

Industry Insight: Countries to Watch

**An Overview of Cannabis Legalization
Around the World**



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INDUSTRY INSIGHT: COUNTRIES TO WATCH

AN OVERVIEW OF CANNABIS LEGALIZATION AROUND THE WORLD



Omar Sacirbey
MJBizDaily
Reporter

Welcome to the first Industry Insight: Countries to Watch report, an overview of cannabis legalization around the world, produced by the research team at *Marijuana Business Daily*.

Cannabis entrepreneurs who think it's too early to be looking at international opportunities should think again. The global cannabis market is here.

Cross-border stock listings and merger and acquisition deals are getting done, partnerships between entities from different countries are forming, and cannabis is crisscrossing the oceans thanks to breakthrough export and import policies.

Well over 30 countries have legalized some form of medical marijuana and more are sure to follow. It seems that every few weeks, new regulations are being announced somewhere in the world, as the United Kingdom did in July. It's too early to really know how the U.K. market will develop, but it has the potential to quickly become one of Europe's largest.

Numerous other nations are exploring recreational legalization and could join adult-use pioneers Uruguay and Canada in the near future.

This report provides an overview of where legalization is underway around the globe and offers a deeper look at 10 of the countries where opportunities for businesses are blooming, including:

- Australia
- Canada
- Chile
- Colombia
- Germany
- Israel
- Jamaica
- Lesotho
- Portugal
- Uruguay

Worldwide spending on legal cannabis is forecast to surpass \$10 billion in 2018, with the bulk of that coming from sales in U.S. states that have legalized marijuana. Continued growth in the U.S., the start of legal recreational sales in Canada in October and the emergence of attractive overseas markets will push these numbers significantly higher in the coming years. Estimates for how much higher vary widely, reaching as high as \$140 billion by 2027.

Some of the best opportunities are tied to the ancillary sector, specifically for equipment and supplies tied to growing and processing cannabis.

The cultivation and manufacturing sectors are somewhat more limited, as many medical marijuana countries are still establishing their regulatory regimes and have awarded only a small number of licenses for these types of businesses.

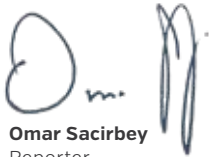
But that is changing as regulations evolve and governments become more comfortable with cannabis, which could lead to an increase in the number of licenses awarded. And because there is a need for specialized know-how abroad, companies with manufacturing expertise could have a leg up in finding overseas partners or getting infused products and other items onto foreign pharmacy shelves.

Choosing the right foreign market and right sector can be daunting. This special report, aimed at laying out the international cannabis landscape, offers profiles of key international cannabis markets so you can understand the challenges and start building an international itinerary.

We'd like to extend a special thank you to Alfredo Pascual, who helped us compile the data used to create the maps included in this report.

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

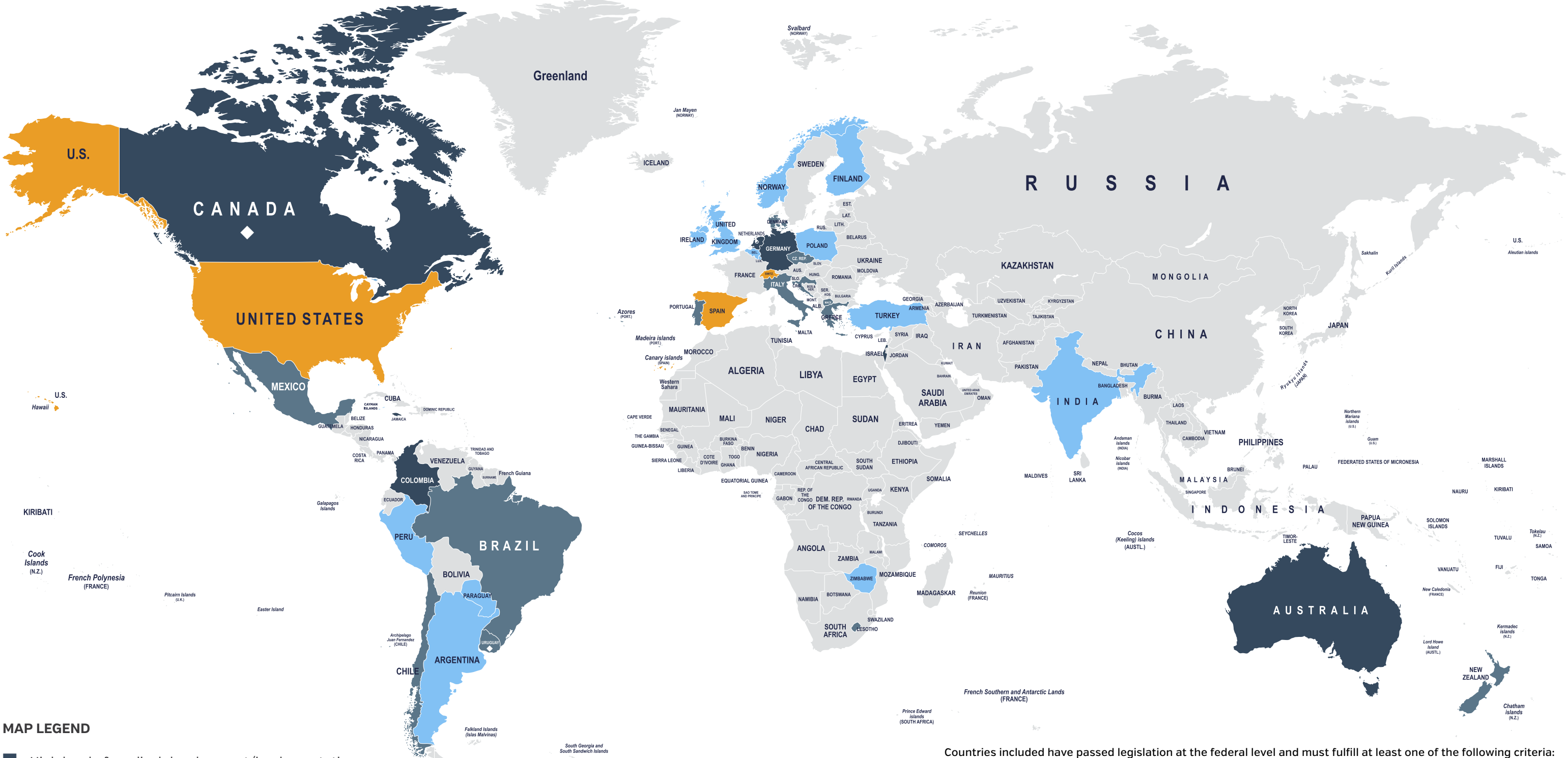
Best regards,


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Reporter



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MAP LEGEND

- - High level of medical development/implementation
- - Medium level of medical development/implementation
- - Low level of medical development/implementation
- - Other – federally illegal but unique circumstances [see chart page 8]
- ◆ - Recreational

Countries included have passed legislation at the federal level and must fulfill at least one of the following criteria:

- Cultivation or manufacture of medical cannabis allowed
- Doctors can prescribe medical cannabis
- Import and/or export of medical cannabis allowed

High: Countries at the forefront of the global industry. Frameworks are established, and adoption is well underway.
Medium: implementation has begun but is still limited or restricted; lots of room for the market to develop.
Low: Legislation has been passed, but implementation is very limited or nonexistent. Decriminalization is not included.

REGIONAL MAP: NORTH AMERICA



MAP LEGEND

- - High level of medical development/implementation
- - Medium level of medical development/implementation
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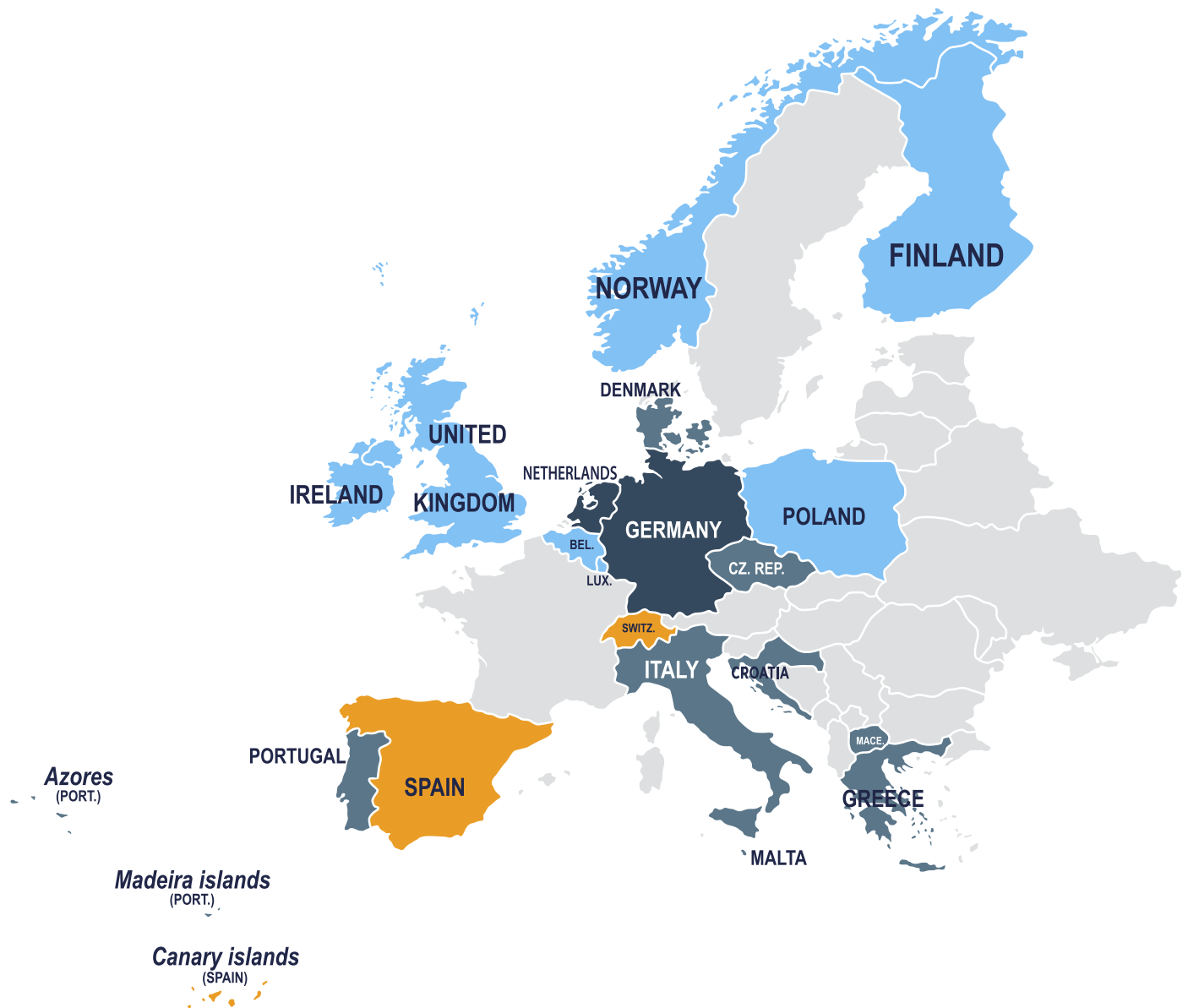
REGIONAL MAP: CENTRAL & SOUTH AMERICA AND THE CARIBBEAN



MAP LEGEND

- - High level of medical development/implementation
- - Medium level of medical development/implementation
- - Low level of medical development/implementation
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REGIONAL MAP: EUROPE



MAP LEGEND

- - High level of medical development/implementation
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REGIONAL MAP: AFRICA & THE MIDDLE EAST



MAP LEGEND

- - High level of medical development/implementation
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- ◆ - Recreational

REGIONAL MAP: SOUTHEAST ASIA & OCEANIA



MAP LEGEND

- - High level of medical development/implementation
- - Medium level of medical development/implementation
- - Low level of medical development/implementation
- - Other – federally illegal but unique circumstances [see chart page 8]
- ◆ - Recreational

CANNABIS LEGALIZATION BY REGION

AFRICA & THE MIDDLE EAST

Israel
Lesotho
Turkey Zimbabwe

CENTRAL & SOUTH AMERICA AND THE CARIBBEAN

Colombia	Jamaica
Brazil	Chile
Uruguay	
Recreational is also legal for citizens.	
Argentina	Cayman Islands
Paraguay	Peru

NORTH AMERICA

Canada
Recreational is also legal.
Mexico
United States
Many individual states have legalized medical and/or recreational cannabis, but it's still illegal federally.

SOUTHEAST ASIA & OCEANIA

Australia
New Zealand
India

EUROPE

Germany	The Netherlands
Croatia	Czech Republic
Denmark	Greece
Italy	Macedonia
Malta	Portugal
Belgium	
Finland	Ireland
Luxembourg	Norway
Poland	United Kingdom
Spain	
Decriminalized for personal use, and hundreds of cannabis clubs exist, but commercial production and sales are illegal at the federal level.	
Switzerland	
Cannabis products legal if below 1% THC; several pilot projects underway.	

Countries included have passed legislation at the federal level and must fulfill at least one of the following criteria:

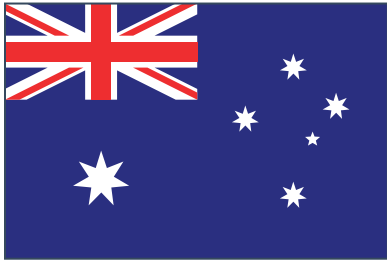
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AUSTRALIA



Australia's medical marijuana market has grown slowly since its launch in late 2016, primarily a result of heavy government requirements that undermine patient access and have slowed medical cannabis businesses hoping to start there.

Complicating matters further, state and federal governments have their own, separate regulations.

The result is an anemic and underachieving market. But some states are taking measures to cut down on bureaucracy and improve access.

The nation of 24 million people allows cannabis exports, which likely will dramatically increase the value of the country's cultivation and manufacturing licenses. Companies that are able to win licenses will have access to a significant domestic patient market – once patient access issues are resolved – and to a growing number of foreign medical marijuana markets looking for cannabis imports.

Australia mandates that medical cannabis be sold through pharmacies, eliminating the retail option for entrepreneurs.

MARKET HIGHLIGHTS

Australia is an attractive market. Over one recent 12-month period, more than 2.1 million people reported using cannabis – but that product was obtained from the black market, indicating that the opportunity for legal cannabis could be massive. Australia's second-biggest state, Victoria, is reportedly exploring recreational legalization.

The country has already attracted numerous global marijuana companies that have invested millions of dollars there, including Canopy Growth, Cronos Group, Aphria, Aurora, PUF Ventures and MedReleaf.

Plant-touching opportunities lead to ancillary opportunities, such as manufacturing equipment and consulting, legal and shipping expertise.

While the federal government has been slow to move, a few states have taken the initiative to get their medical cannabis markets going. Australia's most populous state, New South Wales, is implementing a single-application process to replace separate state and federal approvals. Under the new rules, doctors who want to prescribe medical marijuana could get approval within 36 hours.

If other states follow New South Wales' lead, the industry could be in store for significant growth.

Medical cannabis products are considered prescription medicines, which means companies are not allowed to advertise to the public.

Perhaps the best way to break into the Australian market is through joint ventures or by partnering with or investing in local cannabis entities, as several Canadian and some U.S. players have done.

For example, Denver-based Dixie Brands has partnered with Cann Group to bring CBD and medical marijuana products to Australia, and Seattle-based Privateer – through its British Columbia, Canada-based grower Tilray – has a license in Australia, but its product is still in clinical trials. Other licensed Australian growers with foreign ties include Bedrocan Australia, linked to the Dutch company Bedrocan BV, and AusCann, which is collaborating with Canopy Growth of Ontario, Canada.

LICENSING

Australia offers licenses for:

- Commercial medical marijuana cultivation
- Medical marijuana research
- Manufacturing, which includes extraction and product formulation

There are no caps on the number of licenses, but regulators are mindful of ensuring they license only enough growers to meet domestic demand. Through July 11, Australia granted 18 cultivation and production licenses, 10 cannabis research licenses and 13 manufacturing licenses.

Medical marijuana companies can vertically integrate but must obtain cultivation and manufacturing licenses separately.

Before being awarded a final license, applicants must have a facility that has been inspected and approved by inspectors.

CANADA



In June, Canada became the first G-20 nation to legalize recreational cannabis and lay the groundwork for a multibillion-dollar marijuana industry. Recreational cannabis sales will begin across the country Oct. 17. The country's MMJ program will remain distinct from the recreational market.

The nation is also a longtime leader in the medical marijuana sector. Over the past couple of years, the nation's federally licensed producers have taken cannabis to new levels of international acceptability, exporting to new medical markets as far flung as Australia, Germany and Brazil.

Indeed, Canada has become a staging ground for international expansion. Canadian capital and experience operating in a tightly controlled federal market are being leveraged in more than a dozen overseas medical markets.

As for Canada's domestic market, the government laid out detailed regulatory and licensing rules in June, and there are ample opportunities for non-Canadian entrepreneurs to break into the market.

But it's not a cakewalk. Anyone who wants to get into Canada's cannabis industry must start by learning which rules are regulated by each level of government.

MARKET HIGHLIGHTS

With an expected recreational market worth between \$2.3 billion and \$4.5 billion (CA\$3 billion and \$5.9 billion) by 2021, based on Marijuana Business Daily estimates, Canada's domestic market could be the second-largest in the world, behind California. A recent report by the Bank of Montreal estimated demand for medical and recreational cannabis in the first year of legalization at 337,400 kilograms (743,840 pounds).

The federal government will regulate and license cultivation and processing and will also be responsible for other key areas such as advertising and packaging rules and possession limits.

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

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. Ontario, the nation's largest market, pivoted in July from a planned government monopoly to a retail model entirely built on private operators.

Retailers authorized by the provinces and territories will be able to sell dried cannabis, oil, seeds and plants. Edibles and infused products won't be allowed until October 2019.

Inbound international cultivation opportunities could come in the form of partnerships and suppliers to the current licensed producers and the hundreds of applicants awaiting government approval.

U.S. businesses with experience selling, branding or producing recreational cannabis products – such as vape oils and infused products – could find room to grow in Canada or partner with Canadian businesses that have little experience in these areas.

LICENSING

In late June, the federal government issued its licensing rules. The types of permits that the federal government will regulate include:

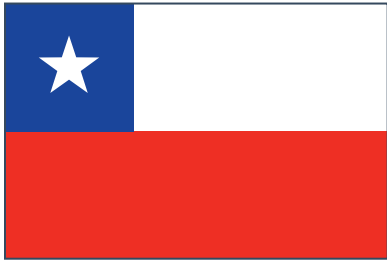
- Standard cultivation license, for larger growers
- Micro-cultivation license, for smaller growers
- Nursery license, for growers of starting materials
- Industrial hemp license
- Standard processing license, for larger processors
- Micro-processing licenses, for smaller processors

Retail licenses for recreational cannabis sales are under the jurisdiction of provinces. Ontario, British Columbia, Alberta, Saskatchewan, Manitoba and Newfoundland will offer privately held retailers, but the rest of Canada's provinces – Quebec, Nova Scotia, New Brunswick and Prince Edward Island – will sell cannabis through government-owned stores.

Federal licenses for the sale of both medical and recreational cannabis via mail/phone/online order will be available.

There will also be licenses for testing, research and export/import.

CHILE



Chile is a trailblazer in Latin America when it comes to medical marijuana.

In 2015, the country of 18 million people legalized MMJ and decriminalized small amounts of recreational cannabis. Soon after, Chile approved the first medical cannabis grow operation in Latin America. In 2017, drugstores in Chile's capital, Santiago, started sales of MMJ.

Despite this pioneering history, the political reforms needed to set up a robust MMJ market have yet to occur and plant-touching and ancillary opportunities are very limited. That may change, however, as recent trends should give entrepreneurs reason to keep their eyes on Chile.

MARKET HIGHLIGHTS

Chile has the highest cannabis consumption rates per capita in Latin America, as well as the largest support for marijuana legalization. Chile's lower house of Parliament passed a recreational legalization bill in 2015 - but that's as far as it got.

An estimated 88,000 Chilean patients suffering from various conditions could benefit from medical cannabis, according to one study. Any doctor who can prescribe medicine can authorize medical marijuana.

Additionally, imports of medical cannabis products are allowed in some cases, both as registered and "nonregistered" medicines.

Most business opportunities in Chile seem to involve partnerships concerning cannabis oil. For example, Canada's Tilray teamed up with Alef Biotechnology, and the two companies have approval to import cannabis drops, which are available in pharmacies by prescription. The average sale price for these products is roughly \$300 for a treatment that lasts around a month, according to one report.

Chile is also expected to offer research and clinical opportunities that some companies believe have promise. For example, Spectrum Cannabis Chile, a subsidiary of Canada's Canopy Growth, intends to have cannabis-focused clinical and medical research operations in the country.

LICENSING

Cultivation licenses are awarded by the government for a one-year period. The Agricultural and Livestock Service of Chile has the authority to grant cultivation permits for large-scale grows, and the requirements are based on Decree 867 of 2007.

But Chile has thus far awarded few medical marijuana cultivation licenses. DayaCann, a joint venture between AusCann and the Chilean-based Daya Foundation, was among the first. AusCann reported in June that it harvested its second crop, yielding 620 kilograms (1,367 pounds) of dried cannabis product, an increase of over 50% on the 400 kilograms its first crop yielded last year.

Alef Biotechnology is also licensed to cultivate cannabis in the country.

A special authorization allows the country's health department to grant provisional authorizations for the distribution and sale of nonregistered pharmaceutical products in cases of scarcity or nonavailability.

COLOMBIA



Since Colombian President Juan Manuel Santos signed off on medical marijuana legislation in late 2015, the country's MMJ industry has developed rapidly and is widely considered ripe for businesses to capitalize on it.

Opportunities for international marijuana companies exist in the cultivation, manufacturing and ancillary sectors; fewer opportunities exist in retail.

Colombia has the qualities to become a lucrative domestic market and a potential powerhouse serving medical markets around the world. Colombia has:

- A supportive federal government.
- Low labor costs.
- Outdoor cultivation-friendly conditions such as a temperate climate and days split into 12 hours of light and 12 hours of darkness.

MARKET HIGHLIGHTS

There are more than 5.5 million patients in Colombia with conditions that qualify them for medical cannabis – prescribed by physicians – including chronic pain, insomnia and PTSD, according to market analytics provider IQVIA. This would make Colombia the second-biggest medical cannabis patient market, behind Germany's patient population. Other patient population estimates for Colombia range from 3 million to 6 million.

Nonpsychoactive MMJ products – defined as under 1% THC – still require a prescription. Products with a THC level higher than 0.2% require a "narcotics prescription," while under 0.2% qualifies as a "normal prescription" – the same level as antibiotics, for example. The country, however, prohibits flower sales and requires that MMJ products be sold only as extracts made in specially certified labs.

The country has also been a magnet for investors, buoyed by companies like Khiron Life Sciences and PharmaCielo that are listed or are considering listing on Canadian stock exchanges.

LICENSING

Businesses can essentially apply for three types of licenses or permits – cultivation, manufacturing and distribution.

Cultivation permits will be granted through The Ministry of Justice and Law and allow:

- Psychoactive cannabis plants (THC of 1% or higher)
- Nonpsychoactive cannabis plants (THC of less than 1%)
- Seeds for commercial use or scientific research

Manufacturing permits will be issued by the Ministry of Health and Social Protection and allow companies to extract and formulate cannabis oils and oil-infused products for both domestic and export markets, as well as for research.

Cannabis products will be distributed primarily through dispensaries, but companies may apply for distribution permits from the Ministry of Health and INVIMA – Colombia's equivalent to the U.S. Food and Drug Administration.

As of May 2, 80 cultivation licenses had been granted: 43 for nonpsychoactive cannabis, 31 for psychoactive cannabis and six for seeds. As of April 9, 35 manufacturing licenses had been granted, of which 33 included export permission.

GERMANY



Germany will likely be a driving force in the European – and global – cannabis industry.

The country of 83 million people is on track to become one of the world's largest medical marijuana markets. Patient numbers are soaring, medical cannabis imports are rising, domestic cultivation is on the horizon and some executives expect recreational legalization will happen "in the foreseeable future."

Germany's medical marijuana cultivation industry was put on hold after a federal court ruled in April that application rules were not followed. The country restarted the application process in July, but the amount called for remains well short of anticipated demand in the coming years.

Retail licenses are not available as cannabis is sold only through pharmacies in Germany, nor are licenses for manufacturing or processing – sectors handled by importers and pharmacists.

MARKET HIGHLIGHTS

In Germany, where people are required to have health insurance, patient numbers are being helped by the fact that some insurance plans cover medical cannabis. Early data from the country's insurers shows demand is surging, with more than 13,000 requesting reimbursement in 2017. Patients are not required to register with the government, however, so the total number is likely much higher.

Since September 2017, companies from Canada and the Netherlands have applied to the Federal Institute for Drugs and Medical Devices (BfArM) to ship roughly 21,000 kilograms of medical cannabis to Germany – far outstripping the expected initial allotments for domestic cultivation.

Flower is popular in Germany, and the country's eventual growers will not be allowed to process their cannabis flower into extracts. Rules and customer preferences, however, will increase demand for oils, which for now can be imported only from countries with federally legal programs.

LICENSING

The deadline for applications to grow cannabis for the German market is Oct. 22.

The cultivation bidding process will award contracts for 13 "lots," with a single company able to get up to five contracts. Each lot calls for 200 kilograms to start, but bidders will be allowed to increase that by up to 30% per year.

Manufacturing and processing licenses are not available. Germany imports extract from Canadian medical cannabis growers, and that extract is then formulated by pharmacists into pills, capsules or whatever pharmaceutical product a prescription asks for. That opens opportunities for extract importers.

Cultivation licenses are open to foreign companies if they can establish residency or find a local partner to work with. Applicants need to prove that between Jan. 1, 2015, and Oct. 22, 2018, they grew, processed and delivered medical cannabis flower with a minimum THC content of more than 1%.

To be a legal importer, a company must obtain a federal import license and a license from the state where the importer plans to locate. Germany has 16 states. Obtaining a federal license is generally straightforward, but obtaining a state license varies by state, with some granting them in three months and others in one year.

ISRAEL



While Israel is considered a trailblazer in medical marijuana research and cultivation science, the country has been somewhat of a disappointment for North American entrepreneurs in terms of MMJ business opportunities.

Israel approved cannabis exports in August 2017, and more than 500 growers applied for cultivation and export permission. But the government suspended the plan in February, leaving several companies and investors facing significant financial losses.

One of the country's newest cultivators, Together Pharma, announced in July that it would move some of its greenhouse operations to an unidentified country in the European Union. The reason? Bureaucratic red tape and a failure to pass export regulations.

If the delays, which are blamed on the country's Public Security Ministry, continue, other growers could follow Together Pharma's move abroad.

Still, export supporters continue to push, and it's possible the government will permit them this year or next.

MARKET HIGHLIGHTS

Exports – when they are finally allowed – are viewed as the biggest opportunity for companies in Israel. A Tel Aviv-based attorney for one Canadian cultivator with operations in Israel, Cronos Group, told The Jerusalem Post that her office has \$195 million in export contracts waiting to be signed, and the country's export potential could be closer to \$300 million a year.

Despite medical marijuana's social acceptance in Israel, the country's program includes a modest 30,000 patients who get their product from pharmacies and a handful of dispensaries.

More immediate opportunities exist in Israel's cultivation science and technology sector, which received a boost when the government decided to issue cannabis research permits.

Roughly 50 Israeli companies are cultivating plants commercially or for research and development. This opens opportunities for U.S.-based extractors and processors to partner with Israeli researchers and firms exploring cannabinoid compounds, delivery systems like vaporizers and other technologies.

In 2016, international investors poured more than \$100 million into Israeli marijuana firms.

LICENSING

Retail opportunities are extremely limited, as most medical cannabis is sold through pharmacies and a handful of dispensaries.

In 2016, Israel's Health Ministry changed its industry regulations to allow an unlimited number of licenses to grow cannabis. More than 200 businesses have received cultivation licenses, although it's not clear how many of those are up and running or how many more licenses the government plans to award.

Pharmacies may apply for permits to dispense medical cannabis, and the Ministry of Health has not established limits on how many permits may be issued.

As with most markets, the best way to get a foot in this market is through partnerships with Israeli companies. For example, California-based Steep Hill Labs will be establishing a facility in Israel, thanks to a partnership with one of the country's medical marijuana companies, iCan, while grower Tikun Olam has partnerships with MariMed, a multistate MMJ business, and Alternative Solutions, a Washington DC medical cannabis firm.

JAMAICA



Of all the international medical marijuana markets already online, Jamaica could be the second-most attractive to U.S. entrepreneurs – behind Canada. There are several business license categories, no caps on licenses and rules that promote patient access.

Jamaica's medical marijuana law allows both citizens and tourists with physician recommendations from their home countries to buy medical cannabis.

While more than 200 license applications have been submitted, the country's Cannabis Licensing Authority has approved only a small number, drawing criticism from medical marijuana business owners.

But government officials have promised to accelerate the licensing process. The Jamaican Ministry of Health established a Medical Cannabis Unit in June that has registered more than 60 MMJ products and seems to be moving faster on license application reviews.

MARKET HIGHLIGHTS

Several American companies have a presence in Jamaica, including Colorado-based Organa Brands and Medically Correct and California-based Steep Hill Labs.

Jamaica does not allow the export of raw cannabis, but it does allow export – with approval of the country's chief medical officer – of finished products such as extracts and tinctures.

Banking has been a problem for the country's medical marijuana businesses, as the country's biggest financial institutions have turned down MMJ businesses for fear of angering their foreign banking partners.

The country's first dispensary opened in March and – at press time – more were expected to open this summer.

LICENSING

Through late May, Jamaica's cannabis regulators had issued 10 cultivation licenses, three retail licenses and three processing licenses.

Businesses that apply for a license must establish their company's "substantial" ownership and control (more than 50%) by a person considered "ordinarily resident" in Jamaica – someone who has lived in the country for three consecutive years immediately preceding the date of the application and is at least 18 years old.

Here's what you need to know about licensing:

- There are no license caps.
- Applicants may apply for more than one type of license.
- Application fees are \$300 for individuals and \$500 for businesses.
- The licensing process involves an application review and a premises review. If all requirements are met, a license may be granted.

There are three tiers of cultivation licenses available, based on size:

- Tier 1: up to 1 acre
- Tier 2: 1-5 acres
- Tier 3: more than 5 acres.

The annual license fees for cultivation are \$2,000, \$2,500 and \$3,000, respectively.

There are two tiers of processing licenses: Tier 1 for space up to 200 square meters (3,229 square feet) and Tier 2 for operations larger than that. The annual license fees are \$3,500 and \$10,000.

There are three types of retail licenses, each costing \$2,500. An "Herb House-Retail" license allows the holder to sell cannabis for medical, therapeutic and scientific research purposes, while a "Herb House-Smoking" license allows the holder the same retail privileges as a "Herb House-Retail" licensee but also allows a customer consumption space.

The third retail license category, "Therapeutic," allows the holder to provide spa and therapeutic services using cannabis.

Transportation licenses allow the holder to deliver MMJ between two license holders. Annual transportation license fees are \$10,000 for the first vehicle and \$1,000 for each individual vehicle after that.

There are also two types of research licenses, one for experimental purposes and the other for analytical and testing purposes. Each comes with an annual fee of \$5,000.

LESOTHO



Cannabis is a widely accepted crop in the tiny and impoverished African kingdom of Lesotho.

For centuries, cannabis has been a critical and ubiquitous cash crop for the nation of 2.2 million, where farmers rely on it to make ends meet. Large amounts of the cannabis that is grown there is sold on the illicit markets of neighboring South Africa and other African countries.

“Cannabis is grown almost everywhere in the country,” a 1999 UNESCO report said.

The government finally moved on this legacy in 2008, when Lesotho became the first country in Africa to regulate medical cannabis. That law spells out who can prescribe medical cannabis and under what conditions, but it doesn't have details for creating and sustaining a workable domestic cannabis industry.

But Lesotho's government has recently taken steps to build up the regulatory infrastructure, such as establishing a Lesotho Narcotics Bureau, encouraging some cannabis businesses to invest in the country's medical cannabis program.

If Lesotho succeeds in establishing solid regulations, it could become a prime export hub. Executives expect the country to act as a staging ground for entry into other African markets that offer significantly more potential than Lesotho's 2.2 million people, including Ghana, South Africa, Zambia, Zimbabwe and Swaziland.

MARKET HIGHLIGHTS

While Lesotho's 2008 medical cannabis law lacks the details necessary to set up a domestic market, it does have enough of a framework for exports, which for now are the primary focus of the country's industry.

The 2008 law lumps hemp and cannabis together, so it doesn't limit the potency of cannabis or forms that can be exported. Flower and oils are both allowed.

Opportunities exist up and down the value chain. There are no input suppliers specifically for cannabis companies, including general infrastructure such as irrigation equipment, greenhouse, generators, farming equipment, nutrients and cannabis-specific fertilizers.

As for the domestic market, the government is working on the Drugs of Abuse [Cannabis] Regulations, which may address the technical gaps in the 2008 law that have kept a medical marijuana industry from developing, but it could be months or years before the follow-up legislation is approved.

Lesotho has also attracted significant international investments. There are at least five licensed cultivators in the country, three of which are wholly owned by American, Canadian and British cannabis companies. Canadian grow companies hold minority stakes in the other two licensees.

These foreign companies have been drawn to Lesotho by its cultivation-friendly climate and inexpensive and knowledgeable local workforce.

LICENSING

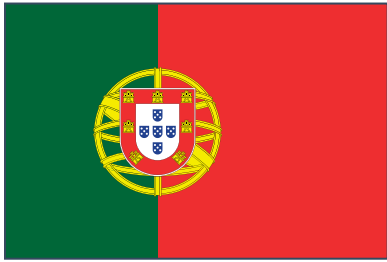
To date, five companies have been licensed as “prohibited drug operators” – which includes cultivation, manufacture, distribution, storage and export/import – under provisions of the 2008 law. It's not clear if the government will issue new licenses before secondary legislation is approved – or when.

No timeline has been established for the updated legislation, but several provisions are being discussed, including:

- A capital adequacy clause would be intended to assure the government that a company has enough capital to undertake the operation it is applying to run.
- Licenses would be valid for one year, renewable annually. (The initial licenses were issued for a 10-year term.)
- All final products would have to be tested by a certified laboratory before being sold for domestic or export use.

The Companies Act of Lesotho allows foreigners to own 100% of local businesses, but in reality, local connections are essential for anyone looking to enter the market. International companies seeking to get a foothold in Lesotho should look to team up with one of Lesotho's local licensed producers.

PORTUGAL



Portugal has been both pioneering and plodding when it comes to cannabis, but the current government seems poised to get things moving again, giving entrepreneurs ample reason to pay attention to this Iberian nation.

Cannabis enjoys broad social acceptance in Portugal, which decriminalized cannabis in 2001 – a move that many believed would be the first in a long line of reforms. Instead, nothing else changed until 2014, when Portugal started allowing limited medical cannabis cultivation. But the opportunities were limited, and the development of a Portuguese medical cannabis industry seemed to be going nowhere.

That changed in June when the country's Parliament approved sweeping changes to how the country regulates medical cannabis. These reforms are expected to open new opportunities for international and domestic companies.

The law didn't take effect until July 1, but the market is expected to be open for business by the end of this year. What does that mean for business opportunities?

- With sales going through local pharmacies, the main opportunities will be in cultivation, extraction and processing.
- Short term: It's time to start preparing for the business license application process, which the Portuguese government expects to launch this year or early next year.
- Long term: Portugal could prove an inexpensive cultivation gateway to the European Union and potentially tens of millions of patients and recreational consumers.

MARKET HIGHLIGHTS

The new law spells out rules for medical cannabis cultivation, production, extraction and commercial manufacture, as well as wholesale, distribution to pharmacies, import and export, transit and sale of the products.

The law allows for flower, extracts like resin and oil (crude or purified) and seeds.

Cannabis will be prescribed by a doctor and then obtained by patients through pharmacies. Doctors will be allowed to prescribe medical cannabis for any condition when other treatments are not effective.

Tilray, the British Columbia producer owned by Seattle-based private equity firm Privateer Holdings, got its foot in the European Union door by establishing a wholly owned subsidiary in Cantanhede, Portugal.

Privateer plans to make Tilray Portugal Unipessoal Lda, as the venture is called, an important cornerstone of its international strategy. The affiliate will serve as a hub supporting Tilray's cultivation, processing, research, packaging and export to other EU countries.

Privateer believes Portugal has three key ingredients for success:

- A climate conducive to greenhouse growing.
- A low-cost but skilled workforce.
- Easy access to other European Union countries.

The same approach could potentially work for extraction and manufacturing companies, but retail is a far less certain category for now.

LICENSING

Portugal will license companies for cultivation, extraction and manufacturing. Retail licenses will not be offered, as distribution will be handled through pharmacies. It's not clear yet if there will be any caps on the number of licenses or residency requirements.

The National Authority of Medicines and Health Products (Infarmed) will be responsible for regulating most aspects of medical marijuana, and all products will require a license from the government agency.

URUGUAY



Uruguay's recreational marijuana market is – so far – a story of unfulfilled potential. In 2013, the South American country of 3.4 million people became the first nation to legalize recreational marijuana, but legal sales began just last year, and consumer participation has been modest.

That's disappointing in a country where there are an estimated 147,000 people between the ages of 18 and 65 who consume marijuana, including about a third who use it weekly.

There are only three ways to obtain legal recreational cannabis in Uruguay: through pharmacies, cannabis clubs and home growing. Uruguay does not allow sales through cannabis-only retailers as the United States does or like some Canadian provinces will have.

Through mid-July, a little more than 35,000 Uruguayans were registered to obtain recreational cannabis through one of those three options. A June report from the government's Institute for the Regulation and Control of Cannabis (IRCCA), the agency that regulates cannabis, estimates that many of those who are registered to obtain marijuana share their product with unregistered users.

There have been some hopeful signs, however, that the market is improving and that the country's regulators may take steps to further improve the climate.

MARKET HIGHLIGHTS

The law allows registered consumers to purchase up to 40 grams (nearly 1.5 ounces) of cannabis each month.

Uruguay's small number of registered consumers may be attributable to the 9% THC limit put on flower and the dearth of pharmacies selling cannabis. Only 14 of the nation's roughly 1,200 pharmacies sell cannabis, and seven of those are in the capital of Montevideo – meaning larger swaths of the country do not have access to legal outlets.

The small number of pharmacies selling cannabis is partly attributable to a government price cap of \$1.40 per gram, with 90% of that going back to the grower.

According to the IRCCA website, as of July 12, Uruguay had 8,605 home growers and 93 registered cannabis clubs that have a total of roughly 2,500 members.

The June IRCCA report found that about 70% of the Uruguayans who had registered to obtain recreational cannabis through one of the three legal channels were men and that about 17% were 65 or older. That suggests an opening for businesses that seek to educate female and senior consumers.

Uruguay also offers opportunities in hemp cultivation, as several companies – including some with Canadian involvement – have obtained licenses to cultivate that plant.

LICENSING

Uruguay's recreational marijuana law allows for a small number of licensed commercial growers, but the government has so far approved only two: ICC Labs and Symbiosis. The two growers combined are allowed to produce up to four tons of marijuana, far less than the 20-25 metric tons consumed annually through the country's legal and black markets.

Diego Olivera, head of the National Drugs Council, said in June that officials are considering granting more licenses.

Regulators are also considering adding another avenue through which consumers can obtain cannabis: sales centers, akin to the rec retail models in the U.S. and Canada. For those centers to be viable, however, the \$1.40 price cap will have to be raised or eliminated.



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