



Invest in Lesotho's **Medicinal Cannabis Sector**

LESOTHO

Lesotho offers an exceptional natural and legal environment in which to profitably grow and process cannabis for medicinal purposes.



Invest in Lesotho



Medicinal Cannabis



Introduction

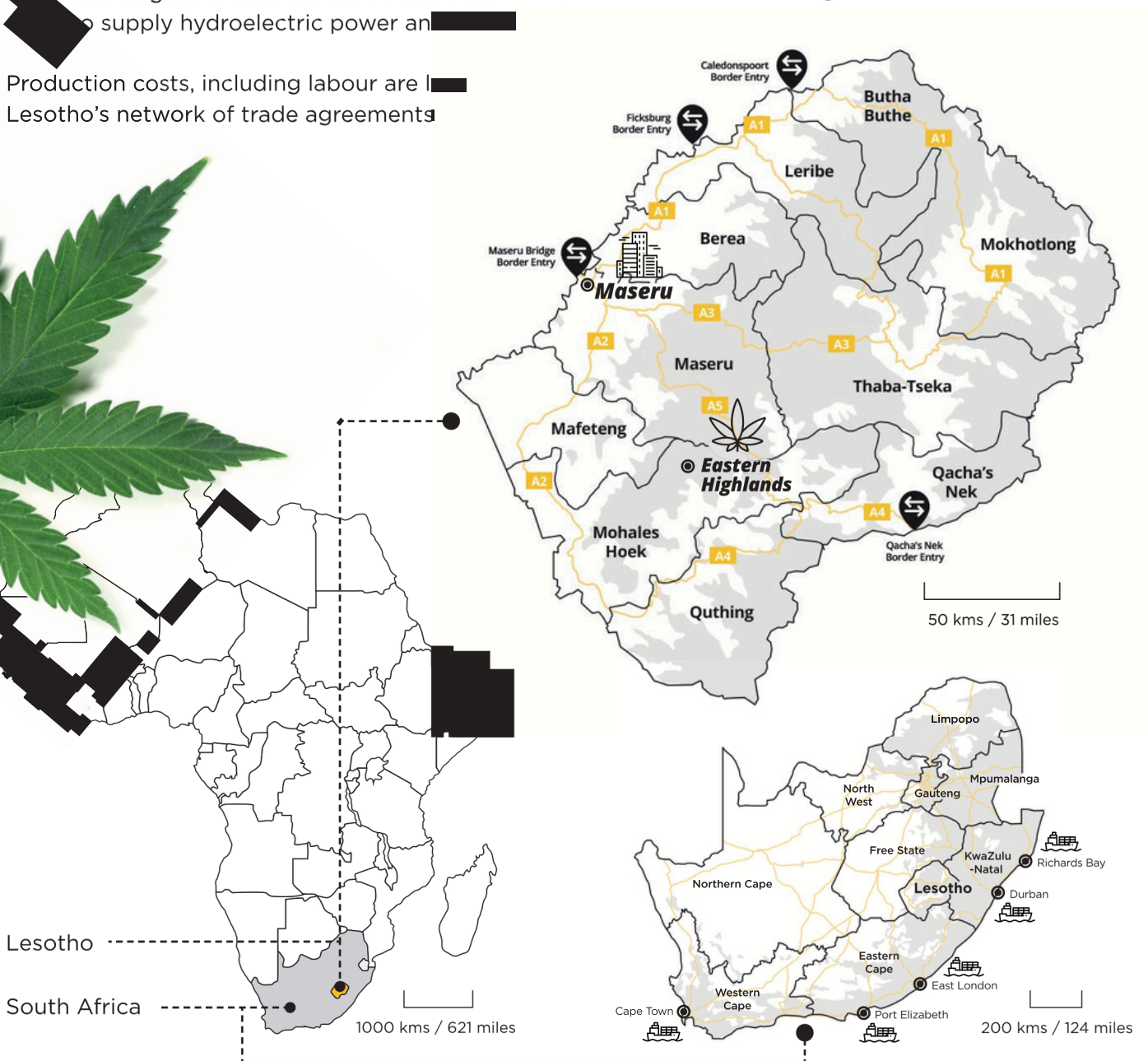
The global market for medicinal cannabis is already over \$3 billion and is set to expand.

Cannabis can be grown and processed in the Highlands Region of Lesotho where there are no supply hydroelectric power and

Production costs, including labour are low. Lesotho's network of trade agreements

facilitates exports to the EU, USA, China and Canada as well as the SADC/SACU region.

The ideal growing areas in Lesotho are above 2,000m in the Eastern Highlands.



Strengths & Opportunities

Lesotho legalised the cultivation of cannabis in 2008. In 2017 it was the first African country to issue licenses for the production of medicinal cannabis under the Drugs of Abuse (Cannabis) Regulations administered by the Department of Health.

Investors can apply to the Lesotho Narcotics Bureau to establish a medicinal cannabis business. Provided that the applicant meets all the requirements, the Ministry of Health will issue a licence. The cost of a licence is LSL* 500,000 for the first year and LSL 350,000 in subsequent years.

Lesotho's mountainous terrain and climate are exceptionally well-suited to growing high-quality cannabis for medicinal use.

LESOTHO IS

2000m

ABOVE SEA LEVEL

and has cool morning temperatures, intense sunlight all year round and dry air conditions with an average of 32% humidity suitable for production.

The area potentially available for cultivation is large enough to avoid problems of cross-pollination between different production units.

Production costs are low thanks to cheap hydroelectricity at \$3/kwh and highly competitive labour rates which are less than 20% of those in the USA and Canada.

Land for production sites is available for lease, subject to negotiations with local land owners. Lesotho enjoys some further advantages. It is GMP (Good Manufacturing Practices) compliant - with an independent analytical laboratory that issues Certifications of Analysis (CoA), a requirement for the export of medicinal cannabis.

- It is a signatory to three United Nation Conventions that regulate international trade on narcotic substances.
- It has attractive incentives for medicinal cannabis and levies a manufacturing tax of just 10% with 0% tax on dividends.
- It has good road connections with South Africa through which cannabis products can be exported under bond.
- The growth of cannabis and its processing into medicinal products is subject to state regulation.

The project aligns with Sustainable Development Goals 1, 3, 8, 9 and 12.



*1 LSL = 1 ZAR

15 LSL = 1 USD (as of April 2021)



Medicinal Cannabis



Example of a site for growing and processing medicinal cannabis.

Financial Analysis

TOTAL INVESTMENT

A total investment of approximately:

LSL 350m

comprising fixed assets of LSL 306m, pre-production expenditure of LSL 10.2m and initial working capital of LSL 30.6m, will be required for the establishment of the Medicinal Cannabis enterprise. The graphs below illustrate a financially viable operation with the enterprise expected to generate a profit throughout its operational life.



In addition to the positive NPV and IRR, the initial investment cost of the project is expected to be fully recovered in a little over 4 years. The investment opportunity further responds favourably to Lesotho's developmental objectives through its positive socio-economic impact in terms of employment creation, economic agglomeration and potential forex earning opportunities.

NET PROFIT

The enterprise's annual net profit after tax increases from approximately:

LSL 103m

in year 1 to approximately:

LSL 974m

in year 10. Similarly, the projected cash flows of the envisaged investment opportunity indicate that the project will generate positive net cash flows throughout the 10-year operational period.

NET PROFIT

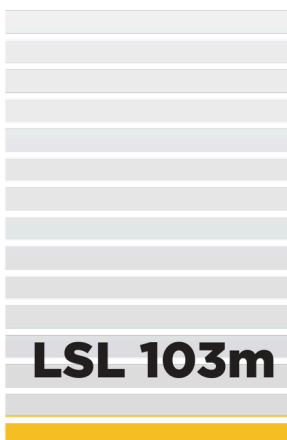


YEAR 1

NET PROFIT



YEAR 10





Financial Analysis

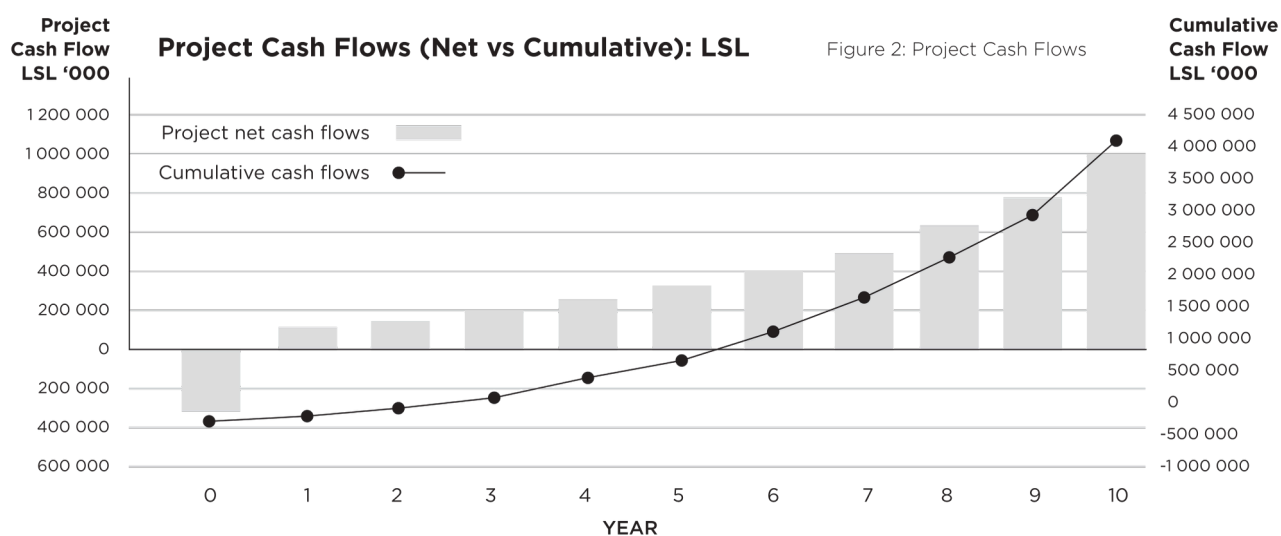


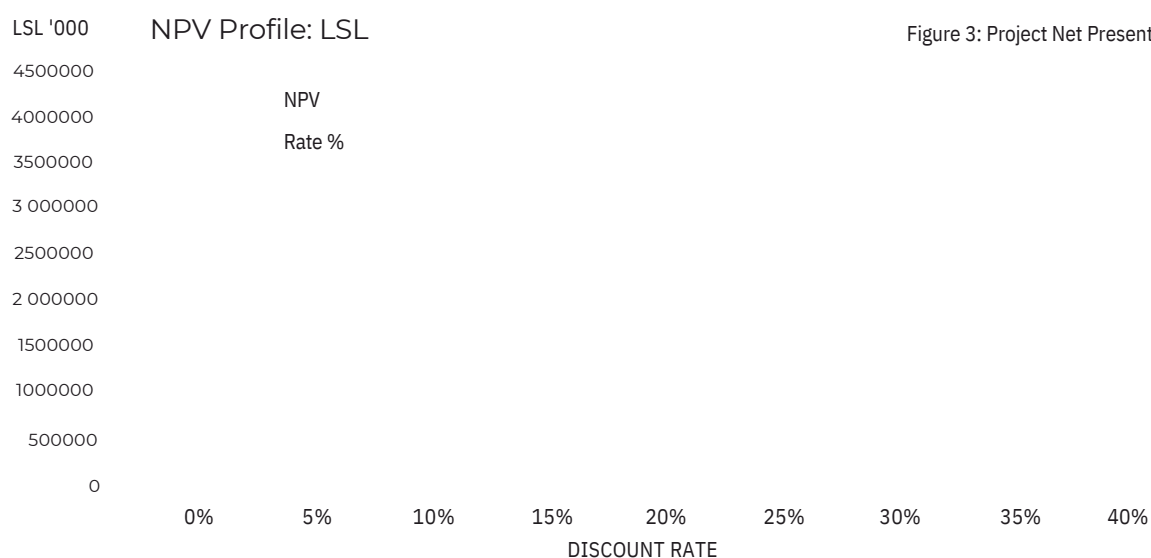
Table 1: Investment Indicators

The projected future cash flows generated by the enterprise are discounted at a rate of 16%. The outcome of the discounted cash flow analysis is summarized in Table 1.

Net present value (NPV)	LSL 1.25b
Discounted payback period	4.05 years
Internal rate of return (IRR)	57.81%
Profitability index (PI)	5

Financial Analysis

The positive NPV and corresponding IRR of 57.81% highlight the financial viability of the Medicinal Cannabis investment opportunity.



Example of site for medicinal cannabis is made.



Medicinal cannabis.

NOTE

The financial analysis of the Medicinal Cannabis investment opportunity is computed over a ten year period. Revenue and expenditure projections are in line with industry growth prospects and market potential and have been informed by and benchmarked against industry standards and norms. In addition, assumptions relating to inflation; depreciation and salvage value; and company tax have been worked out based on the existing laws and directives of the country. The figures above represent high level estimates

as of January 2021 and are not derived from a full feasibility study. Investors are advised to conduct their own due diligence.

For more information please contact:

MS. PHOMOTSO MAJODINA

General Manager (a.i)

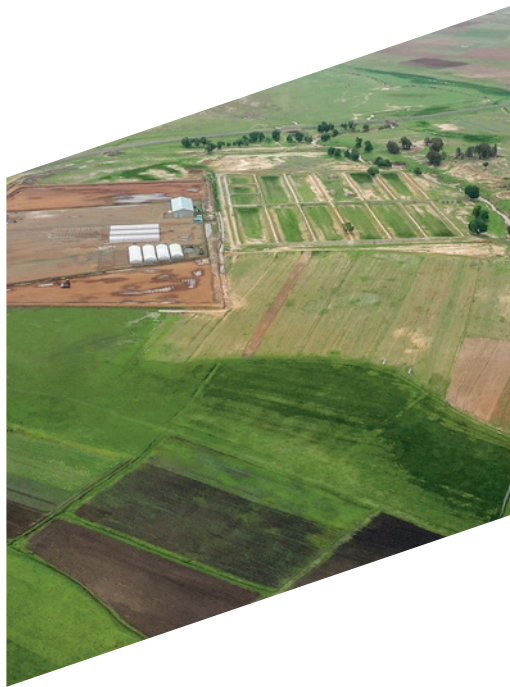
Investment and Trade Promotion Unit

Lesotho National Development Corporation

Email: majodina@lndc.org.ls



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