

Cannabis in Canada: Recreational Markets by Province



SPONSORED BY



gro|dan[®]

CANNABIS IN CANADA: RECREATIONAL MARKETS BY PROVINCE



Matt Lamers
MJBizDaily
Canadian Industry Reporter

Welcome to the first Canada report produced by the research team at Marijuana Business Daily.

Canada ended 95 years of cannabis prohibition in June, passing landmark legislation that lays the groundwork for a multibillion-dollar marijuana industry.

Recreational cannabis sales will begin across the country Oct. 17.

Retailers authorized by the provinces and territories will be able to sell dried cannabis, oil, seeds and plants. Edibles and infused products, however, won't be allowed right away; the federal government plans to allow them by October 2019.

But anyone who wants to get into Canada's cannabis industry must start by learning which rules are regulated by what level of government.

The federal government retains control over key areas of the sector, including possession limits (federal minimum), advertising, product type, packaging, medical cannabis, cultivation and processing.

The provinces will regulate, among other things, wholesale, retail and consumption locations.

And the rules vary widely by province. For example, most of Western Canada is looking to the private sector to sell cannabis, while Eastern provinces plan to rely on a relatively small number of government-run stores.

Then there are inconsistencies in the regulations that may lead to court challenges. The federal legislation requires provinces to allow some degree of home cultivation, but Manitoba and Quebec vow to ban it outright.

This report provides information on market opportunities for recreational and medical cannabis businesses in Canada's 10 provinces:

- Alberta
- British Columbia
- Manitoba
- New Brunswick
- Newfoundland and Labrador
- Nova Scotia
- Ontario
- Prince Edward Island
- Quebec
- Saskatchewan

The information in this report is derived from dozens of interviews with analysts, executives and government sources in the aforementioned markets.

Entrepreneurs are encouraged to thoroughly read any legislation that may impact their businesses on the local, provincial and national levels. To that end, we've included the critical laws for each province.

Understanding related laws is going to be only one of the essential steps to the survival of any business as the government looks to reduce the footprint of the illicit market. And it will be important to keep up with those laws as they continue to evolve.

If you have any questions or want to provide feedback, please contact me at mattl@mjbizdaily.com.

Best regards,

Matt Lamers

Matt Lamers
MJBizDaily Canadian Industry Reporter



CONTENTS

RECREATIONAL SNAPSHOT BY PROVINCE 2

RECREATIONAL SNAPSHOT BY TERRITORY 3

FOUR ESSENTIAL CHARTS FOR THE CANADIAN MARKET 4

ALBERTA 8

BRITISH COLUMBIA 10

MANITOBA 12

NEW BRUNSWICK 14

NEWFOUNDLAND AND LABRADOR 16

NOVA SCOTIA 18

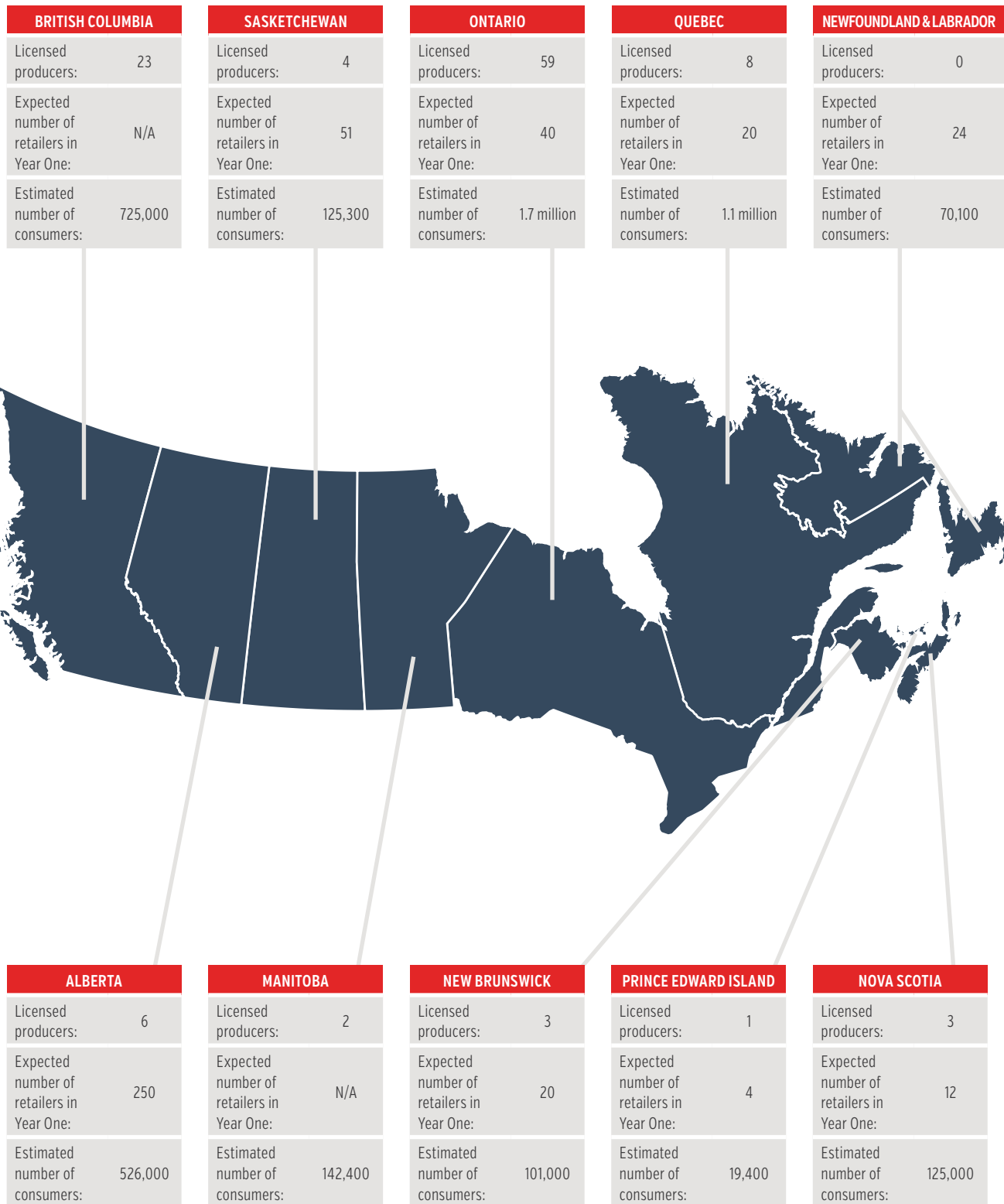
ONTARIO 20

PRINCE EDWARD ISLAND 22

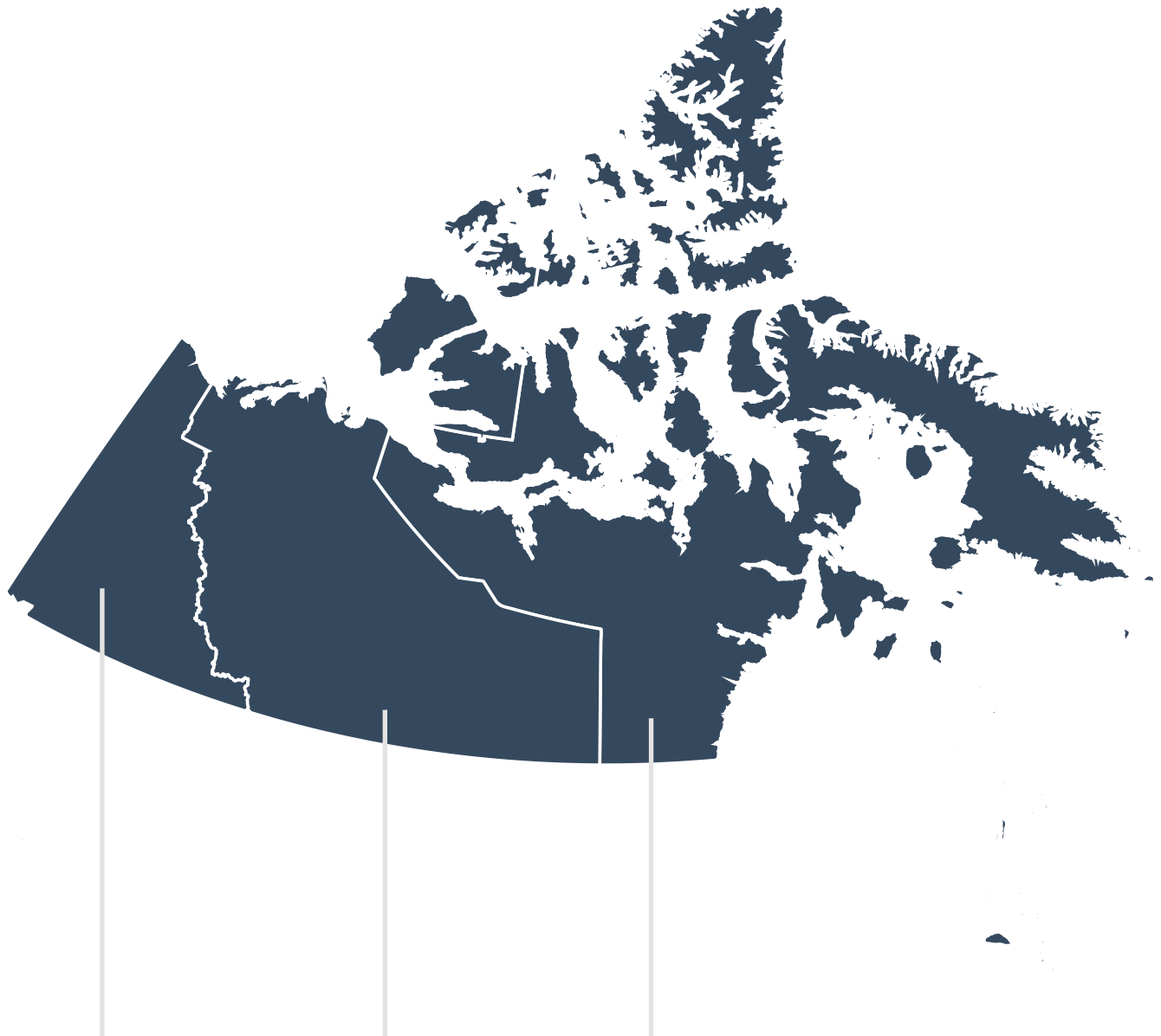
QUEBEC 24

SASKATCHEWAN 26

RECREATIONAL SNAPSHOT BY PROVINCE



RECREATIONAL SNAPSHOT BY TERRITORY



YUKON	
Licensed producers:	0
Expected number of retailers in Year One:	1
Estimated number of consumers:	4,400

NORTHWEST TERRITORIES	
Licensed producers:	0
Expected number of retailers in Year One:	7 (in liquor stores)
Estimated number of consumers:	5,100

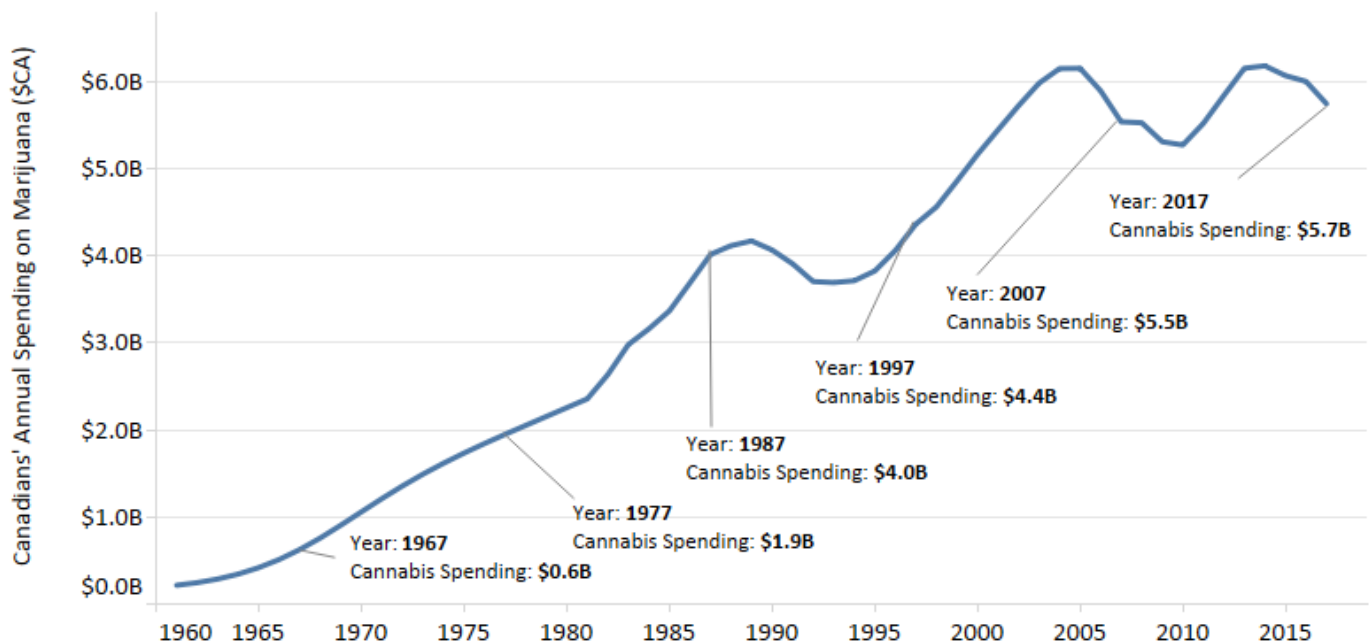
NUNAVUT	
Licensed producers:	0
Expected number of retailers in Year One:	Online only
Estimated number of consumers:	4,400

FOUR ESSENTIAL CHARTS FOR THE CANADIAN MARKET

CANADIANS' ESTIMATED TOTAL SPENDING ON MARIJUANA BY YEAR

One of the goals of legalization is to move illicit marijuana sales over to the legal market. Canadians' cannabis consumption has grown steadily since 1960. All sales represented in this chart were part of the illicit market. The bottom line: There's at least CA\$6 billion up for grabs, and that doesn't include the market share cannabis will take from alcohol.

Canadians' Estimated Total Spending on Marijuana By Year



Source: Health Canada

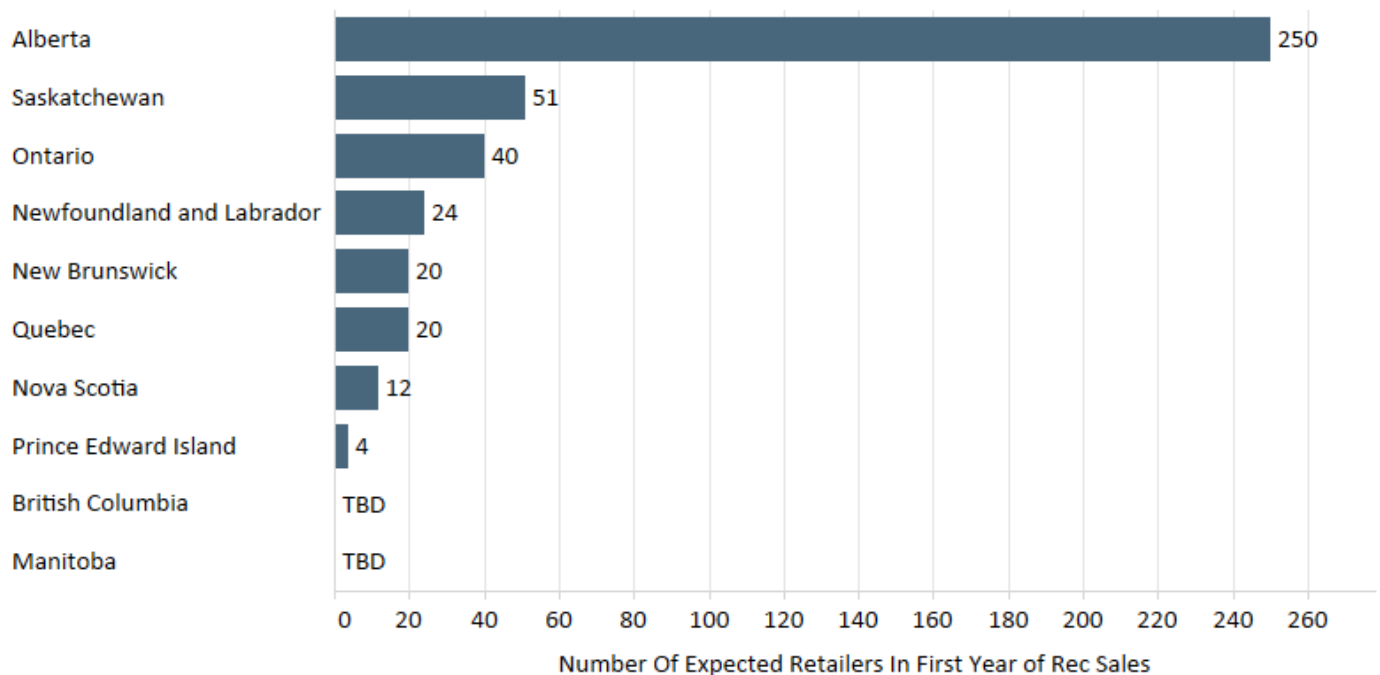
Note: Includes spending on MMJ and marijuana purchased illegally

Copyright 2018 Marijuana Business Daily, a division of Anne Holland Ventures Inc. All rights reserved.

NUMBER OF EXPECTED RETAILERS IN FIRST YEAR OF ADULT-USE SALES IN CANADA

The federal government handed retail oversight to provinces. As such, each province went its own way with its respective regulations. Generally, Eastern provinces are going with government-run monopolies, and Western ones with the private sector. The bottom line: Western Canadian retailers will see fierce competition and low margins.

Number of Expected Retailers In First Year of Adult-Use Sales in Canada: Breakdown by Province



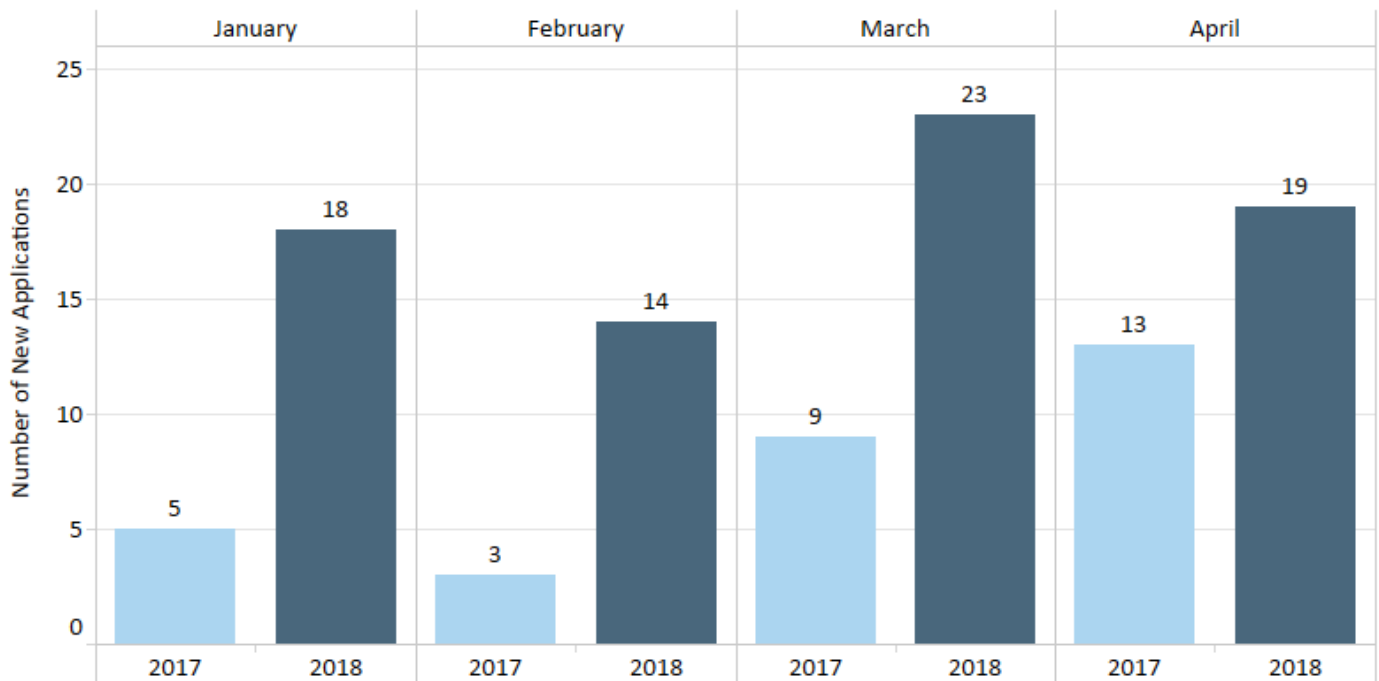
Source: Marijuana Business Daily

Copyright 2018 Marijuana Business Daily, a division of Anne Holland Ventures Inc. All rights reserved.

NUMBER OF COMPANIES APPLYING FOR NEW CANNABIS CULTIVATION LICENSES IN CANADA

The number of applicants to cultivate cannabis in Canada rose 150% in the first quarter of 2018 as the industry ramps up for legal sales. There are now over 500 applications in the pipeline, on top of the current 109 producers. The bottom line: Expect stiff competition among growers. Producers who fail to brand their products don't stand a chance.

**Number of Companies Applying for New Cannabis Cultivation Licenses in Canada:
Breakdown by Month & Year**



Source: Health Canada

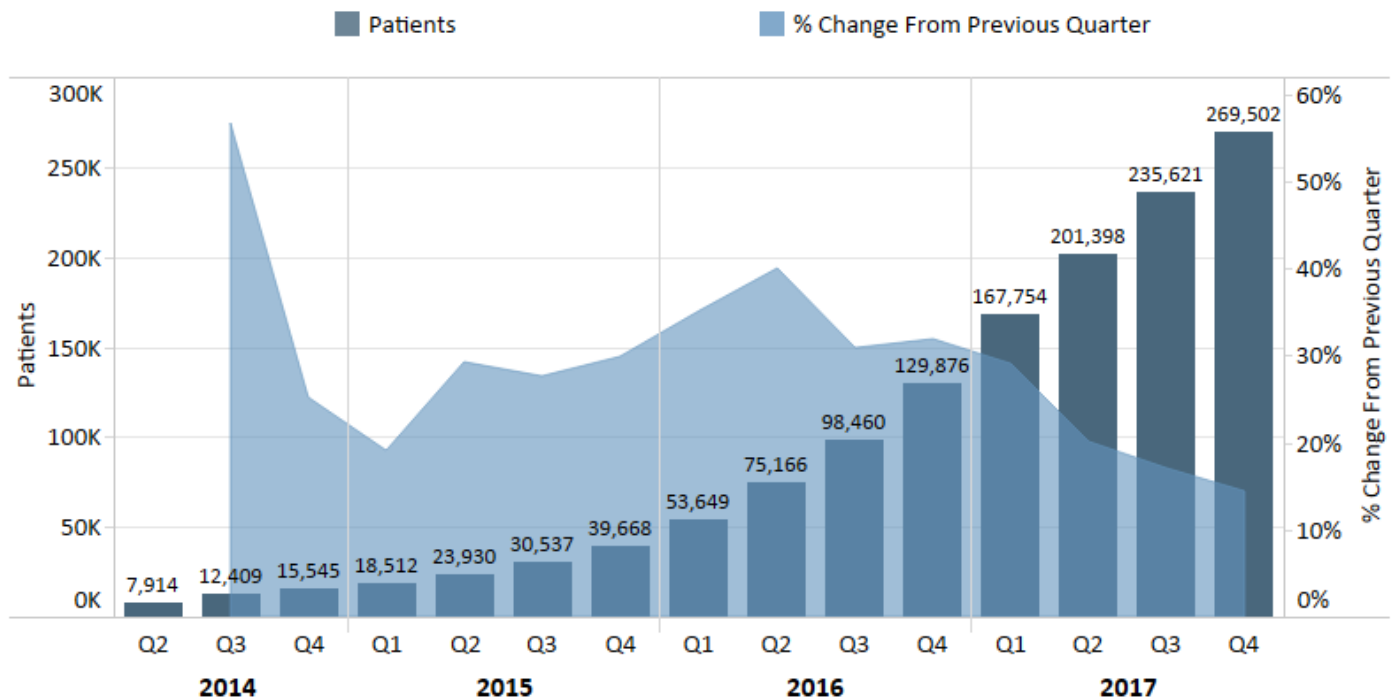
Copyright 2018 Marijuana Business Daily, a division of Anne Holland Ventures Inc. All rights reserved.

TOTAL NUMBER OF REGISTERED MMJ PATIENTS IN CANADA

Growth in Canada's medical marijuana market peaked in the second quarter of 2016 and has declined steadily since then. The bottom line: Catalysts could reverse this trend, including:

- Axing the controversial excise tax on MMJ
- More widespread MMJ insurance coverage
- Positive results from clinical trials currently underway

Total Number Of Registered MMJ Patients In Canada



Source: Health Canada

Copyright 2018 Marijuana Business Daily, a division of Anne Holland Ventures Inc. All rights reserved.

ALBERTA

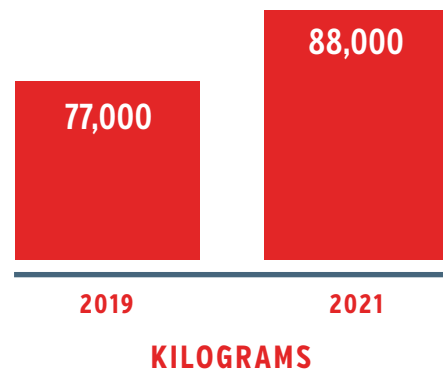
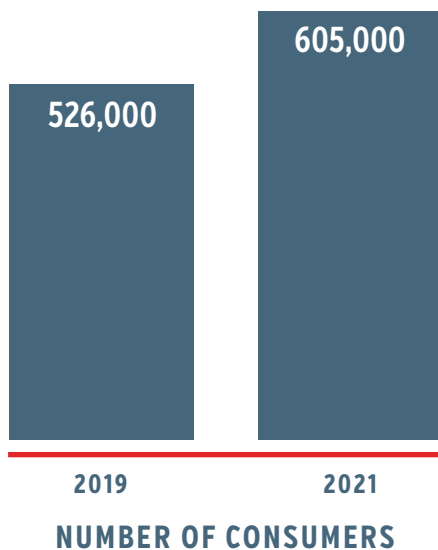
Alberta might be one of Canada's hottest cannabis markets after recreational sales kick off, and "the Alberta advantage" puts the province's cultivators – and possibly edibles makers and retailers – in a position to capitalize.

Alberta was one of the first in Canada to allow entrepreneurs to participate in the retail sales of recreational marijuana, with the possibility of vertically integrated adult-use MJ businesses.

Moreover, the province has indicated it may permit marijuana cafes and lounges down the road – a move that would provide additional opportunities for entrepreneurs.

Provincial regulations you need to know:	An Act to Control and Regulate Cannabis
	An Act to Reduce Cannabis and Alcohol Impaired Driving
Wholesale distributor and regulator:	Alberta Gaming and Liquor Commission
Online sales:	Government operated
Home grow restrictions:	4 plants per household
Consumption restrictions:	Not permitted where smoking not allowed. Hotel proprietors may designate guest rooms for cannabis consumption.

ANNUAL USAGE ESTIMATES [SOURCE: PARLIAMENTARY BUDGET OFFICE]



MARKET SNAPSHOT

Estimates of recreational cannabis users in Alberta after legalization range from 526,000 by the Parliamentary Budget Office (PBO) to over 650,000 in 2019, based on polling data about cannabis use.

Aggregate cannabis consumption in the province could be 77,000 kilograms [169,000 pounds] in 2019, rising to 88,000 kilograms [194,000 pounds] by 2021, according to a PBO estimate.

Demographics are in favor of Alberta continuing to be a hotbed for medical cannabis:

Alberta had Canada's youngest population in 2016 – but by 2041, seniors are projected to number 1.1 million, a quarter of the population.

Of Canada's 201,000 registered MMJ patients, 74,013 reside in Alberta – by far the highest per capita MMJ use.

RETAIL

There is a possibility for vertical integration in Alberta.

Alberta's adult-use marijuana will be sold in private brick-and-mortar stores, putting the province in a position to offer one of Canada's hottest business opportunities for entrepreneurs once cannabis sales begin.

Online sales will be handled by the government.

The provincial government also signaled it is open to marijuana cafes and lounges, although such establishments may not be part of the system on Day One. The city of Edmonton, meanwhile, is considering allowing the establishment of cannabis lounges.

CULTIVATION

Even though Alberta is home to only six licensed producers (with more in the pipeline), some marijuana cultivators consider the province to be one of the best places in Canada to operate.

The southern half of the province is home to some of the country's sunniest cities, which helps lower electricity costs for producers. Alberta has some of the cheapest power rates in Canada, particularly compared to Ontario's sky-high costs.

OTHER OPPORTUNITIES

Some of the key plant-touching and ancillary opportunities include:

Agri-foods: The city of Lethbridge, for example, is the agri-food processing hub of Western Canada, making it a prime location for a company involved in infused products.

Extraction: Any thriving edibles industry will start with extraction companies.

Distribution: Alberta will likely see Canada's first private retail model for marijuana sales.

Ancillary: Alberta has an abundance of accountants, lawyers and other professionals to service the fledgling industry.

However, any agri-foods industry as it relates to marijuana will have to wait, because edible marijuana products in Canada won't be brought into the mix until a year after the country officially launches its recreational industry.

PROVINCIAL SUPPORT

The province has some of the lowest tax rates for consumers and businesses in the country.

Aurora Cannabis is the only marijuana company to have accessed the province's Capital Investment Tax Credit.

The two-year program offers a nonrefundable tax credit of 10% of eligible expenditures, up to 5 million Canadian dollars.

Cannabis-related businesses are also eligible for other business incentives, such as the Alberta Investor Tax Credit, the Entrepreneurship Incubator Program and the Alberta Export Expansion Package.

BRITISH COLUMBIA

Cannabis businesses in British Columbia can leverage decades of market experience in cultivation, retail and research and development to maintain their dominant position in Canada's marijuana industry when recreational use becomes legal.

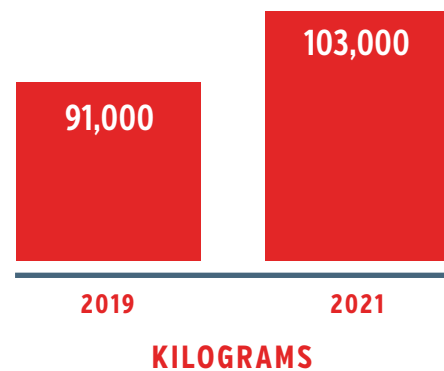
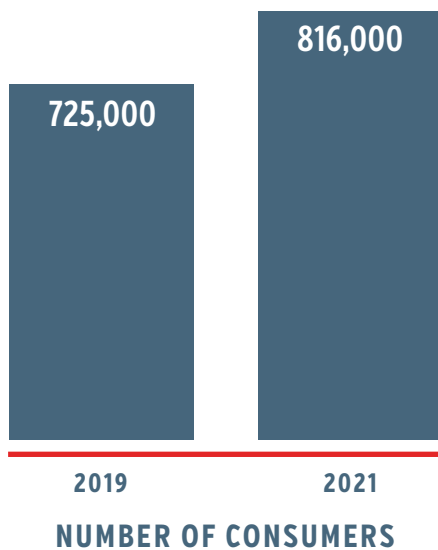
The province's multibillion-dollar gray market includes hundreds of dispensaries and at least 4,000 licensed personal growers.

How much of that will shift to the regulated market depends largely on the effectiveness of the provincial government's regulations on sales, distribution and consumption.

The two key legislative pieces to the provincial adult-use framework - Cannabis Control and Licensing Act and the Cannabis Distribution Act - were passed by the government in early June.

Provincial regulations you need to know:	Cannabis Control and Licensing Act Cannabis Distribution Act
Wholesale distributor and regulator:	BC Liquor Distribution Branch (a government body)
Retail outlets:	Unlimited, private and public sectors
Online sales:	Government operated through BC Cannabis Stores
Home grow restrictions:	4 plants per household, can't be visible by public
Consumption restrictions:	Not on public land, generally where tobacco is permitted. Still considering whether hotel proprietors may designate guest rooms for cannabis consumption.

ANNUAL USAGE ESTIMATES [SOURCE: PARLIAMENTARY BUDGET OFFICE]



MARKET SNAPSHOT

British Columbia will likely have about 725,000 recreational cannabis users in the first year of legalization, according to a report released by the Parliamentary Budget Office in November 2016.

That number is anticipated to grow to more than 800,000 by 2021.

In that time, aggregate cannabis consumption in the province could increase from 91,000 metric tons to 103,000 metric tons.

British Columbia has only about 210 medical registrants per 100,000 people, compared with 2,543 per 100,000 people in neighboring Alberta.

But that's mostly attributable to British Columbia's massive gray market and the high number of people licensed to cultivate their own medical marijuana.

British Columbia expects legalized cannabis to bring in 75 million Canadian dollars [\$58.3 million] a year in tax revenue from legal sales of around CA\$1 billion.

RETAIL

British Columbians in the market for recreational cannabis will have a choice between privately run and government-operated retail stores, potentially opening the door to hundreds of legal opportunities.

The rules give significant power to local governments to determine where, and if, adult-use stores can operate.

Local governments will be required to ask nearby residents of the proposed retail location to comment on how the store would impact the community.

British Columbia plans to ban vertical integration.

A license application guide from the B.C. government states: "Where there is a close association between a licensed producer and a nonmedical cannabis retail business, the retail business will be prohibited from selling any products from the licensed producer."

The government also plans to monopolize online sales and ban home delivery by private retailers – a move that is drawing scorn from the province's already-thriving, but unregulated, mail-order industry.

CULTIVATION

Despite being home to only 23 of Canada's 109 licensed producers, cultivators based in British Columbia have inherent advantages.

Executives and analysts say these include:

- A climate with temperate winters.
- Market research opportunities with experienced cannabis consumers.
- A brand ["B.C. bud"] that's already recognized across the country.
- A skilled agricultural workforce.

The province also offers substantial market-research opportunities because of the level of maturity that already exists in the industry.

New proposed licenses also are expected to provide an avenue for thousands of British Columbia's gray-market participants in micro-cultivation and micro-production to access the regulated market.

The impending regulated cannabis market could also create new opportunities for tourism, which is already a thriving industry in British Columbia.

PROVINCIAL SUPPORT

British Columbia has no specific programs targeted to the marijuana industry. However, there may be general business incentives that companies can take advantage of.

MANITOBA

Manitoba comes with a host of advantages for cannabis-related firms, including a business-friendly recreational marijuana framework and some of the cheapest electricity in North America.

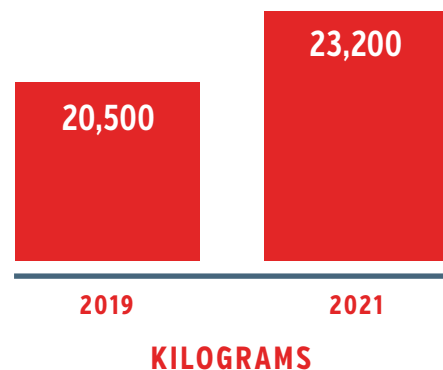
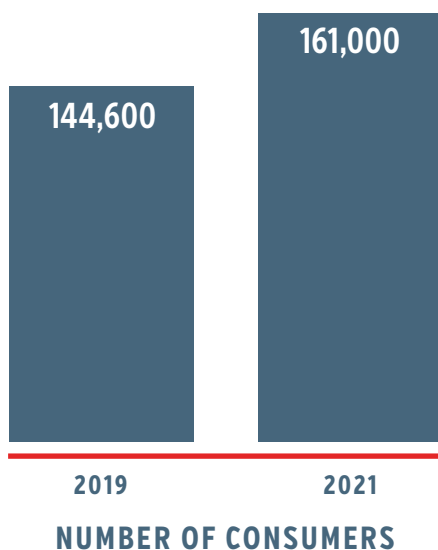
Electricity costs are about 1/8th of neighboring Ontario's.

The government approved legislation to allow private businesses to sell recreational marijuana once Canada's adult-use market launches. However, cannabis consumption will be banned in most places beyond private homes, including campsites and parks.

Hotel proprietors will have the option to designate guest rooms for cannabis consumption.

Provincial regulations you need to know:	<u>The Safe and Responsible Retailing of Cannabis Act</u>
	<u>The Non-Smokers Health Protection and Vapour Products Amendment Act</u>
Wholesale distributor and regulator:	Manitoba Liquor & Lotteries Corp. (a government body)
Retail outlets:	Liquor, Gaming and Cannabis Authority will license private marijuana stores and distributors.
Online sales:	Private sector retailers
Home grow restrictions:	No home grow
Consumption restrictions:	No consumption in enclosed public space. Hotel proprietors may designate guest rooms for cannabis consumption.

ANNUAL USAGE ESTIMATES (SOURCE: PARLIAMENTARY BUDGET OFFICE)



MARKET SNAPSHOT

Estimates from the Parliamentary Budget Office (PBO), when adjusted for the province's working-age population, point to approximately 144,600 annual recreational cannabis users in Manitoba in 2018 and 161,000 in 2021.

Aggregate cannabis consumption in the province could be 20,500 kilograms (47,000 pounds) in 2019, rising to 23,200 kilograms by 2021.

The government's estimates are lower than those from the Marijuana Policy Group (MPG), a Denver company that provides analysis and policy advice to private and government clients.

MPG says market demand could be roughly 30,000 kilograms on an annual basis – 50% higher than the government's forecast.

Manitoba's 502 registered patients per 100,000 people indicate MMJ isn't a major market in the province. For comparison, Saskatchewan has about 770 medical registrants per 100,000 people and Alberta has 2,543 per 100,000 people.

RETAIL

Manitoba was the first province in Canada to carve out a space for the private sector to participate in recreational marijuana sales, unveiling a "hybrid" model that gives entrepreneurs and the public sector roles.

However, Manitoba's system heavily favors corporate retailers because only a small number of chains were granted licenses to sell recreational marijuana out of the gate.

The province said it will consider opening the retail sector to entrepreneurs down the road.

The hybrid model gives the government's Liquor and Gaming Authority an expanded mandate to regulate the entire sector.

The Manitoba Liquor & Lotteries Corp. will oversee wholesale and distribution, leveraging economies of scale through bulk purchasing to undercut black-market pricing.

Manitoba is one of the few provinces that will allow private retailers to sell cannabis online.

CULTIVATION

Manitoba's ultra-low electricity costs and cheap real estate should make it fertile ground for large-scale cannabis cultivation facilities, but so far that hasn't been the case.

The province is home to only two licensed producers, a very low number given its population of 1.2 million.

Further, only four more are considered "late-stage" applicants – ones that have reached security review.

Given that the number of granted and pending cultivation licenses in Canada already exceeds 630, Manitoba is unlikely to see significant cultivation opportunities in the foreseeable future.

OTHER OPPORTUNITIES

With only two licensed producers in Manitoba, the ancillary opportunities have been relatively low.

However, some companies have been lured to Manitoba by its advantages, including:

- A central location in North America.
- Lower labor and power costs.
- Business-friendly provincial and local leadership.
- Affordable industrial real estate.

Others cite R&D as an ancillary opportunity.

"I think there's an ancillary opportunity for people to pursue research grants and opportunities with some of the big organizations in Manitoba," said Ashleigh Brown, community manager for Strainprint, a mobile app for medical cannabis users.

As with other provinces, Canada's newly proposed licensing system comes with a host of opportunities up and down the supply chain.

PROVINCIAL SUPPORT

Manitoba doesn't offer cannabis-specific programs like Newfoundland and Labrador or New Brunswick, but its general business incentives may be applied where relevant.

Manitoba has a research and development tax credit that is available for companies in the cannabis space.

And Manitoba's Small Business Venture Capital Tax Credit is another available financial program for the industry.

NEW BRUNSWICK

The prospect of a thriving cannabis industry has New Brunswick entrepreneurs seeing green ahead of the nationwide rollout of adult-use marijuana.

The Atlantic province – Canada's third-smallest by population – has made marijuana a pillar of its economic strategy.

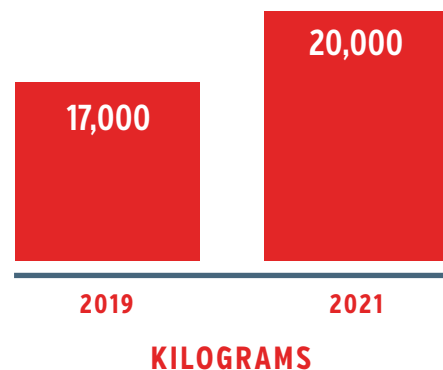
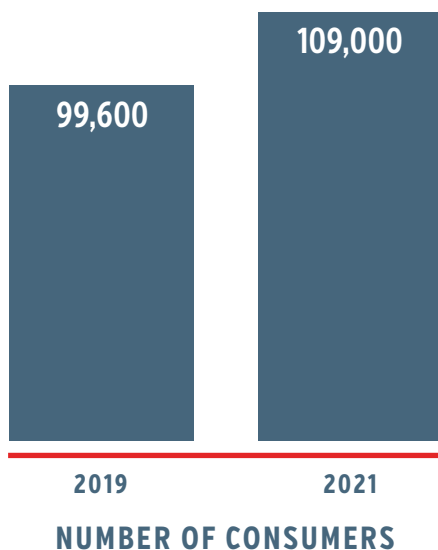
Government and industry officials hope to grab an oversized share of the country's projected 6 billion Canadian dollar [\$4.8 billion] annual medical and adult-use markets.

The provincial government already has spent millions of dollars by dangling financial sweeteners for producers, funding research chairs at universities and developing a community college program for cannabis technicians.

That broad approach is expected to benefit a number of related spinoff industries, including lighting and seed companies, testing labs, research facilities, accountants and more.

Provincial regulations you need to know:	Cannabis Control Act Cannabis Management Corporation Act
Wholesale distributor and regulator:	Cannabis Management Corp. (a government body)
Retail sales:	Fewer than two dozen government-owned stores
Online sales:	Government monopoly called Cannabis NB
Home grow restrictions:	4 plants per household
Consumption restrictions:	At discretion of home or land owner.

ANNUAL USAGE ESTIMATES [SOURCE: PARLIAMENTARY BUDGET OFFICE]



MARKET SNAPSHOT

New Brunswick could see annual adult-use cannabis sales of roughly CA\$120 million when the industry is built out by 2021.

Opportunities NB, a provincial economic development corporation, expects the cannabis industry will bring more than 2,000 jobs to the province by 2021.

The Parliamentary Budget Office (PBO) estimates the legal cannabis market, when adjusted for the province's working-age population, at 99,600 annual cannabis users in New Brunswick in 2018 and 109,000 in 2021.

Aggregate cannabis consumption in the province could be 17,000 kilograms next year and close to 20,000 kilograms by 2021.

That translates into big bucks for New Brunswick's treasury: the Atlantic Provinces Economic Council estimates the government's annual revenue from marijuana sales could be CA\$66 million-CA\$78 million by the time the industry is mature. By comparison, tobacco tax revenue was CA\$149 million in 2015.

In the early years, however, New Brunswick is projecting a much more modest windfall: In January, the province said it expects to get about CA\$7.1 million in revenue this year from taxes on recreational cannabis.

Demographics, meanwhile, suggest New Brunswick will continue to be a growing market for medical cannabis.

New Brunswick has the second-highest number of military veterans in Canada per capita, at 4,204 per 100,000 people.

In 2021, seniors are projected to account for over a fifth of New Brunswick's population, the second-highest proportion in Canada.

The province is among the highest for patient registrations as a ratio of its population – 802 registrations per 100,000 people. Neighboring Nova Scotia has 1,080.

RETAIL

New Brunswick has pledged to open fewer than two dozen government-owned stores in the first year of legalization.

The small number of illegal dispensaries in places like Moncton, the province's largest city, will continue to be a factor after legalization. Black-market mail order, on the other hand, may be a bigger challenge.

CULTIVATION

Industry insiders say that New Brunswick provides appealing business conditions for cultivators, including low power costs, a competitive labor pool and the lowest corporate tax rates in Atlantic Canada.

There are currently three licensed growers in New Brunswick.

OTHER

Other related industries and sectors in New Brunswick will also benefit from legalization, including testing, research and development and joint opportunities with other Atlantic provinces.

Opportunities NB sees spinoff benefits in production, supply chain management, research and development, academia, energy and energy management, as well as pharmaceuticals.

The Research and Productivity Council (RPC) in Fredericton, one of the lead cannabis-testing facilities in Canada, is responsible for testing around half of the cannabis grown in the country, according to the provincial working group.

PROVINCIAL SUPPORT

More than any other province, New Brunswick has anted up support of the cannabis sector, offering at least CA\$6 million for higher education and loans to cannabis companies.

Opportunities NB provided payroll rebates worth CA\$1 million for Organigram last year.

Opportunities NB and the Northern New Brunswick Economic Development and Innovation Fund each kicked in CA\$2 million in loans for the Zenabis MMJ facility that was recently granted a cultivation license in northern New Brunswick.

The province also pumped in money – on top of private donations – to help establish what it says are the first two cannabis research chairs in the world.

The New Brunswick Health Research Foundation, an independent organization, and Tetra Bio-Pharma will each invest CA\$500,000 over five years for a health research chair in cannabis at the University of New Brunswick. Also, the Health Foundation and Shoppers Drug Mart will each invest CA\$500,000 over five years for a health research chair in cannabis at St. Thomas University.

NEWFOUNDLAND AND LABRADOR

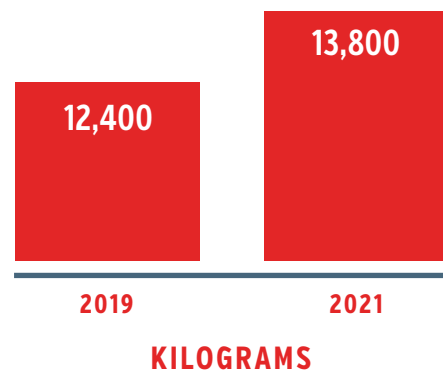
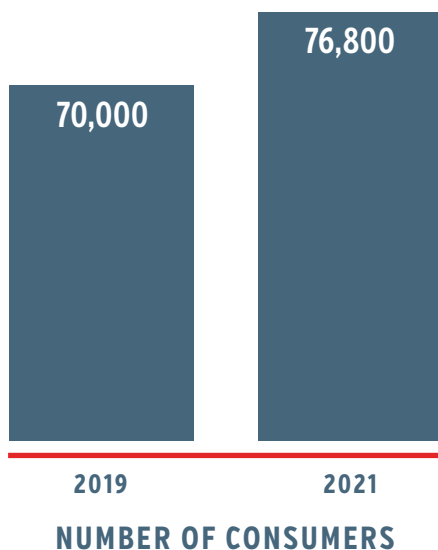
Entrepreneurs are tempering their once sky-high expectations to capitalize on Newfoundland and Labrador's regulated cannabis sector.

The province is the only place east of Manitoba where privately owned businesses will be allowed to sell recreational cannabis. But prospective retailers are restricted to an 8% markup on their products.

Smaller businesses may have a harder time in this environment given the strict regulations and high compliance costs.

Provincial regulations you need to know:	Act to Amend the Liquor Corporation Act Control and Sale of Cannabis Act
Wholesale distributor and regulator:	Cannabis NL (a government body)
Retail outlets:	Limited number, private sector, regulated by Cannabis NL
Online sales:	Government monopoly
Home grow restrictions:	4 plants per household
Consumption restrictions:	Private residences only

ANNUAL USAGE ESTIMATES [SOURCE: PARLIAMENTARY BUDGET OFFICE]



MARKET SNAPSHOT

The Parliamentary Budget Office (PBO) estimates the legal cannabis market, when adjusted for the province's working-age population, at 70,000 annual cannabis users in Newfoundland and Labrador in the first year and 76,800 by 2021.

Annual demand is anticipated to be 12,400 kilograms when adult-use is implemented. That volume could rise to 13,800 kilograms by 2021.

Estimates from the private sector, however, indicate Newfoundland and Labrador's market could be much bigger.

The Marijuana Policy Group – a Denver company that provides analysis and policy advice to private and government clients – told Marijuana Business Daily it sees market demand for recreational cannabis of roughly 20,000 kilograms on an annual basis – 40% higher than the government's forecast.

Unlike nearby Nova Scotia and New Brunswick, Newfoundland and Labrador hasn't seen a rush of medical cannabis registrants. The province's 519 MMJ patient registrations per 100,000 people is among the lowest in the country; Alberta's 2,543 per 100,000 people is the highest.

Just under 2,750 people were registered to use medical marijuana in Newfoundland and Labrador in early 2018.

RETAIL

Newfoundland and Labrador offers retail licenses in four tiers:

- Tier 1 licenses include stand-alone cannabis stores.
- Tier 2 licenses are for stores with an enclosed area for cannabis sales in larger retail spaces.
- Tier 3 licenses cover dedicated service desks in larger retail spaces that are separate from the main cash counter.
- Tier 4 licenses are for sales behind a counter, hidden from view (for example, how convenience stores sell tobacco products).

Experts say being vertically integrated could be important to any Tier 1 retailer. Those businesses can trim costs from other parts of the supply chain.

Licensees of Tier 2, 3 and 4 shops, meanwhile, will be able to supplement low-margin recreational marijuana with sales of non-cannabis-related products and services.

CULTIVATION

As of June, Newfoundland and Labrador was the only province in Canada without at least one licensed MMJ producer.

Five applications are in the works:

- Argentia Gold plans to complete its 80,000-square-foot cannabis facility in Placentia, Newfoundland, this fall.
- Back Home Medical Cannabis aims to have 170,000 square feet of production space in operation in the St. George's area by the end of 2019.
- Oceanic Releaf is building a 63,000-square-foot facility in the Burin Peninsula.
- Canopy Growth has announced plans to complete a 150,000-square-foot production facility by fall 2019.
- CEPG Consulting and Design (a subsidiary of Snellen Holdings) will apply for a dealer license, which will enable research and development.

Geography and a small local market for recreational cannabis are factors that will limit cultivation opportunities in the province.

OTHER OPPORTUNITIES

While a lack of large-scale producers and the limited markup on sales could be limiting, opportunities are available to enterprising businesspeople, including:

- Cannabis-related tourism.
- Security for pending retailers, wholesalers and cultivators.
- Transportation for the supply chain.
- Cannabis accessories in retail outlets.

As with other provinces, Canada's proposed licensing system will present a number of opportunities for private businesses on micro-cultivation, nurseries and microprocessors.

PROVINCIAL SUPPORT

Marijuana-related businesses have already seen financial support from the provincial government.

Ontario-based Canopy Growth was the beneficiary of 40 million Canadian dollars [\$31 million] in reduced sales remittances to assist in the construction of its production facility.

The government also put up CA\$1 million in funding to develop a research and development program in the province.

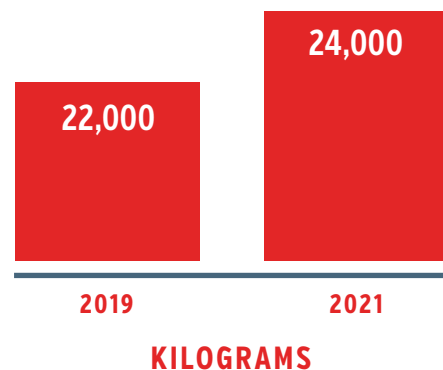
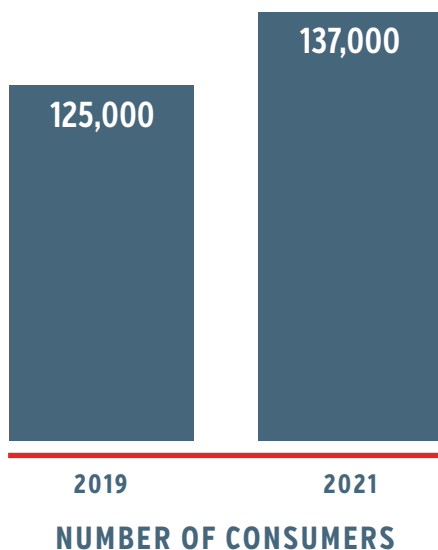
NOVA SCOTIA

Nova Scotia may be off-limits for retail marijuana entrepreneurs, but it is a potential hotbed for other cannabis business opportunities.

Incentives have already helped the province's burgeoning marijuana industry land a rare (at the time) inbound foreign investment. And the product is already broadly accepted by the population.

Provincial regulations you need to know:	Smoke-free Places Act Cannabis Control Act
Wholesale distributor and regulator:	Nova Scotia Liquor Corp. (a government body)
Retail sales:	Government monopoly: Sales will take place at 12 government stores initially
Online sales:	Government monopoly
Home grow restrictions:	4 plants per household
Consumption restrictions:	Limited to private residences; public consumption generally restricted where tobacco is banned.

ANNUAL USAGE ESTIMATES [SOURCE: PARLIAMENTARY BUDGET OFFICE]



MARKET SNAPSHOT

Analysts estimate that Nova Scotia could see 150 million Canadian dollars [\$120 million] in annual pretax sales in the marijuana-related market.

According to Statistics Canada's recent National Cannabis Survey, 20% of Nova Scotia adults have consumed some form of marijuana, be it medical or recreational, in the past three months – the highest level in Canada.

Nova Scotia is also one of the busiest markets in Canada for medical marijuana.

The province has the second-highest number of patient registrations in Canada as a ratio of its population – 1,080 registrations per 100,000 people. New Brunswick is next with 802.

Demographics suggest Nova Scotia will continue to be a growing market for medical cannabis:

- Nova Scotia has the highest number of military veterans in Canada per capita, at 4,500 per 100,000 people.
- The province is also tied with New Brunswick for the nation's oldest population, with about 20% of its citizens being seniors.

A Health Canada survey found that the average medical cannabis patient spends CA\$121 in a typical month.

Aggregate adult-use cannabis consumption in the province after legalization will probably range from 20,000 kilograms per year to 25,000 kilograms per year – depending heavily on how much of the black market the province can bring into the regulated fold, according to government and private estimates.

The provincial marijuana wholesaler will be looking to local and regional licensed producers to lock up supply, which could keep the province's three LPs very busy: Breathing Green Solutions, THC Inc. and Aqualitas.

OTHER OPPORTUNITIES

As in other provinces, analysts note that ancillary opportunities exist in greenhouse equipment, security services, shipping and distribution, marketing/branding, legal and accounting services.

Opportunities may also exist in information and education to facilitate better use of the product, including counseling, private classes and software services.

As with other provinces, Canada's newly proposed licensing system comes with a host of opportunities in areas like micro-cultivation, nurseries and micro-processing.

RETAIL

The Nova Scotia Liquor Corp. will have a stranglehold on cannabis sales, both in physical stores and online.

Twelve locations have been authorized to sell cannabis.

Privately owned businesses will not be allowed to invest in retail opportunities for the foreseeable future.

CULTIVATION

The province has major advantages for local cultivators, including affordable water, land and highly trained people.

With 10 universities for just 700,000 people, the province's higher education is a big advantage for cannabis companies, creating an abundant source for a highly educated and skilled workforce to support advances in cultivation.

More producers are in the pipeline. Some of those include:

- Vida Cannabis in Stellarton
- Aqualitas in Liverpool
- International Herbs and Medical Marijuana in Stellarton
- Robinson's Cannabis in Kentville
- Prime Pot in Port Hawkesbury and Dartmouth
- Mernova Medicinal in Halifax

PROVINCIAL SUPPORT

Nova Scotia boasts tax credits that greatly benefit new businesses.

The province offers an R&D tax credit of 15% of eligible expenses to ancillary companies, such as equipment suppliers, shipping and distribution, marketing, accounting and education.

The tax credit is fully refundable, meaning companies can still benefit even if they don't turn a profit – something that's appealing when building a regulated industry from the ground up.

Nova Scotia-based startups also could potentially save millions through equity and input tax credits.

Other incentives, programs and agencies open to cannabis businesses include:

- The Equity Tax Credit is available for startup companies.
- The Graduate to Opportunity program subsidizes salaries of recent postsecondary graduates.
- Innovacorp offers venture capital for entrepreneurs.
- Business Navigators helps businesses maneuver through provincial regulations.

ONTARIO

Ontario has become the hub of Canada's licensed production, finance and ancillary cannabis industries.

The province's strong cannabis foundation is built on its base of licensed cultivators, strength in life sciences research and development, and a world-class industrial greenhouse sector with well-established supply chains.

Ontario also has more potential consumers than any other province.

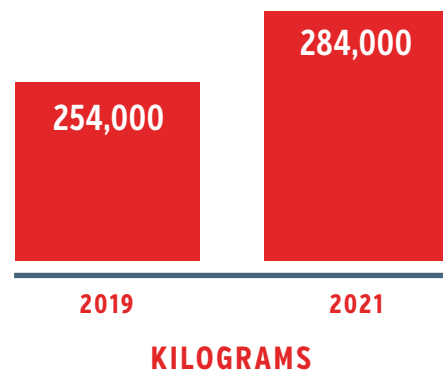
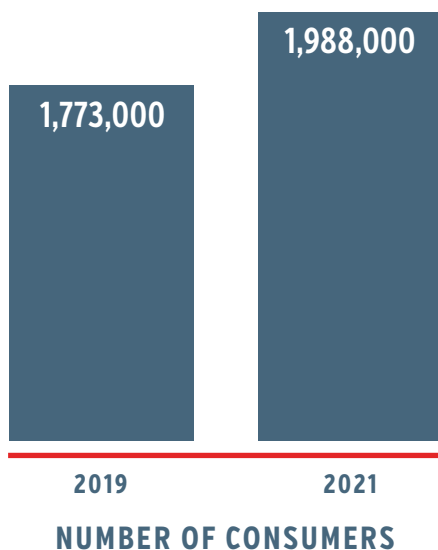
Moreover, it is the epicenter of Canada's marijuana capital market, served by investment firms and venture capitalists.

But while "corporate cannabis" is set to cash in on legal marijuana, new entrepreneurs in Ontario will have a harder time. The supply side looks as if it will be ruled by billion-dollar marijuana production companies.

And the retail side will be ruled by the world's largest cannabis retailer – the Ontario government, which plans to have a state-run corporation oversee adult-use cannabis sales.

Provincial regulations you need to know:	Cannabis Act, 2017 Ontario Cannabis Retail Corporation Act
Wholesale distributor and regulator:	Liquor Control Board of Ontario (a government body)
Retail sales:	40 government-run Ontario Cannabis Stores in Year One
Online sales:	Government monopoly
Home grow restrictions:	4 plants per household
Consumption restrictions:	Strictly home dwelling only. Ontario is weighing cannabis consumption in hotels, lounges and RVs.

ANNUAL USAGE ESTIMATES (SOURCE: PARLIAMENTARY BUDGET OFFICE)



MARKET SNAPSHOT

Large licensed producers dominate the province's marijuana sector, including industry heavyweights Canopy Growth in Smiths Falls and Aphria in Leamington. Opportunities for entrepreneurs will be less widespread but are expected to be available in ancillary businesses, such as security and greenhouse supplies.

Ontario could see annual recreational cannabis sales rise from 250 million Canadian dollars [\$200 million] in 2019, the first full year after legalization, to almost CA\$300 million when the industry is built out by 2021, according to the Parliamentary Budget Office [PBO].

The PBO estimates the legal cannabis market, when adjusted for the province's working-age population, at 1.8 million annual cannabis users in Ontario in the first year and 2 million by 2021.

Another poll anticipates the number of consumers in the first year at more than 3 million.

Aggregate cannabis consumption in the province could be 254,000 kilograms [560,000 pounds] in 2019, rising to 284,000 kilograms [626,000 pounds] by 2021, according to a PBO estimate.

Annual provincial revenue could reach CA\$90 million, according to the pro-business think tank C.D. Howe Institute, while Finance Minister Charles Sousa said CA\$100 million "is not a ridiculous number to consider."

Like in New Brunswick, demographics suggest Ontario will continue to be a hotbed for medical cannabis:

Ontario is home to the largest military veteran population in Canada, at 250,900 people.

The number of seniors in the program is projected to double to 4.6 million, or 25% of the population, by 2041.

Of Canada's 269,000 registered MMJ patients, 110,000 reside in Ontario – the most in the country.

RETAIL

Recreational marijuana will be sold through a chain of 40 government-run stores initially, expanding to 150 in a few years – a move that effectively shuts private businesses out of Ontario's MJ retail space.

While retail will be off-limits to the private sector, the province did leave the door open to the possibility of licensing cannabis-consumption lounges.

Ontario has about a dozen unlicensed marijuana lounges that have operated in a legal gray area, mostly because they don't dispense cannabis.

Ontario has about 150 unlicensed, illegal medical marijuana dispensaries, and the province has put them "on notice" they will be shuttered.

CULTIVATION

Ontario is home to a disproportionate number of licensed producers, because the province offers a number of advantages that others lack.

While Ontario has 36% of the country's total population, 50% of Canada's growers call the province home [59 as of Jan. 14].

Producers contacted by Marijuana Business Daily said it boils down to:

- Proximity to Toronto's capital markets.
- A large talent pool in agriculture, science and management.
- Proximity to large population centers.
- Affordable land with accessible utilities.

OTHER OPPORTUNITIES

With retail being off-limits to private businesses and cultivation licenses taking up to five years to acquire, entrepreneurs hoping to participate in the marijuana industry should look at ancillary niches.

Ancillary opportunities are expected to exist in:

- Specialized greenhouse equipment.
- Security services.
- Shipping and distribution.
- Marketing/branding.
- Legal and accounting services.

Another factor in Ontario's favor: a nascent pharmaceutical sector revolving around cannabis that is largely based near Toronto.

Life sciences have been identified as a potentially significant ancillary industry. The Canadian Securities Exchange is home to 69 cannabis listings, including many in the life sciences sector.

Canada's proposed licensing system will also present opportunities for private businesses on micro-cultivation, hemp cultivation, nurseries and micro-processors.

PROVINCIAL SUPPORT

Ontario has no specific programs targeted to the marijuana industry. However, there may be general business incentives that companies can take advantage of.

PRINCE EDWARD ISLAND

Prince Edward Island may be Canada's smallest province, but it has already attracted some important investments in the cannabis industry.

The province's only licensed producer – Canada's Island Garden – found itself on the receiving end of a major deal with Alliance One International earlier this year. It was the first foray by a significant tobacco company into the cannabis industry.

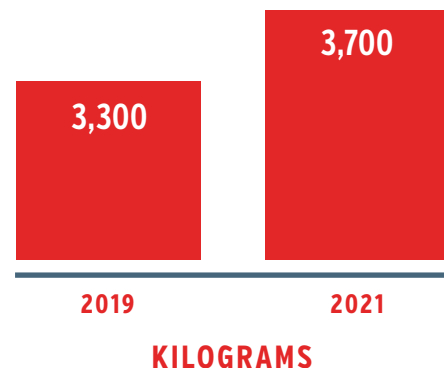
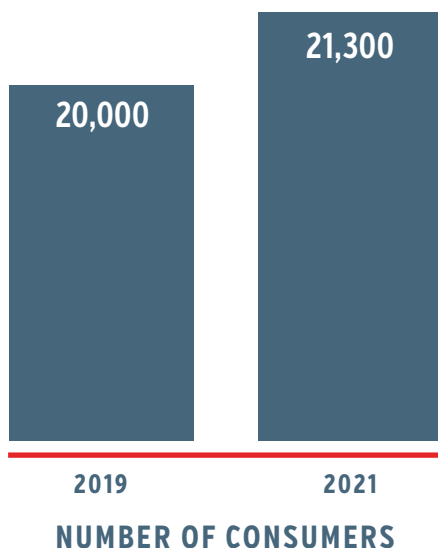
Executives in the province are capitalizing on business opportunities in areas such as cannabis tourism, extraction and – to a lesser extent – cultivation.

Tourism is projected to be a big part of the accessible industry for entrepreneurs.

PEI passed its key cannabis-related legislation June 12.

Provincial regulations you need to know:	Smoke-free Places Act
	Cannabis Taxation Agreement Act
	Cannabis Control Act
	Cannabis Management Corporation Act
Wholesale distributor and regulator:	Prince Edward Island Liquor Control Commission (a government body)
Retail outlets:	Four government-owned stores
Online sales:	Government monopoly
Home grow restrictions:	4 plants per household
Consumption restrictions:	Private dwelling. Not permitted where smoking not allowed. Hotel proprietors may designate guest rooms for cannabis consumption.

ANNUAL USAGE ESTIMATES [SOURCE: PARLIAMENTARY BUDGET OFFICE]



MARKET SNAPSHOT

Prince Edward Island's recreational market is expected to be the smallest in Canada.

Data from the Parliamentary Budget Office (PBO), when adjusted for the province's working-age population, points to annual demand of about 3,300 kilograms of cannabis.

That could rise to 3,700 annual kilograms by 2021, depending on how successful the provincial government is in corralling black-market sales.

Estimates place the number of consumers in the neighborhood of 20,000 of the province's 120,000 adults.

According to Statistics Canada's recent National Cannabis Survey, 14% of PEI adults have consumed some form of marijuana in the past three months.

PEI's 800-plus registered medical cannabis patients per 100,000 people indicates that MMJ has an above-average uptake compared to the rest of Canada.

However, the market is small overall; as of December 2017, there were roughly 1,200 registered MMJ patients. For comparison, neighboring New Brunswick has 6,500 registered patients.

Thirty-six people in the province had a license to cultivate their own MMJ as of December, according to publicly available data from Health Canada.

RETAIL

Like most other Eastern Canadian provinces, Prince Edward Island plans to corner the market for recreational marijuana by limiting sales to government-owned retail locations, making it one of five provinces to bar entrepreneurs from investing in storefront opportunities.

Those retail stores will be located in Charlottetown, Summerside, Montague and West Prince.

Industry sources expressed concern with the province's plan to set up just one cannabis retail store for the capital, but the provincial government said it will gauge sales and weigh any future expansion plans.

CULTIVATION

While small, PEI wasn't dead last in terms of cultivation, as of June. [That title goes to Newfoundland and its zero licensed producers.]

In addition to the one current LP, only one other license is pending in the province with Health Canada.

In the meantime, Canada's Island Garden is executing an aggressive growth strategy, with plans to increase its workforce from 20 people to around 200 in the coming year.

When fully built out in 2019, the company will have around 250,000 square feet of cultivation space under canopy, making it one of the biggest facilities in Atlantic Canada.

In January, PEI chose three licensed producers for its domestic supply of adult-use cannabis – Ontario-based Canopy Growth, New Brunswick-based Organigram and Canada's Island Garden.

Organigram and Canopy Growth will each supply 1,000 kilograms of marijuana, and Canada's Island Garden will answer the call for the remainder.

OTHER OPPORTUNITIES

PEI is a magnet for tourists, and entrepreneurs hope to parlay that into cannabis gold.

PEI's regulations will allow cannabis consumption to take place in personal dwellings and on private property. For example, hotel proprietors will have the opportunity to designate guest rooms for cannabis consumption.

Businesses are also moving to fill the void in other areas such as extraction.

Canada's proposed licensing structure for recreational marijuana will create significant opportunities for additional players in every province.

PROVINCIAL SUPPORT

PEI has no specific programs targeted to the marijuana industry. However, there may be general business incentives that companies can take advantage of.

QUEBEC

Quebec's nascent marijuana industry may be home to a disproportionately small number of licensed producers and off-limits to retail entrepreneurs, but that doesn't mean the province lacks opportunity.

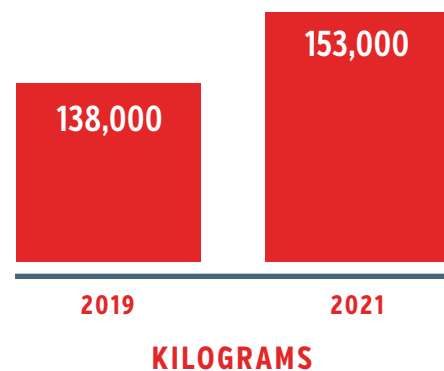
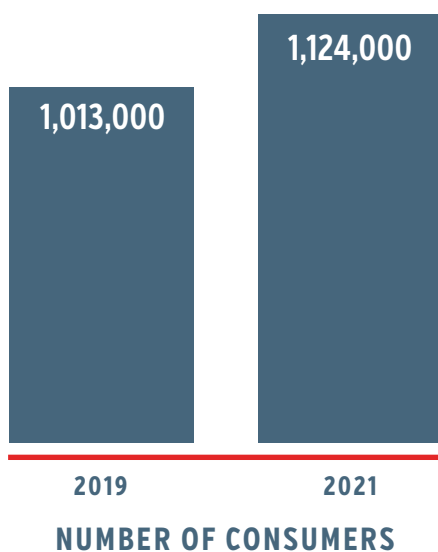
Canada's second-most populous province could be home to the largest recreational market outside Ontario.

Ancillary business opportunities include greenhouse equipment, security and accounting – on top of Canada's proposed new licensing system paving the way for small cultivators and processors.

Legal experts warn that retaining a local attorney in the province is a must, because certain peculiarities exist in Quebec's corporate law that complicate doing business there.

Provincial regulations you need to know:	Cannabis Regulation Bill
Wholesale distributor and regulator:	Société des alcools du Québec (a government body)
Retail outlets:	20 government-run stores initially
Online sales:	Government monopoly
Home grow restrictions:	No home cultivation
Consumption restrictions:	No consumption in enclosed public spaces

ANNUAL USAGE ESTIMATES [SOURCE: PARLIAMENTARY BUDGET OFFICE]



MARKET SNAPSHOT

Quebec has, by far, the lowest number of patient registrations for medical marijuana as a ratio of its population – just 75.8 registrations per 100,000 people. [The next lowest is British Columbia at 188.1.]

By contrast, Quebec's recreational market could explode into Canada's second-largest come legalization in October.

A report produced by the Parliamentary Budget Office (PBO) in November 2016 paints a rough picture of what the legal cannabis market in Quebec could look like after adult-use legalization is implemented.

Aggregate cannabis consumption in the province in 2019 could fall between 100,000 kilograms [110 tons] to 200,000 kilograms, according to a PBO estimate – the second-most in Canada.

When adjusted for the province's working-age population, Quebec could see annual recreational cannabis sales of roughly 150 million Canadian dollars (\$120 million) in 2019 – but that will boil down to how much the regulated market wrests from the black market.

Estimates of recreational cannabis users in Quebec after legalization range from 1 million by the PBO to over 3 million in 2019 based on outside polling data.

Quebec has said it could take in as much as CA\$100 million per year in tax revenue, but that may be far-fetched given that Ontario – with almost double the population – projects the same number.

RETAIL

Quebec approved legislation that would initially funnel retail sales through 20 government-run stores and ban consumers from growing marijuana at home.

By comparison, Saskatchewan plans to start with three times more storefronts than Quebec even though it has one-seventh the population.

Quebec's retail plan has some key points of consideration:

- Recreational marijuana would be sold through the Société Québécoise du Cannabis (SQC), serving as an arm of the province's alcohol monopoly.
- SQC employees would be subject to a criminal background check.
- The agency would be allowed to sell dried marijuana, oil, concentrates, accessories and specialized cannabis publications.

Quebec's Cannabis Regulation Bill includes a provision allowing the minister of finance to authorize a pilot project on the retail sale of cannabis.

CULTIVATION

Quebec has major advantages for local cultivators, including low costs for electricity, water, land and highly trained people, as well as a preference for locally made goods.

Quebec is home to only eight licensed producers, including Aurora Cannabis, Canopy Growth, Agri-Médic ASP and Hydropothecary.

"Population-wise, it's the second-biggest market in this country. If you look at Ontario, with 50 licensed producers, and you look at Quebec with four ... that spells economic opportunity," said Pierre Killeen, vice president of Hydropothecary, a licensed producer in Quebec.

OTHER OPPORTUNITIES

Just because retail is off-limits to entrepreneurs and standard cultivation licenses take years to acquire, that doesn't mean the province lacks marijuana business opportunities.

Opportunities exist for:

- Micro-cultivation license holders, who could be licensed for the same activities as standard cultivators, but on a smaller scale.
- Nursery license holders, who could be permitted to produce seeds and seedlings, including clones, for sale to other licensed producers and researchers.
- Micro-processing license holders could produce cannabis oil for sale to other LPs and researchers.
- The same license will also allow for packaging and labeling product sales to the public.

Analysts noted that, just like in other provinces, ancillary opportunities also exist in greenhouse equipment, security services, shipping and distribution, marketing/branding, legal and accounting services.

PROVINCIAL SUPPORT

While the provincial government has not developed any specific enticements aimed at cannabis companies, localities have the option of creating their own incentives.

For example, Weedon – population 2,800 – lured Vancouver, British Columbia-based MYM Nutraceuticals with the offer of 329 acres of land, valued at approximately CA\$600,000, at no cost to the company.

SASKATCHEWAN

Saskatchewan's model for the marijuana industry is being hailed as the best in Canada in terms of creating opportunities for entrepreneurs.

Everything from retail to wholesale distribution and online sales will be left to the private sector – a sharp contrast to the taxpayer-supported marijuana industries in the works for Ontario and Quebec.

The advantages include:

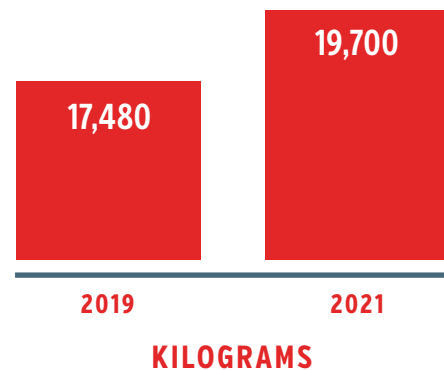
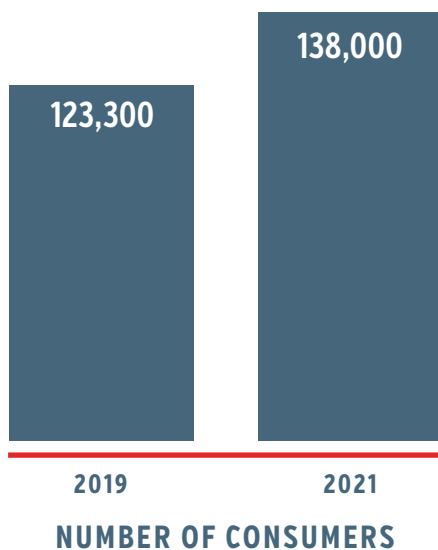
- A pro-business government keen to see entrepreneurs succeed.
- Low-cost power – especially helpful for cultivators.

Saskatchewan's impending recreational marijuana industry could generate 250 million Canadian dollars [\$195 million] in economic activity per year, according to a study by the University of Saskatchewan.

The Cannabis Control (Saskatchewan) Act and the Cannabis Control (Saskatchewan) Consequential Amendments Act have been passed by the provincial legislature.

Provincial regulations you need to know:	Cannabis Control (Saskatchewan) Act Cannabis Control (Saskatchewan) Consequential Amendments Act
Provincial distributor:	Private sector
Retail outlets:	51 for first three years. Saskatchewan Liquor and Gaming Authority will issue permits to private cannabis retailers and private wholesalers.
Online sales:	Private sector
Home grow restrictions:	4 plants per household
Consumption restrictions:	Consumption in public places banned. Hotel proprietors may designate guest rooms for cannabis consumption.

ANNUAL USAGE ESTIMATES [SOURCE: PARLIAMENTARY BUDGET OFFICE]



MARKET SNAPSHOT

The Parliamentary Budget Office (PBO) estimates the legal cannabis market, when adjusted for the province's working-age population, at 123,300 annual recreational cannabis users in Saskatchewan in 2019 and 138,000 in 2021.

Aggregate cannabis consumption in the province could be 17,480 kilograms [38,000 pounds] in 2019 and rise to 19,700 kilograms by 2021.

Like neighboring Alberta, demographics suggest Saskatchewan will continue to be a hotbed for medical cannabis.

Saskatchewan has about 770 medical registrants per 100,000 people. The province has only 297 registered to grow personal-use medical cannabis.

When all taxes are taken into account, the province could add CA\$50 million to its coffers from legal marijuana.

RETAIL

Saskatchewan's business-friendly framework for recreational cannabis sales calls for the establishment of 51 privately owned stores no later than 12 months after legalization.

Retail applicants in Saskatchewan must complete a two-part process that includes initial screening and entry into a lottery of qualified applicants.

The number of retail sales licenses will be capped for the first three years of legalization.

The model also allows for vertical integration.

The province is one of the few in Canada that will allow private retailers to sell their products online.

CULTIVATION

Saskatchewan is home to only four licensed producers.

Vertical integration would help boost LP profit margins, giving them a slight advantage over growers in other provinces that ban it.

OTHER OPPORTUNITIES

Executives and aspiring entrepreneurs say the province is ripe with opportunity, including businesses involving:

- Cannabis-related tourism.
- Lab services to measure quality assurance.
- Security for retailers, wholesalers and cultivators.
- Transportation for the whole supply chain.
- Consumer education on products and consumption.

As with other provinces, Canada's proposed licensing system will present a number of opportunities for private businesses, including:

- Micro-cultivation license holders could be licensed for the same activities as standard growers, but on a smaller scale.
- Nursery license holders could be permitted to produce seeds and seedlings, including clones, for sale to other licensed producers and researchers.
- Micro-processing license holders could produce cannabis oil for sale to other LPs and researchers. The same license will also allow for packaging and labeling product sales to the public.

PROVINCIAL SUPPORT

Saskatchewan has no specific programs targeted to the marijuana industry. However, there may be general business incentives that companies can take advantage of.



GRODAN:

Start with the best, End with the best

Quality plant development leads to quality medicine production. GRODAN stonewool substrates are the hygienic, consistent and easy to use growing media that gives growers real results - from cloning right through to harvest.

Check out the advantages of using Grodan growing media for your production. Visit us at www.grodan-mj.ca

GRODAN and its employees shall only engage with federally licenced Canadian producers.

