

THE

**LATIN AMERICA
REGIONAL
CANNABIS
REPORT**

2019 INDUSTRY OUTLOOK

EXECUTIVE SUMMARY

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EXECUTIVE SUMMARY

Latin America is at the forefront

of the global wave of cannabis legislation reform. While Canada has legalized cannabis nationwide for medical and adult use, as have 10 states and the District of Columbia in the U.S. (with an additional 23 states permitting medical use of cannabis only), there has also been a significant expansion of legal cannabis throughout the Americas as noted by the establishment of primarily legal medical markets in Latin America.

Many countries across the region are opening access to medical cannabis through highly

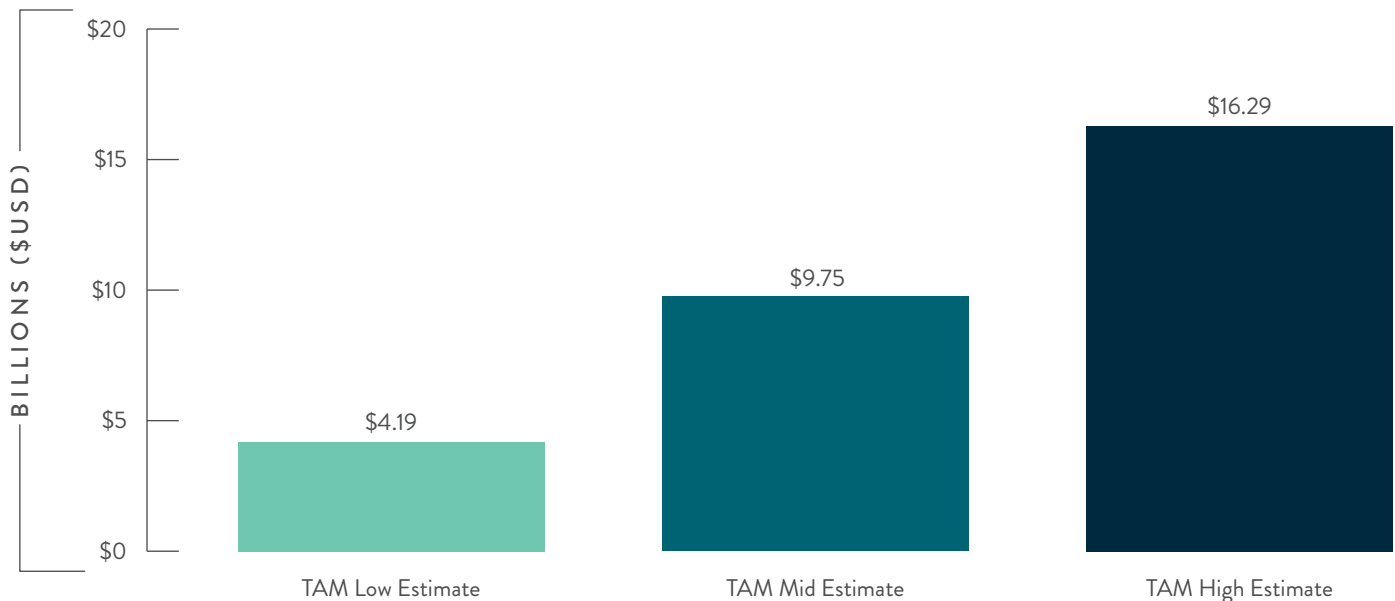
regulated industries. Recognizing the significant potential opportunity presented by a regulated industry, cannabis businesses within and outside the region are aggressively pursuing import and export opportunities in Latin America to service this \$9.8 billion USD market.

In 2014, Uruguay became the first country in the world to legalize adult-use cannabis, and in February 2019 the country's regulatory body will begin receiving applications for additional commercial producers to grow cannabis for its pharmacy sales.

Colombia is positioning itself to be a global exporter of medical cannabis derivatives. With its inexpensive cultivation costs, ideal growing conditions, and experienced cultivators, Colombia is expected to produce cannabis at a fraction of the cost of exporters like Canada.



ESTIMATED VALUE OF LATIN AMERICAN MARKETS (REGULATED & ILLICIT)



Source: New Frontier Data
TAM = Total Addressable Market

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Medical cannabis is legal in Brazil, and possession and cultivation of personal amounts are decriminalized. Despite the increasing number of registered patients, patient access is still determined on a case-by-case basis, which has constrained the pace of the program's nevertheless significant growth. However, proposed changes could significantly expand patient access. A medical cannabis bill currently in review would authorize patients, patient associations, or relatives to cultivate and produce cannabis at home for medical purposes.

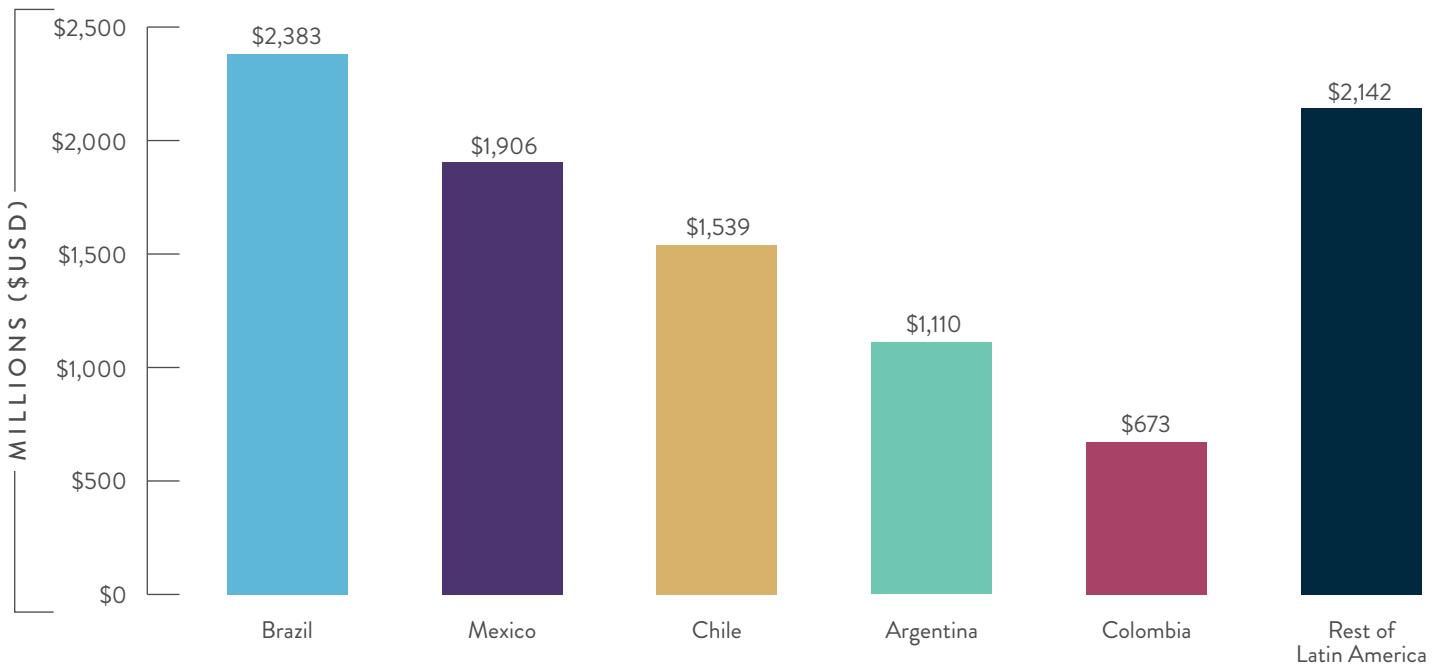
After its highest court ruled in late 2018 that prohibition was unconstitutional, Mexico is imminently expected to fully legalize cannabis for adult

use. It will also be developing its medical cannabis regulatory policies and planning for cultivation of industrial hemp.

Panama's relationship with cannabis is at a crossroads. Currently, cannabis use and possession is illegal, even for zero-THC CBD products. While the government does permit exceptional cases of CBD use with a "sanitary permit" from the Ministry of Health, such cases are not common. The path for cannabis reform has been laid; the National Assembly is currently reviewing a bill which would legalize medical cannabis.

The region covered in this report includes Mexico and all countries to its south in the contiguous

i TOP 5 ESTIMATED TOTAL ADDRESSABLE MARKETS (TAM)



Source: New Frontier Data

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Americas, and is home to more than 600 million people, among whom nearly 13 million use cannabis at least annually.

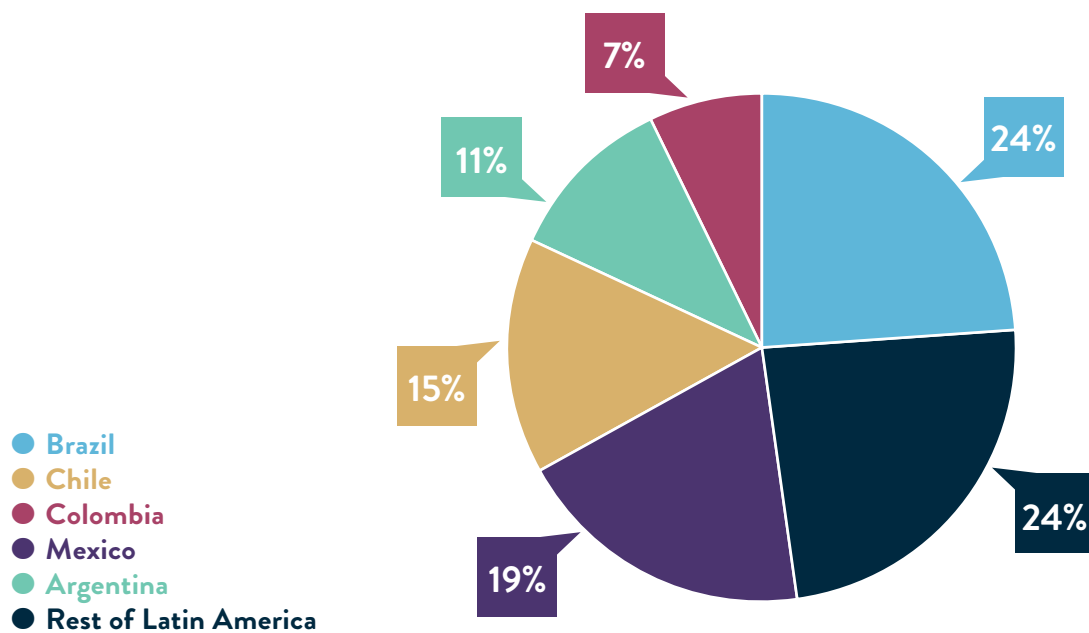
Based on rates of cannabis use, estimated consumption volume, and regional prices, New Frontier Data estimates the market value of cannabis in Latin America (inclusive of legal, regulated and unregulated markets as well as illicit markets) at \$9.8 billion USD.

The friendliness of the local market to cannabis and cannabis products varies widely — from import-only or derivative-only, to rarely granted exceptional-licenses-to-use markets, to adult-use legal markets where home growers can cultivate plants with up to 15% THC. Many regulations remain undeveloped, even in legal markets, and

illicit products still abound. While patients in functioning markets await their registration approvals, and cultivators in nearly regulated markets await pending export regulations, the region is preparing for a considerable surge in sales of imported and local seeds, plants, derivatives, and cultivation supplies. Each country in Latin America is in a different stage of its development, and some are closer than others to reaching their policy goals.

However, as operators in the region increasingly invest in building capacity and scale, Latin America will play an increasingly important role in the evolving global cannabis marketplace, and the legal regulated industry will be a catalyst for economic development, job creation, and new opportunities in healthcare and wellness across the region.

i LATIN AMERICA SHARE OF TOTAL ADDRESSABLE MARKET (TAM) BY COUNTRY



Source: New Frontier Data

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THE GLOBAL STATE OF HEMP



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