation Capacity in Uruguay, and Entry to the Brazilian Market." 2019. Available from: <https://www.newswire.ca/news-releases/khiron-life-sciences-signs-binding-loi-to-acquire-100-of-netta-growth-securing-the-first-medical-thc-and-cbd-cannabis-licence-and-cultivation-capacity-in-uruguay-and-entry-to-the-brazilian-market-842343267.html>



## COLOMBIA

In 2012, the Colombian government decriminalized the possession of up to 20 grams.<sup>9</sup> Colombia's Supreme Court has also ruled that cultivation of up to 20 plants is decriminalized.<sup>10</sup> Public consumption and commercial sales of cannabis for recreational purposes remain illegal. A 2015 law allows for the sale of cannabis-derived products for medicinal purposes.<sup>11</sup>

### PRODUCTION

As of January 28, 2019, 84 companies have been permitted by the Colombian government to produce cannabis for medical purposes.<sup>12</sup> Some of these producers have reached agreements to supply cannabis companies internationally.<sup>13</sup> The Colombian market is moving towards the production of non-smokable forms of cannabis, including creams and inhalers.<sup>14</sup>

### CANADIAN COMPANIES

The following are some of the Canadian companies operating in Columbia:

- An increasing number of Colombian licensed producers have their headquarters in Toronto, namely PharmaCielo, Khiron, FCM Global, Blueberry Cannabis Corp, Plena Global and CannaVida.<sup>15, 16, 17</sup>
- In May 2018, Aphria signed an exclusive agreement with Colombia-based Colcanna SAS to supply medical cannabis in Colombia.<sup>18</sup>
- Medisun, a Canadian ACMPR applicant, announced in June 2018 that it intends to purchase and import at least 25% of Colombian producer Foliumed's expected annual production capacity.<sup>19</sup>
- Similarly, Vancouver-based Veritas Pharma also struck an MOU with Foliumed in June 2018, in which the Colombian company would provide Veritas with medical cannabis extracts.<sup>20</sup>
- MYM Nutraceuticals announced in July 2018 that it had entered into an investment agreement to acquire 49% of Colombian cannabis company Colombia Organica, which currently holds a licence for low THC cannabis.<sup>21</sup>
- In April 2018, Scythian Biosciences announced that it had signed a binding letter of intent to acquire MMJ Colombia Partners Inc., a Canadian company in the final stages of purchasing a majority stake in licensed Colombian producer ColCanna SAS.<sup>22</sup>
- In July 2018, MedReleaf announced that it acquired MED Colombia SAS, a company licensed to cultivate and produce cannabis oil extracts.<sup>23</sup>
- Avicanna, a Toronto-based biotech and research company, announced in February 2018 that its Colombian subsidiary Sativa Nativa S.A.S had been issued a psychoactive cannabis Cultivation licence and a cannabis Derivatives Processing and Manufacturing licence.<sup>24</sup>

9 Agence France-Presse. "Colombia decriminalizes cocaine, marijuana." 2012. Available from: <https://www.pri.org/stories/2012-06-30/colombia-decriminalizes-cocaine-marijuana>

10 Columbia Reports. "Colombia decriminalizes marijuana cultivation up to 20 plants." 2015. Available from: <https://colombiareports.com/colombia-decriminalizes-marijuana-cultivation-up-to-20-plants/>

11 Yahoo News. "Colombia legalizes medical marijuana." 2015. Available from: <https://www.yahoo.com/news/colombia-legalizes-medical-marijuana-171023547.html?ref=gs>

12 Dirección de Medicamentos y Tecnologías en Salud. "Licencias De Fabricación De Derivados De Cannabis" 2018. Available from: <https://www.minsalud.gov.co/sites/rid/Lists/BibliotecaDigital/RIDE/VS/MET/licencia-fabricacion-cannabis-uso-medicinal.pdf>

13 BusinessInsider. "Foliumed Colombia to Supply Cannabis Extracts to Medisun Canada." 2018. Available from: <http://markets.businessinsider.com/news/stocks/foliumed-colombia-to-supply-cannabis-extracts-to-medisun-canada-1027314512>

14 Reuters. "Colombia sees billion dollar bonanza from legacy of marijuana trade." 2018. Available from: <https://www.reuters.com/article/us-colombia-marijuana/colombia-sees-billion-dollar-bonanza-from-legacy-of-marijuana-trade-idUSKBN1142M9>. Figure was converted to Canadian dollars using exchange rates retrieved from XE Currency Converter as of September 2, 2018.

15 Forbes. "Canadian Cannabis Companies Set Their Sights On South America." 2018. Available from <https://www.forbes.com/sites/monazhang/2018/01/31/canadian-cannabis-companies-set-their-sights-on-south-america/#6d3d9660707d>

16 FCM Global Introduces Colombia's First Full Spectrum Medical Cannabis Extracts <https://www.businesswire.com/news/home/20180125005077/en/FCM-Global-Introduces-Colombia%E2%80%99s-Full-Spectrum-Medical>

17 Newswire. "CannaVida one of first in Colombia to be granted full licensing for commercial Cannabis Extraction and Cultivation." 2018. Available from: <https://www.prnewswire.com/news-releases/cannavida-one-of-first-in-colombia-to-be-granted-full-licensing-for-commercial-cannabis-extraction-and-cultivation-300543867.html>

18 Aphria. "Aphria Signs Exclusive Agreement with Colombia-Based Colcanna SAS to Supply Medical Cannabis in Colombia." May 2018. Available from <https://aphria.ca/blog/aphria-signs-exclusive-agreement-with-colombia-based-colcanna-sas-to-supply-medical-cannabis-in-colombia/>

19 BusinessInsider. "Foliumed Colombia to Supply Cannabis Extracts to Medisun Canada." 2018. Available from: <https://markets.businessinsider.com/news/stocks/foliumed-colombia-to-supply-cannabis-extracts-to-medisun-canada-1027314512>

20 Newswire. "Veritas reaches R&D, pot supply deal with Foliumed." 2018. Available from: <https://globenewswire.com/news-release/2018/06/18/1526081/0/en/Veritas-Pharma-Signs-R-D-and-Medical-Cannabis-Supply-Agreement-with-Colombian-Producer-Foliumed-S-A-S.html>

21 Newswire. "MYM to Acquire 49% Stake in Colombian Cannabis Company, Colombia Organica." 2018. Available from: <https://www.newswire.ca/news-releases/mym-to-acquire-49-stake-in-colombian-cannabis-company-colombia-organica-687757571.html>

22 Globe Newswire. "Scythian Biosciences Corp. Announces Progression of Global Expansion Efforts with Letter of Intent to Acquire MMJ Colombia Partners Inc." 2018. Available from: <https://globenewswire.com/news-release/2018/04/09/1467034/0/en/Scythian-Biosciences-Corp-Announces-Progression-of-Global-Expansion-Efforts-with-Letter-of-Intent-to-Acquire-MMJ-Colombia-Partners-Inc.html>

23 MedReleaf. "MedReleaf acquires MED Colombia." 2018. Available from: <https://www.newswire.ca/news-releases/medreleaf-acquires-med-colombia-689039381.html>

24 Newswire. "Avicanna Inc. Announces its Subsidiary Has Obtained Medical Cannabis Licenses in Colombia." 2018. Available from: <https://www.newswire.ca/news-releases/avicanna-inc-announces-its-subsidiary-has-obtained-medical-cannabis-licenses-in-colombia-672326463.html>



## JAMAICA

In 2015, Jamaica decriminalized possession of up to 2 ounces as a petty offence. The law permits the cultivation of five or fewer plants and allows tourists with a prescription for medical cannabis from their home country to apply for permits to purchase small amounts of cannabis.<sup>25</sup> The Cannabis Licensing Authority (CLA) was established in 2015 with the role to establish and regulate Jamaica's legal cannabis and hemp industry. Jamaica has also now legalised the use of cannabis for religious purposes.<sup>26</sup>

### PRODUCTION

As of August 2018, the CLA had issued 22 licences<sup>27</sup> and added 15 cultivation licences in December 2018.<sup>28</sup>

### CANADIAN COMPANIES

The following are some of the Canadian companies operating in Jamaica:

- In 2017, Canopy Growth Corporation formed a strategic partnership in Jamaica, resulting in the establishment of a Tweed-branded venture to produce cannabis in the country.<sup>29</sup>
- Canadian producer The Green Organic Dutchman formed a partnership with Jamaican company Grow House JA Ltd. and opened a flagship dispensary in the country.<sup>30</sup>
- Canadian-based Jamaica Medical Cannabis Collective has signed contracts to provide Jamaican cannabis to three licensed producers in Canada.<sup>31</sup>
- Canada's LGC Capital signed an agreement to invest in Jamaican producer Global Canna Labs in 2018.<sup>32</sup>
- Canadian producer Aphria announced in July 2018 that it was in the process of expanding its cannabis business to Jamaica by acquiring licensed producer Marigold Projects Jamaica Ltd.<sup>33</sup>
- In February 2018, Canadian producer Hiku Brands entered in a letter of intent with Jamaican company Kaya Inc. to pursue medical and adult-use cannabis branding, genetics and retail opportunities in both Canada and Jamaica.<sup>34</sup>
- Alliance Growers announced in February 2018 that it had entered advanced negotiations for a significant strategic investment with a private licensed Jamaican cannabis company.<sup>35</sup>
- CROP Infrastructure Corp. announced a joint venture deal in July 2018 to operate a cannabis production site in Jamaica,<sup>36</sup> later announcing in August 2018 that the former CEO of the country's Cannabis Licensing Authority would be joining their executive advisory board.<sup>37</sup>
- In January 2019, CanaQuest Medical Corp announced a preliminary agreement on global production and distribution with Jamaican Medical Cannabis Corporation, a Canadian-headquartered group of companies with expanding medical cannabis operations in Jamaica.<sup>38</sup>



Jamaica has a long history with cannabis—and the perfect growing environment year-round. Our team is very familiar with growing the crop, and the cost of production is low. Above all, Jamaican cannabis is a world-renowned brand.

*John McMullen, CEO, LGC Capital*



25 Newswire, "Avicanna Inc. Announces its Subsidiary Has Obtained Medical Cannabis Licenses in Colombia." 2018. Available from: <https://www.newswire.ca/news-releases/avicanna-inc-announces-its-subsidiary-has-obtained-medical-cannabis-licenses-in-colombia-672326463.html>

26 Kush Tourism, Jamaica Marihuana Information, Available here: <https://kush-tourism.com/jamaica-marijuana-information/>

27 Marijuana Business Daily, "First medical marijuana shipment from Jamaica heads to Canada." 2018. Available from: <https://mjbizdaily.com/first-medical-marijuana-shipment-from-jamaica-heads-to-canada/>

28 The Gleaner, "CLA Issues 27 Ganja Licences - Commits To Due Diligence To Strengthen Local Medical Marijuana Industry." 2018. Available from: <http://jamaica-gleaner.com/article/news/20181224/weed-ed-cla-issues-27-ganja-licenses-commits-due-diligence-strengthen-local>

29 CTV News, "Marijuana Company Canopy Forms Strategic Partnership in Jamaica." 2017. Available from: <https://www.ctvnews.ca/business/marijuana-company-canopy-growth-forms-strategic-partnership-in-jamaica-1.3647998>

30 The Green Organic Dutchman, "The Green Organic Dutchman And Epican Open Flagship Retail Dispensary In Jamaica." 2018. Available from: <https://tgod.ca/the-green-organic-dutchman-and-epican-open-flagship-retail-dispensary-in-jamaica/>

31 Now Toronto, "Rare Jamaican cannabis strains are seeding a medical marijuana takeover in Canada." 2018. Available from: <https://nowtoronto.com/lifestyle/cannabis/jamaica-cannabis/>

32 Newswire, "LGC Capital Ltd and Global Canna Labs Sign Final Agreements for Jamaican Cannabis Transaction." 2018. Available from: <https://www.newswire.ca/news-releases/lgc-capital-ltd-and-global-canna-labs-sign-final-agreements-for-jamaican-cannabis-transaction-682647361.html>

33 Toronto Star, "Cannabis Company Aphria expands to South Africa, Jamaica with Acquisition." 2018. Available from: <https://www.thestar.com/business/2018/07/17/cannabis-company-aphria-expands-to-south-america-jamaica-with-acquisition.html>

34 "Hiku Brands Expands to Jamaica Through Strategic Alliance." 2018. Available from: <https://www.newswire.ca/news-releases/hiku-brands-expands-to-jamaica-through-strategic-alliance-675256493.html>

35 Newswire, "Alliance Growers Diversifies into Jamaica." 2018. Available from: <https://www.newswire.ca/news-releases/alliance-growers-diversifies-into-jamaica>

36 Globe Newswire, "CROP Signs Joint Venture Agreement for Jamaica Cannabis Property." 2018. Available from: <https://globenewswire.com/news-release/2018/07/31/1544565/0/en/CROP-Signs-Joint-Venture-Agreement-for-Jamaica-Cannabis-Property.html>

37 Globe Newswire, "Former CEO of Jamaica's Cannabis Licensing Authority Joins CROP's Executive Advisory Team." 2018. Available from: <https://globenewswire.com/news-release/2018/08/23/1555821/0/en/Former-CEO-of-Jamaica-s-Cannabis-Licensing-Authority-Joins-CROP-s-Executive-Advisory-Team.html/>

38 Globe Newswire, "CanaQuest Medical Corp (formerly Algae Dynamics) and Jamaican Medical Cannabis Corporation Announce Preliminary Agreement on Global Production, Distribution." 2019. Available from: <https://globenewswire.com/news-release/2019/01/30/1707711/0/en/CanaQuest-Medical-Corp-formerly-Algae-Dynamics-and-Jamaican-Medical-Cannabis-Corporation-Announce-Preliminary-Agreement-on-Global-Production-Distribution.html>



## MEXICO

In 2009, Mexico decriminalized the possession of personal amounts of cannabis. In 2017, the country legalized access to medical marijuana-based derivatives and the cultivation of cannabis that contains less than 1% THC.<sup>39</sup> The new Mexican government also appears to be moving towards the legalization of the plant for recreational purposes with the introduction of a bill on November 1, 2018.<sup>40</sup>

### PRODUCTION

Legal cultivation of cannabis in the country is limited. The country's cannabis regulatory, Cofepris, expects distributors and retailers to import pot-based items, with some companies eventually producing cannabis products in Mexico using marijuana grown abroad.<sup>41</sup> Illicit cannabis, however, is grown heavily in Mexico by cartels when market conditions are favourable.<sup>42</sup>

### CANADIAN COMPANIES

The following are some of the Canadian companies operating in Mexico:

- Aurora Cannabis announced in December that it entered into a Letter of Intent to acquire Farmacias Magistrales S.A. which would provide Aurora with a medical license in Mexico, along with Mexico's first and only import license.<sup>43</sup>
- Green Organic Dutchman entered a joint venture with LLACA Grupo Empresarial to enter the medical market in Mexico on October 11, 2018.<sup>44</sup>
- Khiron Life Sciences Corp received approval from Mexico's Federal Commission to import and commercialize 3 products of their Nutraceutical Line.<sup>45</sup>
- ICC International Cannabis entered a presales agreement with Grupo Fenix for its proprietary line of CBD oil.<sup>46</sup>

39 SEGOB. "DECRETO por el que se reforman y adicionan diversas disposiciones de la Ley General de Salud y del Código Penal Federal." 2017. Available from: [http://www.dof.gob.mx/nota\\_detalle.php?codigo=5487335&fecha=19/06/2017](http://www.dof.gob.mx/nota_detalle.php?codigo=5487335&fecha=19/06/2017)

40 CBC News. "Mexico's incoming government moves to legalize marijuana." Available from: <https://www.cbc.ca/news/world/mexico-marijuana-legal-bill-1.4898122>

41 Reuters. "Mexico to legalize marijuana-based product sales next year." 2018. Available from: <https://www.reuters.com/article/us-mexico-marijuana/mexico-to-legalize-marijuana-based-product-sales-next-year-idUSKBN1EF022>

42 Fox News. "Mexico opium poppy growers see price drop, turn to marijuana." 2018. Available from: <http://www.foxnews.com/world/2018/06/22/mexico-opium-poppy-growers-see-price-drop-turn-to-marijuana.html>

43 Small Cap Power. "3 Canadian Marijuana Stocks Strategically Positioned for International Expansion." 2018. Available from: <https://smallcappower.com/top-stories/canadian-marijuana-stocks-international/>

44 Ibid.

45 Newswire. "Khiron Life Sciences Enters Mexican Cannabis Market With The Launch of Its First Nutraceutical Product Line." 2018. Available from: <https://www.newswire.ca/news-releases/khiron-life-sciences-enters-mexican-cannabis-market-with-the-launch-of-its-first-nutraceutical-product-line-701773991.html>

46 Market Wired. "ICC International Cannabis Corporation Announces Presales Agreement to Export an Estimated 120,000 Bottles of CBD Oil to Mexico." 2017. Available from: <http://www.marketwired.com/press-release/icc-international-cannabis-corporation-announces-presales-agreement-export-estimated-tsx-venture-icc-2237674.htm>



## NETHERLANDS

Possession and sale of cannabis for recreational purposes is officially a crime in the Netherlands. However, the country classifies the substance as a “soft drug” and tolerates the possession of five grams or less of cannabis and its sale through “coffee shops.”<sup>47</sup> It is, however, still illegal for coffee shops to purchase the cannabis they sell, which has led to an illicit market for cannabis in the Netherlands.<sup>48</sup>

### PRODUCTION

Legal medical cannabis is produced commercially in the country by Dutch company Bedrocan. Bedrocan is the sole government licensed grower of medical-grade cannabis and sole supplier to the government’s Bureau for Medical Cannabis.<sup>49</sup>

Production of cannabis is illegal in the country. Those cultivating five or fewer plants for personal purposes are often not prosecuted, although their plants are seized by law enforcement officers.<sup>50</sup>

### CANADIAN COMPANIES

The following are some of the Canadian companies operating in the Netherlands:

- Canopy Growth has been a producer and seller of Bedrocan strains of dried cannabis to its registered medical cannabis patients after entering an agreement with the Dutch producer in 2013. The company has since announced that they have brought the licensing arrangement to a close.<sup>51</sup>
- In November 2017, Canopy Growth formed a joint venture to share ownership of one of its facilities in Creemore, Ontario, with National Concessions Group Inc., Green House Holdings North America Inc. and its affiliate in the Netherlands, GHSC Trading B.V.<sup>52</sup>

47. Rijksoverheid. “Law makes a difference between hard drugs and soft drugs.” 2018. Available from: <https://www.rijksoverheid.nl/onderwerpen/drugs/wet-maakt-verschil-harddrugs-en-softdrugs>

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## DENMARK

Cannabis is illegal in Denmark, but since 2011 some pharmaceutical cannabis derivatives have been allowed for medical purposes.<sup>53</sup> In January 2018, the country announced a four-year medicinal cannabis pilot program. Under the program, a limited selection of dried cannabis and oral solution products would be offered to patients in the country, including individuals with multiple sclerosis, spinal cord injury(paraplegia), chronic pain, and post-chemotherapy nausea and vomiting.<sup>54 55</sup>

### PRODUCTION

As of February 5, 2019, The Danish Medicines Agency has authorized four companies to produce cannabis products, with another seven active applications under review.<sup>56</sup>

### CANADIAN COMPANIES

The following are some of the Canadian companies operating in Denmark:

- Spectrum Cannabis, a joint venture between Canopy Growth and Danish Cannabis ApS, announced in December 2017 that they had received approval for a 40,000 square metre production facility.<sup>57</sup>
- Canadian producer CannTrust announced in March 2018 that it entered into a joint venture with Danish producer STENOCARE to receive a 25% equity stake in the company. Through this agreement, STENOCARE will sell CannTrust's standardized products through its network of Danish pharmacies while using CannTrust's expertise to build a domestic growing facility.<sup>58</sup>
- In January 2018, Canadian producer Aurora announced it signed an agreement with a Danish tomato producer to form Aurora Nordic Cannabis A/S, which plans to set up a production facility that can produce up to 120,000 kg of cannabis per year.<sup>59</sup>
- Canadian producer The Green Organic Dutchman announced in June 2018 it had signed a letter of intent for a joint venture with Danish cannabis company Knud Jepsen, with plans for the companies to dedicate 200,000 square-foot of Knud Jepsen's greenhouse in Denmark.<sup>60</sup>
- Canadian licensed producer and distributor Indiva signed a non-binding letter of intent with AEssense Europe for the acquisition of 100% of its medical cannabis cultivation and handling license in Denmark.<sup>61</sup>

53 DR. "Marijuana Legalization in Italy: Pot Laws Eased For Growers Cultivating Medical Cannabis." 2018. Available from: <https://www.dr.dk/nyheder/indland/baggrund-derfor-er-cannabis-medicin-faktisk-lovligt>

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56 Danish Medical Agency. <https://laegemiddelstyrelsen.dk/en/special/medicinal-cannabis/companies/pilot-programme/authorisation-to-produce-cannabis-intermediate-products/applicants-having-applied-for-authorisation-as-cannabis-intermediate-product-manufacturers/>

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## GERMANY

In 1998, prescription cannabis medication was made available. In 2016, the government approved legislation to license commercial medical cannabis producers and provide Germans with severe illnesses access to medical cannabis with a doctor's prescription.<sup>62</sup> The country also provides federal insurance coverage for cannabis.<sup>63</sup>

Cannabis for recreational use is illegal, but possession of small amounts is generally tolerated and not prosecuted.<sup>64</sup>

Germany's current cannabis market will rely on imports to meet 100% of the country's medical cannabis demand until at least 2020.<sup>65</sup> According to Statistics Canada, Canadian licensed producers exported a total of 520 kilograms of dried cannabis and 183 litres of cannabis oil to Germany for medicinal purposes in 2017.<sup>66</sup> While significant, the demand for medical cannabis is outweighing the supply, opening the door for further international investment opportunities. Since Sept 2017, 11 new applications were submitted to Germany's Federal Institute for Drugs and Medical Devices (BfArM), several of which are being sought by large-scale Canadian companies and six licence holders from Canada and the Netherlands applied to increase the amount they're allowed to import.<sup>67</sup>

## PRODUCTION

The German Cannabis Agency launched a new tender in June 2018. The government is seeking to select at least three companies to grow 10,400 kg of medical cannabis in the country over the next four years.<sup>68</sup>

## CANADIAN COMPANIES

The following are some of the Canadian companies operating in Germany:

- Aurora, through its subsidiary Pedanios, has eight imported strains available for German patients, supplying a network of 2,000 pharmacies in Germany.<sup>69</sup> In May 2018, the company launched a new cannabis brand called "Cannabis Klenk" through a collaboration agreement with Heinrich Klenk GmbH & Co. KG, one of Europe's largest medicinal plant companies with products carries in over 25,000 pharmacies throughout Germany and Europe.<sup>70</sup>
- MedReleaf has made five strains available for import through German company Cannamedical Pharma, after signing a supply agreement in March 2018.<sup>71</sup>
- Peace Naturals has made six strains available for import through a distribution agreement with G. Pohl Boskamp, an international pharmaceutical manufacturer and supplier distributing to over 12,000 pharmacies in Germany.<sup>72</sup>
- Through its subsidiary Spectrum Cannabis GmbH, Canopy Growth has imported eight cannabis products for use in Germany.<sup>73</sup>
- In October 2017, Tilray signed a supply agreement with NOWEDA, one of Germany's largest pharmaceutical wholesalers, to provide medical cannabis extracts for patients in the country.<sup>74</sup>
- Aphria announced in November 2018 its proposed acquisition of CC Pharma GmbH, a leading distributor of pharmaceutical products to more than 13,000 pharmacies in Germany.<sup>75</sup>
- Aura Health announced in January 2019 that the company has entered into a binding LOI to acquire 80% of German licensed medical cannabis distributor, Pharmadurg Productions GmbH.<sup>76</sup>
- Canadian Licensed Producer MediPharm Labs announced it's listing on the Frankfurt Stock Exchange in February 2019.<sup>77</sup>

62 CNN. "Germany to legalize medicinal marijuana by 2017." 2016. Available from: <https://edition.cnn.com/2016/05/04/europe/germany-medicinal-marijuana/>

63 Newswire. "Cronos Announces Exclusive Distribution Agreement with Pohl-Boskamp in Germany." 2017. Available from: <https://www.newswire.ca/news-releases/cronos-announces-exclusive-distribution-agreement-with-pohl-boskamp-in-germany-650574193.html>

64 CNN. "Germany joins the global experiment on marijuana legalization." 2017. Available from: <https://www.cnn.com/2016/12/29/health/global-marijuana-cannabis-laws/index.html>

65 Marijuana Business Daily. "Blistering" growth in German medical cannabis market." 2018. Available from: <https://mjbizdaily.com/blistering-growth-german-medical-cannabis-market/>

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67 Marijuana Business Daily. "Blistering" growth in German medical cannabis market." 2018. Available from: <https://mjbizdaily.com/blistering-growth-german-medical-cannabis-market/>

68 Financial Post. "Germany relaunches cannabis tender after scuttling first bid." <https://business.financialpost.com/cannabis/germany-relaunches-cannabis-tender-after-scuttling-first-bid>

69 Newswire. "Aurora Cannabis Enters into Supplier Agreement with Shoppers Drug Mart." 2018. Available from: <https://www.newswire.ca/news-releases/aurora-cannabis-enters-into-supplier-agreement-with-shoppers-drug-mart-675257053.html>

70 Newswire. "Aurora Cannabis Signs Agreement with Heinrich Klenk GmbH & Co. KG." 2018. Available from: <https://www.newswire.ca/news-releases/aurora-cannabis-signs-agreement-with-heinrich-klenk-gmbh-co-kg-683849491.html>

71 Newswire. "MedReleaf signs supply agreement with Cannamedical Pharma GmbH in Germany." Available from: <https://www.newswire.ca/news-releases/medreleaf-signs-supply-agreement-with-cannamedical-pharma-gmbh-in-germany-677247523.html>

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73 Kassenärztliche Bundesvereinigung. "ARZNEIMITTEL-VERORDNUNG." 2018. Available from <http://www.kbv.de/html/cannabis-verordnen.php>

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76 Globe Newswire. "Aura Announces Binding LOI to Acquire Licenced Medical Cannabis Distributor in Germany." 2019. Available from: <https://www.globenewswire.com/news-release/2019/01/25/1705634/0/en/Aura-Announces-Binding-LOI-to-Acquire-Licensed-Medical-Cannabis-Distributor-in-Germany.html>

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## UNITED KINGDOM

Cannabis remains illegal in the United Kingdom, however, prescription and use of the substance for specific medicinal purposes was legalized in November 2018.<sup>78</sup> Medicinal cannabis can only be prescribed by specialist doctors on a case-by-case basis when there is clear published evidence of its benefit and other treatment options have been exhausted. Experts say treatments are likely to include pills, capsules and oils, but not smoking cannabis.<sup>79</sup>

With medicinal cannabis now legalized, there is an increased interest in investment opportunities in the space. Sativa Investments PLC, the UK's first medicinal cannabis investment vehicle is progressing a UK seed to consumer investment strategy.<sup>80</sup> Tobacco giant Imperial Brands has also entered the space with an investment in Oxford Cannabinoid Technologies, a British biopharmaceutical company established to research the uses of medicinal cannabis.<sup>81</sup>

### PRODUCTION

In 2016, Britain's sugar producer, British Sugar, was licensed by the UK Government to cultivate cannabis for medicinal purposes for British biotech company GW Pharmaceutical, the company behind Sativex and Epidiolex.<sup>82</sup> In 2016, the UK produced 95 tonnes of cannabis for medicinal and scientific use, accounting for 44.6% of the world total.<sup>83</sup>

### CANADIAN COMPANIES

The following are some of the Canadian companies operating in the UK:

- In April 2018, Canopy Health, Amanda Fielding and Beckley Foundation announced Beckley Canopy Therapeutics, a new partnership to research and develop clinically validated cannabis-based medicines.<sup>84</sup> Canopy also announced it will begin exporting cannabis products to the UK in December 2018.<sup>85</sup>
- Aurora Cannabis announced in February 2019 that it has completed its first commercial export of cannabis oil to the United Kingdom and successfully dispensed from a pharmacy.<sup>86</sup>

78 CNN. "Britain welcomes the global cannabis revolution" 2018. Available from: <https://www.cnn.com/2018/11/01/health/uk-medical-marijuana-cannabis-legal-int/index.html>

79 BBC. "Medical cannabis products available on prescription" 2018. Available from: <https://www.bbc.com/news/health-46045487>

80 Sativa Investments PLC. <https://sativainvestments.com/>

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86 Newswire. "Aurora Cannabis Makes First Commercial Export to the United Kingdom." 2019. Available from: <https://www.newswire.ca/news-releases/aurora-cannabis-makes-first-commercial-export-to-the-united-kingdom-845009851.html>





## SWITZERLAND

While cannabis is illegal in the country, minor possession was decriminalized in 2012, with a system of fines for possession of small amounts in place.<sup>87</sup> Prescription of cannabis for medical purposes are permitted under certain conditions.<sup>88</sup> A 2011 edict declared that cannabis with under 1.0% THC is not considered a controlled substance.<sup>89</sup> CBD is now found in many ready-to-use products across the country, including personal care items and cosmetics. In 2017, 410 registered companies were manufacturing or trading cannabidiol.<sup>90</sup>

### PRODUCTION

In 2018, 560 legal cannabis producers were registered with Switzerland's Federal Customs Administration.<sup>91</sup> Due to the government allowing cannabis with under 1.0% THC, legal commercial and personal production of CBD-based flower have flourished across the country, with end products sold across the country including dried flower, oil, and ready-to-use products.<sup>92</sup> As an alternative to rolling tobacco, German-based supermarket Lidl announced in 2018 that it will carry locally grown hemp in its Swiss stores.<sup>93</sup>

### CANADIAN COMPANIES

The following are some of the Canadian companies operating in Switzerland:

- Indiva announced in late 2017 that it had signed an exclusive supply agreement with a Swiss producer of high-CBD, low-THC cannabis for the importation of genetics.<sup>94</sup>
- Canadian licensed producer Maricann closed the acquisition of all outstanding shares of Swiss CBD producer Haxxon AG in May 2018.<sup>95</sup>
- Montreal-based cannabis capital company LGC Capital signed an agreement in 2018 to acquire 30% of Swiss CBD and Hemp producer VIRIDI.<sup>96</sup>
- Canadian producer Harvest One announced its Swiss-based medical subsidiary Satipharm has launched European sales of its recently reformulated CBD capsules.<sup>97</sup>
- Licensed producer Tilray announced a global partnership with a division of Swiss pharmaceutical giant Novartis to develop and distribute its medical cannabis in legal jurisdictions around the world.<sup>98</sup>



We're excited about activity in the EU, particularly around the distribution of CBD. We've also invested in a Swiss legal cannabis supplier, Viridi, that supplies high-CBD, low-THC plants and uses the seed and flower in a wide array of cosmetics, pre-rolls, and Swiss-authorized natural wellness products.

*John McMullen, CEO, LGC Capital*



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88 Health Europa, "Facilitating easier access to medical cannabis in Switzerland." 2019. Available from: <https://www.healtheuropa.eu/medical-cannabis-in-switzerland/90288/>

89 Swiss Government, "Ordonnance du DFI sur les tableaux des stupéfiants, des substances psychotropes, des précurseurs et des adjuvants chimiques." 2018. Available from: <https://www.admin.ch/opc/fr/official-Compilation/2011/2595.pdf>

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92 The Swiss Authorities Online, "Cannabis: What are the rules in Switzerland?" 2018. Available from: <https://www.ch.ch/en/cannabis/#akk-77533>

93 The Guardian, "Lidl offers locally grown cannabis to Swiss shoppers." 2018. Available from: <https://www.theguardian.com/world/2018/may/03/lidl-locally-grown-cannabis-switzerland>

94 The Canadian Business Journal, "INDIVA Limited Signs Exclusive Supply Agreement with Swiss Cannabis Producer." 2018. Available from: <http://www.cbj.ca/indiva-limited-signs-exclusive-supply-agreement-with-swiss-cannabis-producer/>

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96 Newswire, "LGC announces binding agreement with a vertically integrated Swiss cannabis company from seed to an existing broad range of product and sales streams." 2018. Available from: <https://www.newswire.ca/news-releases/lgc-announces-binding-agreement-with-a-vertically-integrated-swiss-cannabis-company-from-seed-to-an-existing-broad-range-of-product-and-sales-streams-689740831.html>

97 Harvest One, "Harvest One Announces Retail Platform and Branding Strategy." 2018. Available from: [https://www.harvestone.com/news/2018/index.php?content\\_id=98](https://www.harvestone.com/news/2018/index.php?content_id=98)

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## PORTUGAL

In June 2018, the Portuguese parliament legalized the commercial development and personal use of cannabis-based medicines for those with post-traumatic stress disorder (PTSD), chronic pain and cancer.<sup>99</sup> Spelling out the rules for medical cannabis cultivation, production, extraction as well as import and export and sale of products, the sweeping changes to how medical cannabis is regulated in the country will open new opportunities for international and domestic companies.

In 2001, the country decriminalized the possession of personal amounts (10-day supply) of all illicit drugs. For cannabis users, this means the possession of up to 25g of plant material or 5g of resin is not subject to any penalties for a first-time offence.<sup>100</sup>

### CANADIAN COMPANIES

The following are some of the Canadian companies operating in Portugal:

- In 2017, Canadian producer Tilray announced it intended to invest \$29.5 million to build a medical cannabis operation in Portugal after obtaining federal licences to import cannabis seeds and clones and cultivate them in the country.<sup>101</sup>



In Europe, major economies with major populations are starting to implement medical cannabis. These are big, sophisticated economies, and these are good, positive signs. When we look at these markets, we see a lot of parallels to Canada in 2013 and 2014.

*Jordan Sinclair, Vice President  
Communications & Media, Canopy Growth*



<sup>99</sup> Portuguese American Journal. "Parliament: Prescribed use of medical marijuana approved – Portugal. 2018. Available from: <https://portuguese-american-journal.com/parliament-prescribed-use-of-medical-marijuana-approved-portugal/>

<sup>100</sup> Cannabis Policy Moving Beyond Stalemate. Room, Fischer et.al. 2010. New York.

<sup>101</sup> The Globe and Mail. "Tilray to invest \$30-million in EU medical cannabis operation in Portugal." 2018. Available from: <https://www.theglobeandmail.com/news/british-columbia/tilray-to-invest-30-million-in-eu-medical-cannabis-operation-in-portugal/article36207376/>



## MALTA

Malta decriminalized personal possession of cannabis in 2015, replacing imprisonment with fines; however, individuals may still be detained for up to 48 hours to extract information related to drug trafficking.<sup>102 103</sup> In March 2018, Malta passed more broad and thorough medical cannabis legislation allowing family doctors to prescribe cannabis to their patients. The country also applied to import 15 kilos of cannabis for medical purposes.<sup>104 105</sup>

### PRODUCTION

The commercial production of cannabis for medicinal and scientific purposes came into force in April 2018. Companies can now cultivate and process cannabis, develop cannabis-derived products intended for medical use, and trade in cannabis or cannabis preparations intended for medical use.

All applicants must obtain a letter of intent from Malta Enterprise, the country's official economic development agency, obtain a licence from the Medicines Authority, and comply with any regulations relevant to the production and quality standards of products for medical or research uses.<sup>106</sup>

### CANADIAN COMPANIES

The following are some of the Canadian companies operating in Malta:

- Canadian producer Aurora Cannabis announced in June 2018 that it had shipped products to Malta's medical cannabis market, through its subsidiary Pedanios GmbH. In July 2018, the company announced that it had received approval for the construction of a seed-to-pharma cannabis operation.<sup>107</sup>
- Canadian company Nuuvera, a subsidiary of Aphria, announced in March 2018 that it had acquired ASG Pharma, a high-capacity Maltese GMP laboratory poised to become Aphria's European processing, manufacturing and distribution hub.<sup>108</sup>
- In May 2018, Canadian producer Maricann announced is entered a non-binding letter of intent to acquire the issued and outstanding shares of Medican Holdings, licensing Maricann to import, extract, manufacture finished dose products, and distribute cannabis for medical purposes within Malta and the European Union.<sup>109</sup> The company also announced in July 2018 that Malta Enterprise had approved the company's application to set up a business in the country to manufacture finished dose medical cannabis.<sup>110</sup>

102 MaltaToday. "New drugs reform law into force today—what has changed?" 2018. Available from: [https://www.maltatoday.com.mt/news/national/51881/new\\_drugs\\_reform\\_law\\_into\\_force\\_today\\_what\\_has\\_changed#.WDYlVpLvHdQ](https://www.maltatoday.com.mt/news/national/51881/new_drugs_reform_law_into_force_today_what_has_changed#.WDYlVpLvHdQ)

103 Independent. "Simple possession to remain an 'arrestable offence' - but only to fight drug trade – Bonnici." 2018. Available from: <http://www.independent.com.mt/articles/2015-03-17/local-news/Simple-possession-to-remain-an-arrestable-offence-but-only-to-fight-drug-trade-Bonnici-6736132323>

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105 MaltaToday. "Malta has officially legalised medical cannabis" [https://www.maltatoday.com.mt/news/national/85616/malta\\_has\\_officially\\_legalised\\_medical\\_cannabis#.W47a\\_uhKg2w](https://www.maltatoday.com.mt/news/national/85616/malta_has_officially_legalised_medical_cannabis#.W47a_uhKg2w)

106 EMD Advisory. "Production of Cannabis for Medicinal and Research Purposes Act and Amendments to the Drug Dependence (Treatment not Imprisonment) Act." 2018. Available from: <https://www.emd.com.mt/cannabis-for-medicinal-and-research-malta/>

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## ITALY

Doctors have been able to prescribe cannabis products and synthetic cannabinoids for therapeutic use in Italy since 1998, under a non-repeatable prescription. In 2006, natural and synthetic cannabis products were briefly classified as prohibited substances, however, that error of law was overturned in 2007 reinstalling the permissibility to prescribe. Subsequently, in 2013, the Ministry of Health included active compounds of cannabis plant origin (compounds and preparations, including extracts and dyes) in its list of prescribable medicines.<sup>111</sup>

While non-medical uses of Cannabis are illegal in Italy, a law regulating hemp production went into effect in 2016 that does not explicitly ban the sale of the dried flower from hemp. As a result, cannabis products marked as “not for consumption” with a restricted THC content of under 0.2% are available as low-THC, high-CBD “cannabis light” substitutes.<sup>112</sup>

### PRODUCTION

Currently, the country's Military Chemical and Pharmaceutical Plant is the sole authorized provider of medical cannabis in Italy. It produces approximately 250 kilograms per year and cannot meet demand;<sup>113</sup> a government report has estimated near-term demand for medical cannabis at 2,000 kilograms annually, creating a market for international imports.

### CANADIAN COMPANIES

The following are some of the Canadian companies operating in Italy:

- In March 2018, LGC Capital announced it would invest Bulgarian-based Evolution BNK, an emerging cannabis grower operating in Italy.<sup>114</sup> The company also announced in November 2018 that it is buying nearly half of Italy's “cannabis light” pioneer EasyJoint.<sup>115</sup>
- In April 2018, Canadian producer Aurora announced it has successfully exported medical cannabis to the Italian government through its wholly-owned German subsidiary Pedianos GmbH.<sup>116</sup>
- Vancouver company CROP Infrastructure Corp. announced in June 2018 that it had entered into a joint venture with Italian producer XHemplar Italia to develop a 522,000 square foot project in northeastern Italy.<sup>117</sup> In October 2018, CROP announced it will be working with XHemplar to open to retail locations as well as build a state-of-the-art extraction facility.<sup>118</sup> The company recently announced their Italian CBD greenhouse facility is ready for the 2019 growing season and that it has identified six new retail locations.<sup>119</sup>
- Canadian producer Nuuvera, a subsidiary of Aphria, announced its acquisition of FL Group, one of seven licensed importers in Italy, in January 2018.<sup>120</sup>
- In December 2018, Canopy Rivers announced it has increased its ownership stake in CanapaR Corp., an Italian-based organic hemp production and processing platform.<sup>121</sup>



A really good indicator of how fast a market is going to open up is how cannabis laws are integrated into the healthcare system. Can a patient get a prescription for medical cannabis from their doctor and have it filled at a pharmacy—or do they have to see a specialist, obtain a form from someone, and then get a bureaucrat's approval? The degree of friction around cannabis is an important market signal.

*Jordan Sinclair, Vice President  
Communications & Media, Canopy Growth*



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## ISRAEL

Cannabis is illegal in Israel, but the government has permitted certain citizens to use cannabis medicinally since the early 1990s. In April 2019, the country decriminalized personal cannabis possession, with users subject to fines for first offences. Those apprehended a fourth time can be subject to prosecution and possible jail time.<sup>122</sup> In January 2019, Israel gave final approval to a law permitting the export of medical cannabis, making it among the first countries in the world to allow cannabis exports.<sup>123</sup>

### PRODUCTION

As of April 2018, eight companies are cultivating cannabis in Israel, many of which have opened farms abroad to get into the international market.<sup>124</sup> There are also more than 900 pending applications for new farms, factories and pharmacies.<sup>125</sup>

A known pioneer of cannabis research, Israel home to many reputable cannabis research centres including a government-funded farm and lab at the Volcani Center.<sup>126</sup>

Israel's medicinal cannabis research has drawn interest and funding from companies internationally. In February 2018, Canadian licensed producer WeedMD announced a partnership with Technion-Israel Institute of Technology to research the cannabinoid and terpenoid profiles of 25 of WeedMD's cannabis strains.<sup>127</sup>

Pharmaceutical companies are also playing a large role in this space. Many start-ups in Israel have outsourced their innovation to GMP-approved Nextage, a subsidiary of Israel's leading contract manufacturing organization in the development and manufacturing of pharmaceutical and medical devices. Since its establishment 11 years ago, Nextage has developed more than 70 medical cannabis products and worked on 1,700 projects for more than 300 clients.<sup>128</sup>

### CANADIAN COMPANIES

The following are some of the Canadian companies operating in Israel:

- Cronos launched a strategic joint venture with Israeli agricultural collective Kibbutz Gan Shmuel, under the name Cronos Israel, and would produce, manufacture and distribute medical cannabis.<sup>129</sup>
- Since 2014, Canadian licensed producer MedReleaf has been licensing proprietary genetics from Israeli producer Tikun Olum, including CBD-heavy strains, with the resulting dried cannabis sold to MedReleaf's patients.<sup>130</sup>
- Namaste Technologies announced in December 2017 that it reached a wholesale supply letter of intent with Israeli- to patients in Canada.<sup>131</sup> In July 2018, Namaste signed a consulting agreement with Israeli medical cannabis producer Cannbit, announcing a 10% investment into the company.<sup>132</sup>
- In February 2018, WeedMD partnered with the Technion – Israel Institute of Technology to develop research on cannabinoids and terpenes.<sup>133</sup>
- Canadian licensed producer Harvest One signed a binding share sale agreement in June 2018 to purchase 100% of the shares of Israel company PhytoTech Therapeutics Ltd.<sup>134</sup>
- In June 2018, Israeli producer Together signed a deal to supply 50 tons of cannabis to an unnamed Canadian company.<sup>135</sup>
- In October 2018, Canadian blockchain firm Atlas Blockchain Group entered a non-binding letter of intent to acquire Israeli licensed cultivator Isracann Biosciences Inc.<sup>136</sup>

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## AUSTRALIA

Cannabis was legalized for medical purposes in Australia in 2016.<sup>137</sup> However, some states, such as the Australian Capital Territory, South Australia and the Northern Territory, have effectively decriminalized possession of small amounts of cannabis; offenders face civil penalties such as fines and mandatory counselling. In other states, such as Victoria, Queensland and New South Wales, police officers often issue warnings to people facing minor drug charges, and offenders are diverted to educational programs. Cultivating, selling or transporting cannabis can result in criminal charges across the country.<sup>138</sup>

### PRODUCTION

Cannabis cultivation in the country is relatively small-scale, as recreational use remains illegal. As of February 2019, the Australian government has granted 26 medicinal cannabis cultivation and production licences, 15 cannabis research licences and 20 cannabis manufacturers licences.<sup>139</sup>

In January 2018, the government said that it would permit medical cannabis exports in a bid to ramp up production and enter the global market.<sup>140</sup> The government has indicated that it began to allow the commercial production of cannabis, rather than simply importing products because it "strikes the right balance between patient access, community protection and our international obligations."<sup>141</sup>

### CANADIAN COMPANIES

The following are some of the Canadian companies operating in Australia:

- Canadian cannabis powerhouse Canopy has taken out patents in Australia for its global Tweed brand for recreational and medicinal cannabis.<sup>142</sup> In April 2018, Canopy announced it's launching Spectrum Cannabis Australia.<sup>143</sup>
- Canadian producer Cronos announced in February 2018 that it was forming a joint venture called Cronos Australia with Australia's NewSouthern Capital, with plans for the construction of a 20,000 square foot production facility to support production capacity of 2,000 kilograms per year.<sup>144</sup>
- PUF Ventures Inc., a Canadian ACMPR applicant, announced in December 2017 that its Australian subsidiary had submitted its application to the Australian government to produce medical cannabis in the country.<sup>145</sup>
- In January 2018, Canadian producer Aphria announced it had expanded into Australia with a supply agreement and strategic investment in Althea Company Pty.<sup>146</sup> In July 2018, the company completed its largest international shipment of cannabis to Australian company Medlab Clinical Limited.<sup>147</sup>
- In February 2018, MedReleaf's Australian subsidiary MedReleaf Australia commenced commercial operations, enabling the company to cultivate cannabis and import oils and capsules.<sup>148</sup>
- In December 2018, Aurora announced an increased stake in Australian-based producer Cann Group, the first Australian company to receive a licence to research and cultivate medical cannabis.<sup>149</sup>
- MediPharm Labs announced in February 2019 that they have entered an agreement with Australian Licensed Producer AusCann to supply approximately \$35 million of private label purified cannabis oil concentrates.<sup>150</sup>

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## AFRICA

In 2017, Lesotho became the first African country to legalize the cultivation of cannabis for medicinal purposes; with Zimbabwe following suit in 2018. Several other African governments are considering tapping into the cannabis market including South Africa, Malawi, Ghana, Zimbabwe, Morocco and Swaziland.<sup>151</sup>

In September 2018, South Africa's highest court ruled unanimously to legalize the private use of cannabis, upholding the ruling that it was "unconstitutional and therefore invalid." The decision allows adults to cultivate and use cannabis for private consumption and parliament has been given 24 months to adopt the ruling. It is still, however, illegal to supply, sell and consume cannabis in public.<sup>152</sup>

## PRODUCTION

South Africa also recently established a legal framework for licensing growers, drawing the attention of international companies seeking to acquire a coveted license.<sup>153</sup> Parts of Africa have a particularly suitable climate for the outdoor cannabis cultivation. A UN survey reported more than 10,000 tonnes of cannabis are produced on the continent each year.<sup>154</sup> Although illegal, Lesotho has a long history of cultivating cannabis for consumption both in their country and neighbouring South Africa through small-scale farmers.<sup>155</sup>

## CANADIAN COMPANIES

The following are some of the Canadian companies operating in Africa:

- In June 2017, Canadian company LGC Capital announced it is teaming up with South African agricultural firm AfriAg to grow and distribute cannabis products in southern African countries.<sup>156</sup>
- Tilray announced in February 2018 that it had exported medical cannabis products to South Africa to be distributed to patients through pharmacies in the country.<sup>157</sup>
- Licensed producer Supreme Cannabis entered into a definitive agreement in March 2018, in which the company would complete a \$10 million strategic equity investment in licensed producer Medigrow Lesotho in exchange for a 10% stake in the Lesothan company.<sup>158</sup>
- Aphria formed a joint venture with licensed African producer Verve Dynamics, with a plan to supply high-grade low-cost cannabis isolates to the African continent.<sup>159</sup>
- Canopy Growth Corporation announced in May 2018 that it had acquired Daddy Cann Lesotho PTY Ltd (also known as Highlands), which it hopes can enable the company to produce high-grade low-cost cannabis.<sup>160</sup>
- In April 2018, THC Biomed announced that it had formed a subsidiary in Lesotho and had begun the process of applying to the Minister of Health for a licence to legally cultivate and export cannabis.<sup>161</sup>

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154 CNN. "Africa's weed race? Zimbabwe second country to legalize medicinal marijuana." 2018. Available from: <https://www.cnn.com/2017/10/09/africa/african-countries-legalize-marijuana/index.html>

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160 Newswire. "Canopy Growth Corporation announces entry into the African market with acquisition of Daddy Cann Lesotho." <https://www.newswire.ca/news-releases/canopy-growth-corporation-announces-entry-into-the-african-market-with-acquisition-of-daddy-cann-lesotho-684037281.html>

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## ASIA

Cannabis is illegal in China. However, the country has the potential to become a CBD powerhouse: the production of industrial hemp is legal, and the Chinese government has permitted the development of cultivars that produce high-CBD industrial hemp. Production of industrial hemp is distributed throughout China, outputting around 20,000 hectares a year.<sup>162</sup> The Chinese government has been investing in health-related cannabis known to help illnesses such as Parkinson's, multiple sclerosis and cancer. Chinese companies own 309 of the 606 cannabis-related patents worldwide related to hemp and CBD, signalling a potential interest in the medical cannabis market.<sup>163</sup>

Similar to China, Cannabis remains illegal in Japan, maintaining a zero-tolerance policy for possession with the possibility of jail time if apprehended. Japan legalized CBD in 2016, but companies still face delays in gaining approval to market their products. Australia's Elixinol, which has been importing CBD products since 2016, was the first Japanese to launch a medicinal cannabis campaign after working for many months with Japanese regulators.<sup>164</sup>

Activity on medical cannabis is increasing across the region. In November 2018, South Korea became the first East Asian country to pass a medical cannabis law when it announced modifications to its Narcotics Control Act.<sup>165</sup> And in late December 2018, Thailand approved cannabis for medical use and research.<sup>166</sup> In late January 2019, the Philippines House of Representatives approved on third and final reading a bill that would legalize and regulate the use of medical cannabis and expand research into marijuana's medicinal properties.<sup>167</sup>

Elsewhere in the region, Malaysia, Singapore and Indonesia continue to enforce their harsh punishments, including the death penalty for those caught trafficking the substance.

### CANADIAN COMPANIES

The following are some of the Canadian companies operating in Asia:

- In May 2018, Canadian company Phivida Holdings activated its distribution agreement with Asayake Inc., sending Phivida's CBD-Hemp oil products to Japan.<sup>168</sup>

<sup>162</sup> Yunnan Academy of Agricultural Sciences. "Multipurpose Hemp Variety and Its Utilization in China." 2018. Available from: <http://www.fibrap7.net/Portals/0/2-YangMing.pdf>

<sup>163</sup> South China Morning Post. "Global cannabis industry eyes China for production and investment." 2018. Available from: <https://www.scmp.com/business/companies/article/2171307/global-cannabis-industry-eyes-china-production-and-investment>

<sup>164</sup> HighTimes. "Australian Cannabidiol Company Launches Ad Campaign in Japan." 2018. Available from: <https://hightimes.com/news/australian-cannabidiol-company-launches-ad-campaign-japan/>

<sup>165</sup> The Motley Fool. "You'll Never Guess Which Asian Country Just Legalized Medical Marijuana." 2018. Available from <https://www.fool.com/investing/2018/12/01/youll-never-guess-which-asian-country-just-legaliz.aspx>

<sup>166</sup> Reuters. "Thailand approves medical marijuana in New Year's 'gift'." 2018. Available from: <https://www.reuters.com/article/us-thailand-cannabis/thailand-approves-medical-marijuana-in-new-years-gift-idUSKCN1000CK>

<sup>167</sup> Inquirer.net. "House green lights bill to legalize medical marijuana." 2019. Available from <https://newsinfo.inquirer.net/1078861/house-green-lights-bill-to-legalize-medical-marijuana#ixzz5esoNVEbb>

<sup>168</sup> Newswire. "Phivida Activates Distribution in Japan." 2018. Available from: <https://www.pnewsire.com/news-releases/phivida-activates-distribution-in-japan-300655404.html>








SECTION 2

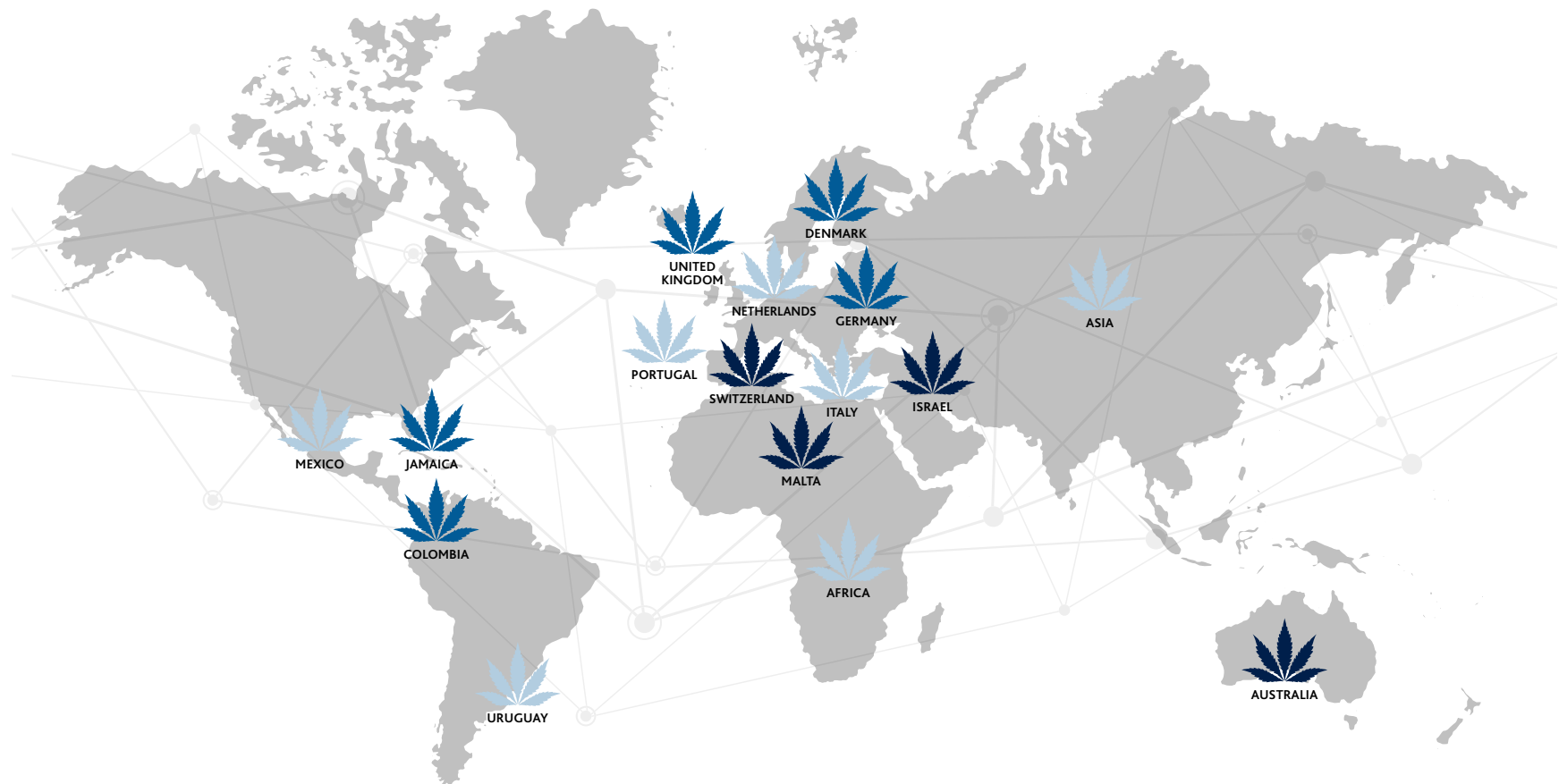
PART B: **Comparative Analysis** \_\_\_\_\_



# 1. Financing Opportunities

Access to capital, banking and other financial services can prove to be a significant hurdle for cannabis businesses in many markets; an area in which Canadian cannabis firms are highly fortunate. To evaluate the attractiveness of the financing environments featured in our report, we looked at the following criteria: availability and access to capital, whether through public or private markets and the availability of banking services.

-  **High** – Access to capital or financial services is highly restricted or simply unavailable.
-  **Mid** – Some access to capital and financial services, including where that access is provided by foreign cannabis firms or foreign financial institution.
-  **Low** – Comparatively open access to financing and financial services.





## ENVIRONMENTAL SCAN

**Israel, Switzerland, Australia and Malta offer the best opportunities for cannabis companies in terms of financing availability. Colombia, Jamaica, Denmark, the UK and Germany are emerging areas of opportunity.**

### ISRAEL – HIGH

Israel's cannabis sector has seen a tremendous level of investment and buy-in from Canadian companies. Support for this market has particularly risen in anticipation of a permitted Israeli export market. Additionally, Israel's cannabis market is largely supported by private equity company iCan, a firm representing companies in more than 40 countries.<sup>169</sup>

### SWITZERLAND – HIGH

Canadian investment has helped spur the Swiss cannabis industry. Switzerland provides access to capital through two public stock exchanges: the SIX Swiss Exchange and the Bern exchange. Switzerland's booming CBD market also offers strong partnership opportunities once cannabis is legalized in the country. Venture capital availability in the country is noted to be rapidly expanding and becoming more accessible.

### AUSTRALIA – HIGH

The Australian Stock Exchange, the eighth-largest equity market in the world, is home to more than 20 cannabis stocks, including AusCann, Algae Tec, Bod Australia and Atlas Pearls.<sup>170</sup>

### MALTA – HIGH

Malta's emerging medical cannabis sector is largely buoyed by international investment. The country's Economy Ministry announced in March 2018 that it had approved five projects with a total investment of \$44.83 million.<sup>171</sup>

Malta has robust access to capital through the Malta Stock Exchange and investment from banks. The country also has the necessary infrastructure in place for growth, and many Maltese professionals have international experience with structured finance.<sup>172</sup>



We believe that while Canada will remain a leader in large-scale indoor and greenhouse cultivation, equatorial countries and low-cost jurisdictions with favourable climates, such as Asia, will be a significant contributor to the overall supply of dried cannabis and extracted cannabis molecules into the market in the future.

*Chuck Rifici, CEO, Auxly Cannabis Group*



<sup>169</sup> Switzerland Global Enterprise. "Access To Capital: How Is The Swiss Venture Capital Market Organized? Part Two." 2018. Available from: <https://www.s-ge.com/en/article/news/access-capital-how-swiss-venture-capital-market-organized-part-two>

<sup>170</sup> Small Caps. "Cannabis stocks on the ASX: The Ultimate Guide." 2018. Available from: <https://smallcaps.com.au/cannabis-stocks-asx-ultimate-guide/>

<sup>171</sup> The Independent (Malta). "Medicinal cannabis: Five companies to invest €30 million, employ 175 people – ministry." 2018. Available from: <http://www.independent.com.mt/articles/2018-03-26/local-news/Medicinal-cannabis-Five-companies-to-invest-30-million-employ-175-people-ministry-6736186961>. Figure was converted to Canadian dollars using exchange rates retrieved from XE Currency Converter as of August 8, 2018.

<sup>172</sup> Finance Malta. "Capital Markets in Malta", 2018. Available from: <https://www.financemalta.org/sections/capital-markets/>



## COLOMBIA - MID

Canadian capital has been a significant driver of medical cannabis production capabilities in Colombia. Both publicly traded and privately-held Canadian companies established operations and ventures in Colombia relatively early in the country's recent quest to licence medical cannabis operators.<sup>173</sup>

Banks have not been fully welcoming of the cannabis producers. Khiron Life Science raised \$20 million of investment capital in Canada, but when they sought to bring it into Colombia, banks impeded the transfer and raised concerns over "drug money."<sup>174</sup>

In general, Colombia is an attractive environment for private equity, evident through the strong annual increase in committed capital, and the steady growth of the country's GDP since 2005. The increased access to investment capital has led to a rapid rise of Colombia's biotech sector.<sup>175 176</sup>

## JAMAICA - MID

Financing for the legalized Jamaican cannabis industry largely comes from Canada-based multinational cannabis producers. For example, Canada-based Jamaica Medical Cannabis Collective announced in September 2018 that it would invest \$2 million to identify, analyze, and preserve Jamaica's indigenous cannabis strains.<sup>177</sup>

While the Development Bank of Jamaica has established lending facilities to lower the cost of capital, reports suggest that entrepreneurs are not taking full advantage of them. However, there are indications that there is good liquidity in the market, as new listings on the Jamaica Stock Exchange are "routinely oversubscribed."<sup>178</sup>

## DENMARK - MID

Production of cannabis in Denmark, while in its infancy, has seen significant funding and interest from Canadian producers. The country's medical cannabis industry has already attracted more than \$407 million in foreign direct investment.<sup>179</sup> There is interest in Denmark due to the possibility of the country serving as a hub to meet the domestic medical cannabis needs of other Scandinavian countries such as Sweden and Norway.<sup>180</sup>

## GERMANY - MID

There are several firms in Germany providing private equity to small and medium businesses. Also, several Canadian cannabis companies have made large investments into German production, in anticipation that the country will become one of the world's largest medical cannabis markets.

## UNITED KINGDOM - MID

With medicinal cannabis now legalized in the UK, there is an increased interest in investment opportunities, particularly due to population size. However, lingering legal and regulatory challenges could dampen investor enthusiasm over the near term.<sup>181</sup>

173 Ozy, "Canadian capital fuels Colombian cannabis-boom." 2018. Available from: <https://www.ozy.com/fast-forward/canadian-capital-fuels-colombian-cannabis-boom/83332>

174 S United Nations Office on Drugs and Crime. "Drug Prices Report: Cannabis." 2018. Available from: <https://stats.unodc.org> on June 1, 2018. Figure was converted to Canadian dollars using exchange rates retrieved from XE Currency Converter as of August 8, 2018.

175 Cornell SC Johnson College of Business. "Colombia: Ripe for Private Equity." 2018. Available from: <https://www.johnson.cornell.edu/Emerging-Markets-Institute/Research/EMI-at-Work/Institute-at-Work-Article/ArticleId/47096/Colombia-Ripe-for-Private-Equity>

176 Access Latin America. "Country Information Colombia." 2018. Available from: <http://accesslatinamerica.com/country/colombia/>

177 Forbes. "Canadian Cannabis Corp Makes Historic Investment in Jamaica." 2018. Available from: <https://www.forbes.com/sites/sarabrittanyosomerset/2018/09/04/canadian-cannabis-company-makes-historic-investment-in-jamaica/#c5c69fb5237d>

178 Jamaica Observer. "More than enough money in Jamaica — it's access to capital that's the problem." 2018. Available from: [http://www.jamaicaobserver.com/business-report/more-than-enough-money-in-jamaica-8212-it-8217-s-access-to-capital-that-8217-s-the-problem\\_132839?profile=1056](http://www.jamaicaobserver.com/business-report/more-than-enough-money-in-jamaica-8212-it-8217-s-access-to-capital-that-8217-s-the-problem_132839?profile=1056)

179 Marijuana Business Daily. "Denmark approves 'bulk' medical cannabis exports as European programs stall." Available from: <https://mjbizdaily.com/denmark-approves-bulk-medical-cannabis-exports-as-european-programs-stall/>

180 CPH Post. "Denmark's high hopes to become Europe's biggest cannabis producer." 2018. Available from: <http://cphpost.dk/news/denmarks-high-hopes-to-become-europes-biggest-medical-cannabis-producer.html>

181 The Guardian. "Sweet smell of success? Big business bets on a marijuana boom." 2019. Available from: <https://www.theguardian.com/business/2019/mar/02/legal-medical-recreational-cannabis-industry-investors>



## URUGUAY - LOW

Banks in Uruguay have not been welcoming to the cannabis sector. An August 2017 news report from Bloomberg noted that state-owned lender Banco Republica followed other banks in shutting down accounts of clients who deposited money from marijuana sales.<sup>182</sup>

Generally, Uruguay's capital market remains underdeveloped, with no effective regulatory system to encourage or facilitate foreign portfolio investment. The country only has one purely electronic exchange (BEVSA) and one that combines floor and electronic operations (Montevideo BVM). Trading in shares and commercial paper is virtually non-existent, severely limiting market activity. Sixty percent of the country's banking system consists of one of two government-owned mortgage banks and nine international commercial banks. Irrespective of industry, long-term banking credit has been hard to obtain.<sup>183</sup>

## MEXICO - LOW

Mexican banks have large unused installed credit capacity, however, there is a "generalised distrust" of non-traditional sectors or infrastructure.<sup>184</sup> Cannabis investment would likely face credibility barriers as a result.

## NETHERLANDS - LOW

Under the "legal to buy, but not grow" restrictions on Dutch coffee shops sales, Cannabis financing activity is underdeveloped with little current financing support from outside the country or buy-in from Canadian producers.

## PORTUGAL - LOW

Access to capital is reported to be limited in Portugal. Business capital is highly risk-averse, and the lack of liquidity is a problem. With little in the way of robust venture capital available to them, Portuguese start-ups must often look abroad for capital.<sup>185 186</sup>

## ITALY - LOW

While foreign investors may obtain capital in local markets and have access to a variety of credit instruments, access to equity capital is difficult. Italy has a relatively underdeveloped capital market and businesses have a long-standing preference for credit financing. The limited venture capital available is usually provided by established commercial banks and a handful of venture capital funds.<sup>187</sup>

## AFRICA - LOW

Financing of legal African cannabis production has largely come from the Canadian cannabis industry. As more countries in the region enact laws to liberalize access to medical cannabis, Canadian cannabis producers are expected to play a leading role.

## ASIA - LOW

While attitudes towards cannabis legalization have begun to shift across Asia, access to financing is limited at this time. Investor interest in cannabis opportunities, however, is growing. The Hong Kong Cannabis Investor Symposium, held November 1, 2018, brought together executives from leading cannabis companies worldwide and more than 200 attendees to discuss cannabis investment opportunities.<sup>188</sup>

182 Bloomberg. "Uruguay Finds No Banks for the Bongs." 2017. Available from <https://www.bloomberg.com/view/articles/2017-08-22/uruguay-finds-no-banks-for-the-bongs>

183 U.S. Department of State. "2018 Investment Climate Statement – Uruguay." 2018. Available from: <https://www.state.gov/e/eb/rls/othr/ics/2018/wha/281785.htm>

184 Financial Times. "Mexican start-ups at end of the queue for venture capital backers." 2018. Available from: <https://www.ft.com/content/615c4e06-79a1-11e5-a95a-27d368e1dd7>

185 OECD. "OECD Skills Studies OECD Skills Strategy Diagnostic Report: Portugal 2015." 2015. Available from: <https://books.google.ca/books?id=cVhWDwAAQBAJ&pg=PA91>

186 fDi Intelligence. "Portugal's long-term education strategy pays off." 2018. Available from: <https://www.fdiintelligence.com/Locations/Europe/Portugal/Portugal-s-long-term-education-strategy-pays-off>




187 Export.Gov. "Italy - 6-Financial Sector." 2017. Available from: <https://www.export.gov/article?id=Italy-6-Financial-Sector>

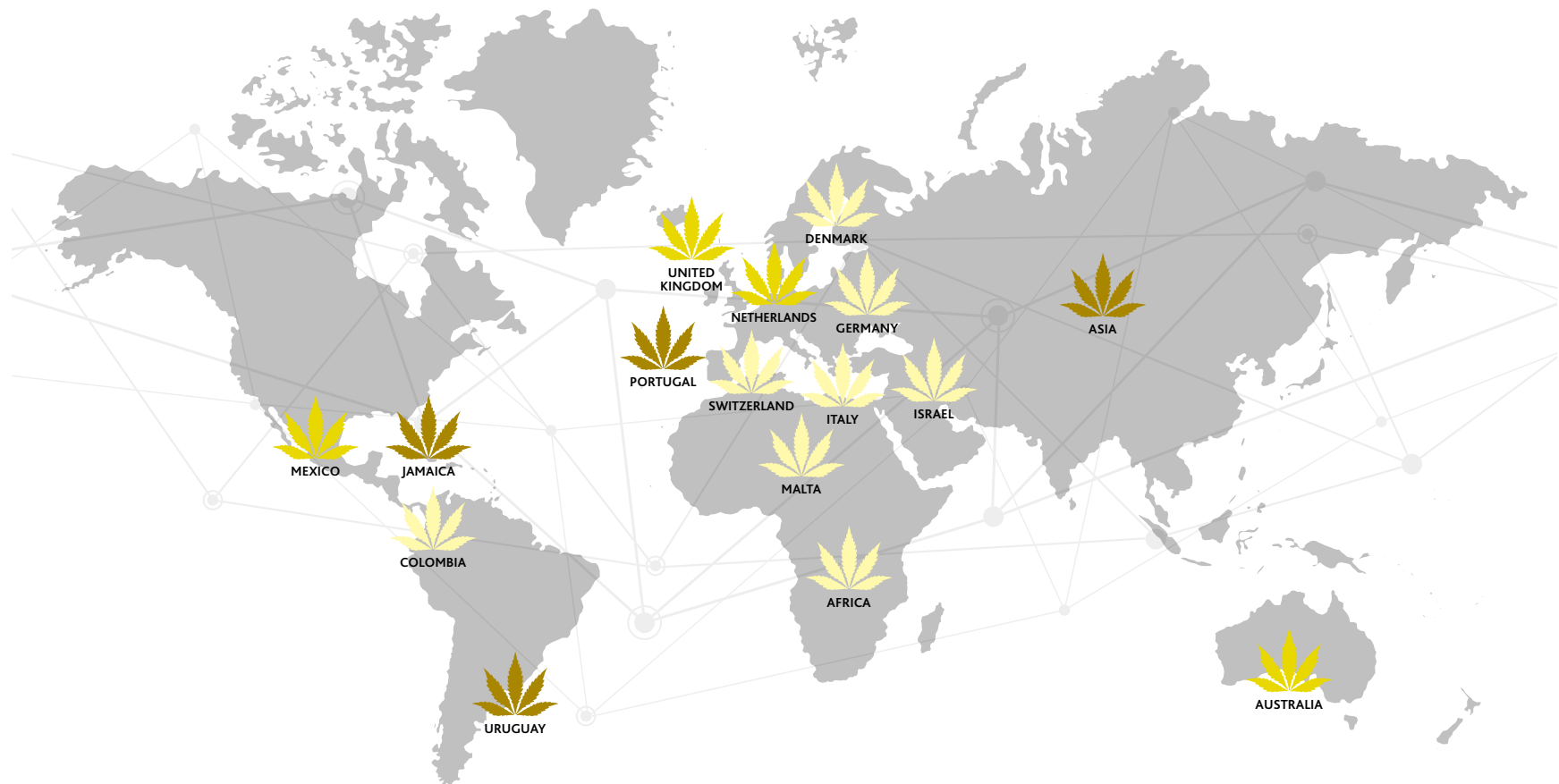
188 Bloomberg. "Cannabis Executives, Investors See Asia Saying 'Yes' to Pot." 2018. Available from <https://www.bloomberg.com/news/articles/2018-11-02/cannabis-executives-investors-see-asia-saying-yes-to-pot>



## 2. Taxation and Fees

Taxation rates and other fees can play a pivotal role in determining not only the overall profitability and success of cannabis businesses but the viability of a legalized cannabis sector itself. Set taxes and other fees too high, and consumers may opt to continue purchasing cheaper product from the illicit market. The result can be a cannabis industry that fails to achieve its potential—and governments that don't take in the level of revenue they had anticipated.

-  **High** – Comparatively high corporate tax burden and other fees levied on cannabis businesses.
-  **Mid** – Moderate corporate tax rates and some other taxes and fees levied on cannabis businesses.
-  **Low** – Favourable corporate tax rates and few other taxes and fees levied on cannabis businesses.





## ENVIRONMENTAL SCAN

**Uruguay, Jamaica, Portugal, and parts of Asia offer the most attractive markets to cannabis companies in terms of their low total tax and fee burden. The Netherlands and Australia are not far behind, in that their tax and fee obligations are still rather less than those found in the other nations in our survey, which tend towards higher tax rates.**

### PORTUGAL - LOW

The general corporate tax rate in Portugal is 21%. The rate is increased by a municipal surcharge of 5% to 9% (depending on the size of taxable profits).

### URUGUAY - LOW

For commercial operations, there is a licence fee depending on the initial investment, maximum flowering plants, and kilograms of product produced per year. There is also a mandatory tariff to register in the Registry of Cannabis Operators.<sup>189 190</sup>

The corporate tax rate in Uruguay is 25%.

### JAMAICA - LOW

There is a non-refundable \$650 application fee for companies wishing to conduct cannabis activities. In addition, there are fees for those applying for a cultivator's licence, ranging from a minimum of \$2,600 total to up to \$3,253 per acre, depending on the tier (size) of the facility. Those applying for a processing license face fees of \$4,550 to \$13,000. Licences for retail establishments, called 'herb houses,' cost \$3,253. There is also a refundable security bond.<sup>191</sup>

The general corporate tax rate in Jamaica is 25%.

### ASIA - LOW

The general corporate tax rate in China is 25%.

In South Korea, corporate tax rates range between 10% and 25% plus a surtax of 1% to 2.2% (depending on annual taxable income).

The general corporate income tax rate in Thailand is 20%.

### UNITED KINGDOM – MID

The rate of Corporation Tax rate is currently 19% and is proposed to fall to 17% for 2020. It is expected that a commercialised cannabis market would likely also be subject to a 20% VAT and a 10-30% excise tax.<sup>192</sup>

189 Instituto de Regulación y Control del Cannabis (IRCCA). "Instructions for Licensing Application for Scientific Investigation to Cannabis Production and Production." 2018. Available from [https://translate.googleusercontent.com/translate\\_c?act=url&depth=1&hl=en&ie=UTF8&prev=\\_t&url=translate.google.ca&sl=auto&sp=nmt4&tl=en&u=https://www.ircca.gub.uy/wp-content/uploads/2018/05/instructivoSolicitudLicencia-v1.3.pdf&xid=17259;15700002;15700023;15700124;15700149;15700168;15700173;15700186;15700191;15700201&usq=ALKjrhjCzCjR4oh8\\_zuA3uVc1T-ne7asA](https://translate.googleusercontent.com/translate_c?act=url&depth=1&hl=en&ie=UTF8&prev=_t&url=translate.google.ca&sl=auto&sp=nmt4&tl=en&u=https://www.ircca.gub.uy/wp-content/uploads/2018/05/instructivoSolicitudLicencia-v1.3.pdf&xid=17259;15700002;15700023;15700124;15700149;15700168;15700173;15700186;15700191;15700201&usq=ALKjrhjCzCjR4oh8_zuA3uVc1T-ne7asA)

190 Solicitud de Licencias para Investigación Científica y Producción de Cannabis, Instituto de Regulación y Control del Cannabis (IRCCA). 2018. <https://www.ircca.gub.uy/proyectos-cannabis/>

191 Cannabis Licensing Authority. "Schedule of Fees." 2018. Available from: <http://cla.org.jm/application/schedule-fees>. Figures were converted to Canadian dollars using exchange rates retrieved from XE Currency Converter as of August 8, 2018.

192 Institute of Economic Affairs. "UK's illicit cannabis market worth £2.5bn a year, finds new report." 2018. Available from: <https://iea.org.uk/media/uks-illicit-cannabis-market-worth-2-5bn-a-year-finds-new-report/>



## NETHERLANDS - MID

There is a 6% value-added tax that applies to medical cannabis in the Netherlands.<sup>193</sup> A 2010 RAND report indicated that the European Court of Justice does not permit coffeeshops to pay the value-added tax on recreational cannabis; however, coffee shops do pay other income and corporate taxes.<sup>194</sup>

The 2019 corporate tax rate in the Netherlands is proposed to be reduced to 19% (from 20%) on taxable profits up to EUR 200,000. For 2019, the general rate of 25% applies to profits in excess of EUR 200,000.

## AUSTRALIA- MID

Medical cannabis and commercial cannabis research licences require an annual fee (currently \$26,473) paid to the Australian government. Those pursuing non-commercial cannabis research must also pay this fee, but only once instead of annually. Depending on the licence and any licence variation sought, companies must pay an additional fee (currently between \$1,673 to \$4,876) to the Office of Drug Control. There is a \$6,580 fee for each inspection.<sup>195 196</sup>

The corporate tax rate in Australia is 27.5% for companies with an aggregate annual turnover of less than AU\$50 million. Otherwise, the general corporate income tax rate is 30%.

## MEXICO – MID

The corporate income tax rate in Mexico is 30%.<sup>197</sup> Food and Medicines are exempt from the 16% Value Added Taxes.

## COLOMBIA – HIGH

There is a 16% tax on finished goods derived from psychoactive or non-psychoactive cannabis products. The tax applies to all products made from cannabis such as creams, shampoos, pills, paper, textiles, animal feed, plastics, and medical preparations.<sup>198</sup> The government also levies a processing fee on applicants wishing to produce cannabis and cannabis-based products commercially.

## ISRAEL - HIGH

There is a 17% standard value-added tax that applies to products in Israel.<sup>199</sup>

The Israeli corporate tax rate is 23%.

## SWITZERLAND - HIGH

Cannabis in Switzerland is subject to tobacco taxation/duty, with an ad valorem rate of 25% of the retail price in addition to a small fee for each kilogram sold.

The statutory federal corporate tax rate in Switzerland is 8.5%. Cantonal income taxes are also levied which generally results in an effective rate between 12% to 24%.<sup>200</sup>

193 Office of Medicinal Cannabis. "Type of medicinal cannabis." 2018. Available from: <https://english.cannabisbureau.nl/medicinal-cannabis/types-of-medicinal-cannabis>. Figure was converted to Canadian dollars using exchange rates retrieved from XE Currency Converter as of August 8, 2018.

194 RAND Drug Policy Research Center. "What Can We Learn from the Dutch Cannabis Coffeeshop Experience?" 2010. Available from: [https://www.rand.org/content/dam/rand/pubs/working\\_papers/2010/RAND\\_WR768.pdf](https://www.rand.org/content/dam/rand/pubs/working_papers/2010/RAND_WR768.pdf)

195 Australian Federal Register of Legislation. "Narcotic Drugs (Licence Charges) Regulation 2016." 2016. Available from: <https://www.legislation.gov.au/Details/F2016L01893>. Figure was converted to Canadian dollars using exchange rates retrieved from XE Currency Converter as of August 8, 2018.

196 Office of Drug Control of the Australian Department of Health. "Cost Recovery Implementation Statement: Regulation of Medicinal Cannabis." 2016. Available from: <https://www.odc.gov.au/publications/cost-recovery-implementation-statement-regulation-medicinal-cannabis>. Figure was converted to Canadian dollars using exchange rates retrieved from XE Currency Converter as of August 8, 2018. Figure was converted to Canadian dollars using exchange rates retrieved from XE Currency Converter as of August 8, 2018.

197 PWC. "Mexico – Taxes on corporate income." 2018. Available from: [taxsummaries.pwc.com/ID/Mexico-Corporate-Taxes-on-corporate-income](https://taxsummaries.pwc.com/ID/Mexico-Corporate-Taxes-on-corporate-income)

198 Globe Newswire. "New Colombia Resources Inc. Announces Medical Marijuana Producer Sannabis is First to Pay Colombia's New Cannabis Tax." 2017. Available from: <https://www.globenewswire.com/news-release/2017/04/20/1244679/0/en/New-Colombia-Resources-Inc-Announces-Medical-Marijuana-Producer-Sannabis-is-First-to-Pay-Colombia-s-New-Cannabis-Tax.html>

199 Vatlive. "International VAT and GST rates 2018." 2018. Available from: <https://www.vatlive.com/vat-rates/international-vat-and-gst-rates/>

200 Swiss Federal Department of Finance FDF. "Factsheet on the tobacco duty liability of cannabis products with a THC content of less than 1%." 2018. Available from: <https://www.ezv.admin.ch/dam/ezv/en/dokumente/abgaben/Tabi/Merkblatt%20Cannabis%20.pdf.download.pdf/Merkblatt%20Cannabisbesteuerung%20EN.pdf>





### **MALTA - HIGH**

Malta's cannabis legislation allows regulators to set the fees levied for letters of intent, licences, authorizations, and approvals for any of the categories of producers.<sup>201</sup>

The corporate tax rate in Malta is 35% but a distribution of taxed profits enables a shareholder to claim a refund on some or all of the taxes paid which may reduce the overall effective tax rate to 0% to 10%.

### **ITALY - HIGH**

Medical cannabis sold in Italy is mostly subject to the country's general value-added tax, which is rising from 22% to 24.2% in 2019. Cannabis strain FM2 is only subject to 10% VAT, however, as it is a listed drug in the country's official annexe of medicines.<sup>202 203</sup>

Corporations are subject to a 24% income tax as well as a 3.9% IRAP regional tax.

### **DENMARK - HIGH**

Denmark applies a standard value-added tax to all products and services of 25%.<sup>204</sup>

The corporate tax rate in Denmark is 22%.

### **GERMANY - HIGH**

The corporate tax rate in Germany is 15% plus a 5.5 % solidarity surcharge and municipal trade tax at rates between 14% and 17%. Overall, the combined effective corporate tax rate is approximately 30% to 33%.

### **AFRICA - HIGH**

Countries in Africa typically have a value-added tax of between 14% and 20%, and these costs may be passed on to consumers in future.

The corporate tax rate in Zimbabwe is 25%. Qualifying manufacturing companies and commercial farming businesses may be subject to a reduced income tax rate of 10%.

The corporate tax rate in Zimbabwe is 25%, plus an additional 3% surcharge that results in an effective tax rate of 25.75%.

The corporate income tax rate in South Africa is 28%.

201 Malta Justice Services. "An Act to provide for the production of cannabis for medicinal use." 2018. Available from: <http://justiceservices.gov.mt/DownloadDocument.aspx?app=lp&itemid=28891&l=1>

202 Agenzia Industrie Difesa. "Informazioni per l'acquisto di CANNABIS FM1" 2018. Available from: [http://farmaceuticomilitare.it/cannabis\\_documenti/35\\_FM1THC1320\\_110718.pdf](http://farmaceuticomilitare.it/cannabis_documenti/35_FM1THC1320_110718.pdf)




203 FarmaCosmetica. "Cannabis medica FM2 FM1: guida completa." 2018. Available from: <https://farmacosmetica.eu/2018/07/03/cannabis-medica-fm2-fm1-guida-completa/>

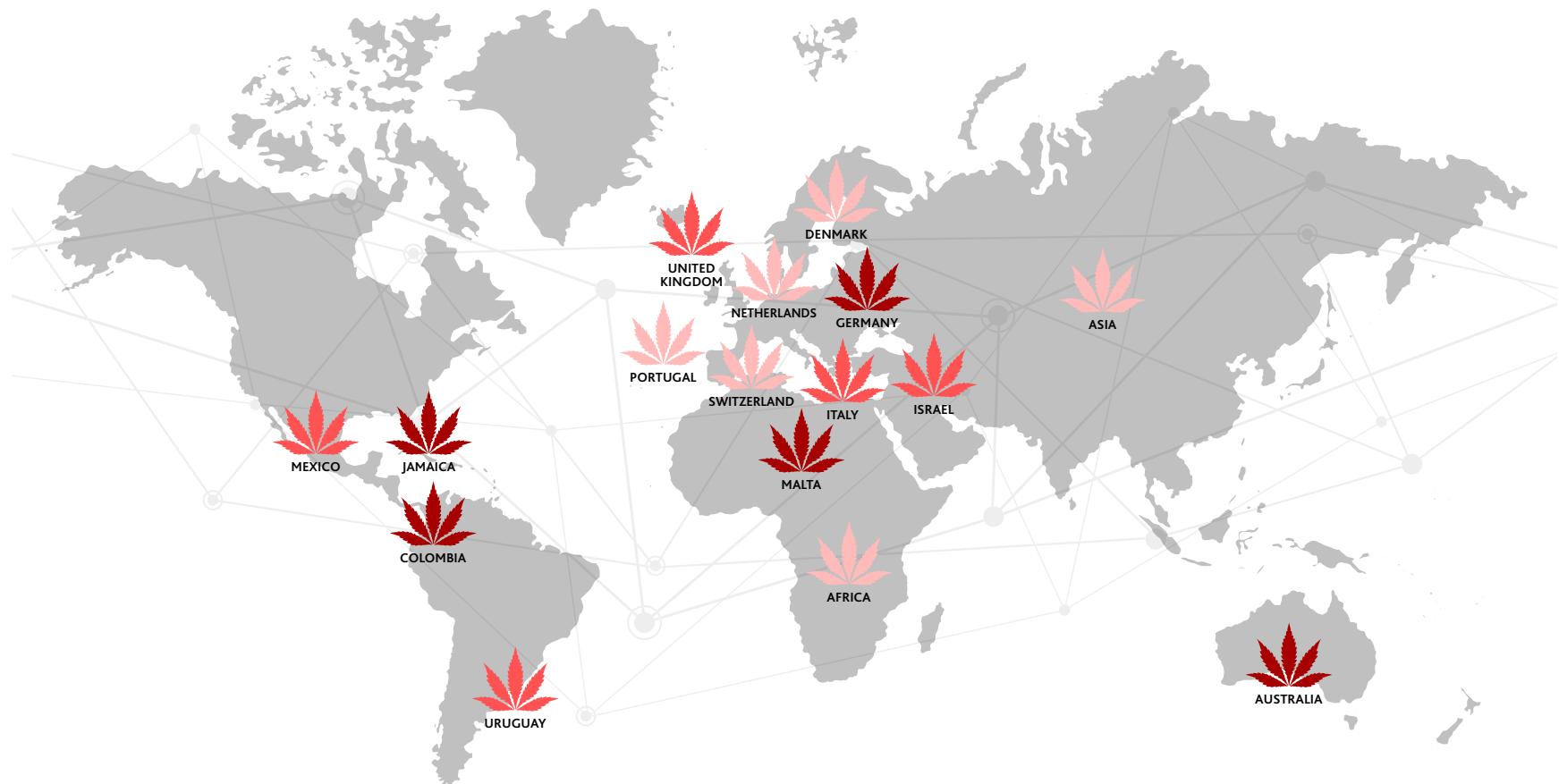
204 Export.gov. 2019. Available from: <https://www.export.gov/article?id=Denmark-import-tariffs>



### 3. Policy Maturity

The extent to which Canadian and other cannabis companies can do business and thrive in a particular market also greatly depends on that market's policy environment. How well-developed or "mature" are the government policies around cannabis production, distribution, sales and/or exports? Where there are multiple levels of government, how well aligned are they around cannabis issues? Do separate policy regimes exist for medical and recreational cannabis, and how do they compare? Is local society open to cannabis legalization, or resistant?

-  **High** – Governments are quite open to the development of the cannabis industry and have taken steps to legalize production and consumption, whether medical or recreational.
-  **Mid** – Partially developed cannabis policies—for example, those focused on medical cannabis alone—or where policymaking progress is uncertain.
-  **Low** – Lack clear cannabis policies, or where the development of those policies is in their infancy.





## ENVIRONMENTAL SCAN

**Colombia, Jamaica, Australia, Malta and Germany represent the most attractive markets for cannabis companies for their mature, open policy environments. These are markets that are largely supportive of the burgeoning cannabis industry, and places where Canadian companies can do business with relative ease. Uruguay, Israel and Italy deserve recognition as well for their maturing policies around recreational (in Uruguay's case) and medical cannabis.**

### JAMAICA - HIGH

Jamaica is positioning itself as a leader in the production of legal cannabis, with some of the most progressive cannabis laws in the world. Establishing “herb houses” (dispensaries) and allowing tourists to purchase medical cannabis demonstrates the government's desire to rejuvenate local economies and also enable a market for cannabis exports.

### AUSTRALIA - HIGH

With domestic production underway, buy-in from Canadian cannabis companies, and a recent decision to enable export of finished cannabis, Australia is positioning itself as an emerging global cannabis player. There is a belief among Australian cannabis executives that the country will see government reimbursement of medical marijuana-based drugs in the years to come.<sup>205</sup> This may spur renewed international commercial interest in Australia.

### COLUMBIA - HIGH

The Colombian government is creating a vibrant export market. More than 80 companies are producing cannabis products in the country, many with international investment and supply deals. Although the sale of dried flower for medicinal purposes is not permitted in the country, Colombia's low input costs, outdoor cultivation and investment from Canadian companies make it an attractive market.

### MALTA - HIGH

Although hampered by its small population, Malta is actively courting investment from cannabis companies around the world. The high cost per gram paid by patients and the country's progressive medical cannabis importation policies make it an attractive market.

### GERMANY - HIGH

Germany is one of the most advanced medical cannabis markets in the world, with its own “Cannabis Agency” and cost coverage by the country's public health organization. An attractive tender process to determine domestic producers of the drug is also underway and international companies will undoubtedly apply for that. Germany is on track to become one of the world's largest medicinal cannabis markets as the number of insured patients and imports are on the rise. In addition, some industry executives in the country believe recreational legalization will happen “in the foreseeable future.”<sup>206</sup>

### URUGUAY - MID

Uruguay has a first-mover advantage with their liberalization of cannabis laws, and the government has enabled the production of cannabis in the country for export. However, Uruguay still does not have a fully-developed domestic medical cannabis program.

205 Stockhead. “Momentum is building for medical cannabis drug subsidies says Bod Australia boss.” 2018. Available from: <https://stockhead.com.au/health/bod-australia-cannabis-products-government-rebates/>

206 MJBizDaily. “Germany's Medical Marijuana Market Poised for a Breakout Year. 2018. Available from: <https://mjbizdaily.com/germanys-medical-marijuana-market-poised-breakout-year/>



### ISRAEL - MID

In addition to being considered a cannabis research and tech hub, Israel is home to a robust domestic medical cannabis regime serviced by domestic producers. Domestic sale of cannabis is quite inexpensive on a per gram basis, which may hinder profitability, but companies hope Israel can become a significant cannabis exporter. In January 2019, Israel gave final approval to a law permitting the export of medical cannabis, making Israel the third nation in the world that allows cannabis exports.<sup>207</sup> This move creates new opportunities for companies investing in Israeli cannabis production.

### ITALY - MID

With a vibrant, domestic cannabis "light" market, booming demand for medical cannabis, cost coverage by the country's national health service, and low penetration by Canadian companies, Italy could be a highly attractive target for cannabis sector investment.

### UK - MID

The recent legalization of medical cannabis has opened the door to increasing discussions on whether this is the first step towards permitted recreational use across the UK. However, the current government has indicated it's not on their agenda.

### MEXICO - MID

Mexico appears to be heading toward the legalization of marijuana. The new government of Andrés Manuel López Obrador has introduced a bill that would legalise its medical and recreational use, and the country's supreme court recently ruled an absolute ban on recreational use is unconstitutional.

### NETHERLANDS - LOW

The Netherlands has a policy of tolerance for possession of small amounts of cannabis, a thriving sector of cannabis coffee shops, as well as a medical cannabis program serviced by Dutch company Bedrocan. However, global investment in the Netherlands' cannabis market has not come to fruition, likely because the drug is still federally illegal. In 2018, the country announced plans for a four-year trial to allow certain states to produce and sell cannabis legally.

### SWITZERLAND - LOW

Access to medical cannabis in the country is limited to a case-by-case basis, although the Federal Council in the country is tasked with proposing a change to allow widespread prescription of the drug by summer 2019. In addition to enabling a thriving CBD market, the government is also determining whether health insurance companies should cover the cost of medical cannabis for patients.<sup>208</sup>

### PORTUGAL - LOW

Up until recently, Portugal has only enabled the limited production of cannabis for export. With a 2018 law that legalizes the domestic purchase and use of medical cannabis, look for more attention from global cannabis players.



There are two primary factors that can give Canadian companies a competitive advantage in emerging cannabis markets: expertise and access to capital.

*Chuck Rifici, CEO, Auxly Cannabis Group*



<sup>207</sup> Haaretz. "How a Change in Trump Policy Helped Israel Export Medical Marijuana." February 2019. Available from <https://www.haaretz.com/israel-news/business/how-a-change-in-trump-policy-helped-israel-export-medical-marijuana-1.6898486>

<sup>208</sup> Local.SE. "Swiss government backs scientific trials into cannabis use" 2018. Available from: <https://www.thelocal.ch/20180705/swiss-government-backs-scientific-trials-into-cannabis-use>



### DENMARK - LOW

Denmark's medical cannabis system is still in its infancy, with an emerging emphasis on domestic cultivation to supplant the mere handful of imported cannabis products currently available to Danish patients. With a recent rise in Canadian interest, producers hope that Denmark can at least serve as a medical cannabis export hub for the rest of the European market, particularly the Scandinavian nations.

Five Danish political parties announced in June 2018 that they support the legalisation of cannabis, which may spur future legislative initiatives to legalize the drug recreationally.<sup>209</sup>

### AFRICA - LOW

With significant investment from Canadian cannabis companies, Lesotho could one day be a prime medical cannabis hub for the African continent. However, more than a handful of region's countries must enact robust medical cannabis frameworks before this can happen.

### ASIA - LOW

Asia's cannabis liberalization and commercialization are still in its infancy, with few legalized cannabis regimes, medical or otherwise. Still, China's leadership on hemp and its openness to cultivate high-CBD strains could position it in an enviable position should the region embrace cannabis production more fully.



Mexico, Chile and Peru are all moving quickly. You can start to see a trend in the region. Doctors' interest in cannabis is growing, and we're sending a lot of resources down there to engage in research and physician education. We've positioned ourselves really well down there.

*Jordan Sinclair, Vice President  
Communications & Media, Canopy Growth*



209 The Local. "Five Danish political parties support legalisation of cannabis." 2018. Available from: <https://www.thelocal.dk/20180611/five-danish-political-parties-support-legalisation-of-cannabis>



SECTION 3

**What's Next for  
Canada's Cannabis Sector**



## Perspectives on the Future and Recommendations

Legalization of recreational cannabis marked an important step in the evolution of the cannabis industry in Canada and around the world. But it's still early days. In this section, we offer our perspectives on what's next for the cannabis industry, exploring key opportunities—and potential obstacles.

Canadian cannabis companies are very well-positioned to thrive in the emerging global cannabis industry. To continue to win and grow, we believe companies will need to focus on what they're best at and invest in building their brands. They'll need to stay on top of the world's medical cannabis sector and avoid placing all their bets on the recreational market. And they'll need to stay alert—to new opportunities, developments and competitors—and never let today's early advantages lull them into a false sense of security.



We're more likely to see food and beverage companies partner with cannabis firms rather than go it alone. They'll bring their knowledge of customers or chocolate or craft beer and combine it with our sector's expertise in cannabis.

*Jordan Sinclair, Vice President  
Communications & Media, Canopy Growth*



## FOUR PILLARS OF GROWTH



**Stay Focussed.** Don't spread yourself thin. Focus on your areas of excellence, choose your lane in the supply chain, and hit the gas.



**Build your Brand.** Help consumers understand the differences between cannabis products. And show them why your brand stands out. Advocate for cannabis with the public while balancing the challenges of doing so within regulatory restrictions.



**Medical Cannabis.** Recreational cannabis might have the attention of the Canadian public, but medical cannabis and related products offers the most potential worldwide for growth. Be part of the ongoing evolution of cannabis' integration into healthcare and seize opportunities as they arise.



**Compete for Talent.** Attraction and retention of the right people and skills is critical if you want to play in the global landscape. The industry is expected to shift from an entrepreneurial perspective to globally managed companies with global perspectives.





## INTERNATIONAL OPPORTUNITIES: CANADA'S CHANCE TO LEAD

The global cannabis industry is evolving fast and creating new opportunities for Canadian cannabis companies. It's also providing Canada with a unique chance to secure a leadership position in this dynamic, growing sector.

Canada's cannabis industry is admired worldwide for the care and rigour with which it has been established. The policy framework and government support in place ensure companies grow and sell safe, controlled and quality product. Companies have access to the capital and financial services they need to operate with ease and achieve growth. They can draw on a growing pool of talent with the knowledge, education and expertise needed to cultivate, process and market cannabis products. And they have the research and development capability needed to innovate and build on their successes.

As Canadian cannabis firms move into new markets, they can bring this tremendous "intellectual property" with them. They can show how to build safe and strong cannabis industries and well-run, productive cannabis businesses. They can leverage Canada's cannabis-friendly investment environment to finance the world's cannabis industry and get in on the ground floor of new cannabis developments worldwide. In doing so, they can shape the global cannabis sector in Canada's image and be the model for others. We encourage Canada's cannabis companies to continue to seize this unique moment, press home their advantage—and cement Canada's leadership position.

## RESOLVING POST-LEGALIZATION CHALLENGES

In the short term, we'll see the industry tackle the challenges that have frustrated companies and consumers alike since legalization, especially supply shortages and sales and distribution issues. We also expect to see cannabis companies ramp up marketing activity to educate consumers about recreational cannabis and how to differentiate between the many products available—while staying onside with government rules around cannabis marketing.

A big part of the industry's marketing efforts will also entail taking on the lingering stigma around cannabis consumption. "Legalized" and "accepted" aren't the same thing, and the industry must still advocate for cannabis to the wider public. In addition to highlighting the important economic benefits of the sector, the industry must help Canadians understand the benefits—and risks—of cannabis, dispel myths, and demonstrate why legal products are a better choice than illicit ones. It will take time, but eventually, cannabis may be viewed in the same context as other controlled yet socially acceptable products such as beer, wine and spirits.

## SEIZING OPPORTUNITIES FOR DOMESTIC GROWTH

As they tackle post-legalization challenges, Canada's cannabis companies are already looking ahead to new domestic growth opportunities—especially cannabis edibles, for which there's strong anticipated demand. The wait should be over in a few months: in late December 2018, the federal government released its proposed regulations for cannabis edibles, extracts and topicals,<sup>210</sup> and edibles are expected to be on the legal market by October 2019.<sup>211</sup> Cannabis companies can expect new competition from Canada's food and beverage sector in this area; many food and beverage companies are establishing cannabis divisions, and there's likely to be significant "cross-pollination" between the two industries in future.

Meeting the demand of the medical cannabis market also remains a growth area for cannabis companies in Canada as well as internationally. In Canada, this market has struggled to secure reliable supplies amid the launch of legal recreational cannabis, and it's also showing rising interest in CBD-based products. CBD demand should push more companies into industrial hemp production, as the incredible versatile plant is an excellent source for THC-free CBD products. Canadian companies may wish to move fast on industrial hemp: China is making significant investments in this area, and the US legalized hemp in December 2018 (though the legal status of CBD remains somewhat hazy at this time).<sup>212</sup>

## A MATURING INDUSTRY WILL SEE RISING M&A ACTIVITY

With legalization behind it, Canada's cannabis sector is set for a period of growth, refinement and consolidation. At the moment, many of Canada's cannabis companies are stretched thin across the entire cannabis supply chain, from cultivation to processing to retail, each with unique challenges. It won't take long for these companies to "find their lane" and focus on areas of strength. Indeed, we believe this is a necessary step in the industry's long-term development.

As companies specialize, they'll use acquisitions—and increasingly, mergers—to achieve scale in their area of focus and close key gaps in terms of talent, capability, knowledge, reach and more. Canadian companies will drive much of this activity, but there remains the possibility that foreign cannabis companies could acquire our domestic firms. If the US were to change its federal stance on cannabis, for example, we'd see a massive spike in M&A activity as the world's largest cannabis market strode onto the global stage. While this may seem unlikely today, Canadian companies can't assume the US federal government will never change—as their new hemp legislation demonstrates.



We'll see companies specialize. And we'll see more on the merger side, people joining forces because they strategically complement one another. We haven't seen much of that yet—companies combining to create new entities.

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210 Health Canada. "Proposed regulations for additional cannabis products." Available from <https://www.canada.ca/en/health-canada/services/drugs-medication/cannabis/resources/proposed-regulations-edible-cannabis-extracts-topicals.html>

211 CBC News. "Liberals lay out proposed rules for cannabis 'edibles.'" Dec. 20, 2018. Available from <https://www.cbc.ca/news/politics/cannabis-edibles-regulations-consultation-1.4954116>

212 Business Insider. "Trump just signed a law that could spark a boom for the \$1 billion marijuana-linked CBD industry." December 20, 2018. Available from <https://www.businessinsider.com/farm-bill-legalizes-hemp-boom-marijuana-cbd-industry-2018-12>



A maturing market and rising M&A activity should also help investors and business leaders achieve more accurate valuations of cannabis companies. It's been challenging for investors to fully understand the size and potential of domestic and global cannabis markets. That's made it equally challenging to quantify the opportunity and appropriately value the companies out to seize it. In recent months we've seen valuations that seemed too low, and other that seems outrageously high—but this reflects the fact that investors and market watchers don't yet have the knowledge and experience they need. It's much like the early-2000s dotcom boom: How do you accurately value something that's never existed before?

## OBSTACLES CAN TRIP UP THE UNWARY

These are bullish days for the cannabis industry. Opportunities abound at home and abroad. Cannabis companies will need to stay on top of issues that could spell trouble and put unwelcome obstacles in their way:

**LEGAL HURDLES.** Government restrictions on the movement of funds can pose a major challenge for cannabis businesses. US cannabis companies, for example, struggle with US banks' unwillingness to do business with them. And a country's restrictions can even interfere with companies' ability to do business outside that country—as cannabis firms attempting to transfer money from point A to point B via the US can discover.

**EXECUTION RISK.** Doing business internationally is significantly more complex than doing so domestically at the best of times—much less when dealing with a highly regulated, formerly illicit product like cannabis. Companies venturing abroad must understand, monitor and manage their execution risk to ensure they know what they're getting into, and manage the project effectively to make sure they achieve the desired outcome.

**TAXATION.** Taxes on cannabis products can be a promising source of revenue for governments. But set taxes too high and customers may not buy legal product; businesses falter, governments don't generate anticipated revenue, and illicit trade thrives. Companies need to understand local cannabis taxation when pursuing global opportunities and put the right tax structure in place to ensure new ventures stay profitable.

**TRAVEL.** Around the world, attitudes towards cannabis are changing. But cannabis remains illegal in many countries, which can cause problems for cannabis company owners, employees and investors. Under US federal laws, for example, Canadians can be denied US entry not only for using cannabis but for travelling on cannabis-related business. That can interfere with efforts to pursue opportunities around the world, not just the US.

## MOVE FORWARD: FOUR KEY PILLARS FOR CONTINUED GROWTH

There's no shortage of growth opportunities for Canada's cannabis companies, both at home and around the world, and Canadian firms are very well-positioned to seize them. As the industry moves forward in a post-legalization world, we believe cannabis companies need to focus on four key pillars to grow and thrive in the months and years to come:



**STAY FOCUSED.** To continue as a leader in the cannabis space, pour everything into securing your unique competitive advantage. A focus on your areas of strength—for example, those areas of the cannabis supply chain where you excel—avoids spreading yourself too thin. Internationally, you want to look for opportunities to grab the “low-hanging fruit” that is a match for your area of strength. As your reputation grows, the world will come calling for your expertise. A focus on what you're best at will also make it easier to devote the time and resources needed to capitalize on the right opportunities around the globe.



**BUILD YOUR BRAND.** Invest in building better consumer awareness and understanding of the various cannabis products available will differentiate your brand from the rest of the pack. Work with industry partners to advocate and educate around cannabis and its responsible use—while staying on the right side of the regulators--will boost your company's profile. International opportunities will go to those brands with name recognition value.



**MEDICAL CANNABIS.** With the recent legalization in Canada, recreational cannabis is at the forefront of the industry, but this is not to the exclusion of the potential worldwide opportunities in the medical market. Future advancements in science and technology will pave the way for a greater medicinal cannabis impact on the global market. Stay abreast of the ever-evolving outlook on how cannabis products are integrated into healthcare systems around the world. Follow developments in hemp, CBD and medical research to understand how they will shape the healthcare and cannabis industries going forward. This insight and knowledge make you an invaluable partner to organizations around the world.



**COMPETE FOR TALENT.** The shift to international business opportunities requires the hiring and promotion of skills that are different from what was of highest value for domestic growth. It's a small pool of people with diverse cultural knowledge, language skills, and overseas work experience that have also been active in developing the Canadian cannabis industry. Commit and lock up to the people that can help you grow abroad.



## A WORLD OF OPPORTUNITY AWAITS

Canada now stands at the forefront of cannabis legalization—and the development of a robust, growing cannabis industry. Our governments and businesses are seen as leaders with the knowledge, experience and expertise needed to develop thriving cannabis sectors in markets around the globe. And this leadership role puts Canadian cannabis businesses in an excellent position to identify, seize and shape cannabis investment and business opportunities worldwide.

Capitalizing on these opportunities is essential for Canada's cannabis industry to thrive in the long term. Domestic success will only take Canadian cannabis companies so far; to continue to succeed, they must look abroad to new markets and new customers. By taking action now to get in on the ground floor of emerging cannabis opportunities, Canada's cannabis companies will be able to not only reap the rewards of their investments—they will truly shape the global cannabis industry in Canada's image, and help deliver safe, controlled, quality cannabis products to consumers worldwide.

## MNP IS HERE TO HELP

For years, MNP professionals have been working with licensed producers, entrepreneurs and investors across the cannabis sector to establish successful, growing enterprises. MNP has become an industry leader in helping cannabis businesses understand the accounting, audit, tax, financial and regulatory issues that impact their industry. We work with companies to navigate the complex business issues that arise in a highly regulated and unpredictable industry and establish a foundation of best practices for governance, systems and processes that support bottom-line performance. And we've helped our clients get the financing they need to grow, from finding private investors to filing for an IPO.

As an active participant in the regulated cannabis sector both domestically and internationally, MNP has established close relationships with lawyers, insurers, lenders, investors, trade associations and key representatives of federal, provincial and municipal governments. We host conferences and roundtable discussions with industry players, take part in Health Canada discussions, and share benchmarking data to provide clients with valuable insights into sector performance.

Global Cannabis Markets is part of MNP's ongoing effort to help Canada's cannabis sector thrive and win. Our Cannabis Services team is here to help you overcome today's business challenges—and seize tomorrow's opportunities.

# MNP CANNABIS SERVICES

If you would like to learn more about MNP's diverse suite of Cannabis Services, contact:



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Glenn is one of the leaders of MNP's Cannabis team. An active member in the cannabis industry, Glenn provides value to his clients and to the clients of MNP by drawing on 25 years of experience in providing effective business advisory, tax and assurance services to private companies.

Glenn has an expansive network of connections among the industry leaders to stay abreast of evolving business trends and opportunities in North America and overseas. Glenn frequently partners with top CEOs and leaders to tackle diverse topics surrounding cannabis on route to legalization in Canada. This includes contributions to thought leadership pieces, participating in industry panels and hosting quarterly roundtable discussions.



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David is one of the leaders of MNP's Cannabis team. He has assisted with taking numerous Cannabis clients public and has helped them secure financing. He has also helped Cannabis clients with the complex theory and practical application of the biological asset standard as well as many other issues and matters particular to this sector. David has experience with the medical marijuana sector in the U.S. as well.

David has served as a director for public companies for many years, having had significant director positions with public companies listed on the Toronto Stock Exchange, TSX Venture, New York Stock Exchange and the former American Stock Exchange. As a result, he understands the importance of working closely with clients, taking their specific needs into consideration to help them achieve their goals.



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Maruf is one of the leaders of the MNP's Cannabis team. His principal role has been auditing these companies as well as assisting them in their IPO process. He has also helped in securing financing for some of the companies in this sector. Maruf is considered a thought leader in the practical application of the IFRS biological asset standard and measurement of fair value of the assets. He has experience with the medical marijuana sector internationally and has assisted with these companies listing in Canada.

Maruf has helped numerous Canadian and international companies go public in Canada. He has worked around the globe, with a special focus on Latin America and Africa and specializes in helping finance these companies in Canada, either through public or private transactions. Maruf has extensive experience working with clients in the technology, mining, pharmaceutical and gaming sectors. He is also involved with investment funds and Exempt Market Dealers.



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Peter is a senior member of MNP's national Cannabis Industry team, Peter has presented at and chaired panels throughout BC and Canada, including major conferences and executive roundtables, as well as numerous chambers of commerce and local communities. With biotech, pharma and retail experience, Peter's cross-industry knowledge represents foundational intersects with the rapidly-expanding Cannabis sector. He is actively advising industry players and investors on current and evolving trends and opportunities. Peter's client conversations have a particular emphasis on strategies, structures and challenges across the cultivation->extraction->manufacturing->retail value chain to accelerate Cannabis 2.0.





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