



Sceletium Source Africa (Pty) Ltd

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To whom it may concern;

I have been asked to comment on the global Sceletium market.

I am the CEO of Sceletium Source Africa (Pty) Ltd, DBA The Sceletium Source (online at [www.sceletium.com](http://www.sceletium.com)). We have been working with Kanna for over 20 years and are one of the pre-eminent suppliers of standardized Sceletium extracts in the world, as well as providing technical formulation advice to our clients.

Please note, in the interests of transparency, that our company is also the formally designated *Sales Agent* for the CQKanna Project on the Elyseos launchpad (terms of this role as defined in the official CQKanna documentation).

Additionally, the comments given here are based on my personal view of the market today, which market is continuously in flux based on multiple supply and demand vectors, and non-one can guarantee the state of the market a year from now.

This is also not to be construed as investment advice, or any form of encouragement to purchase TOAs in the aforementioned project. I am independent of the Elyseos team, am not involved in the management of either Elyseos or the CQKanna project, and am not in a position to comment on how good an investment the purchase of a TOA in this project is likely to be.

Sceletium Source is also not the holder of any TOAs in the project, and our role as Sales Agent is merely offered to assist with Sceletium sales by TOA holders, to the best of our ability, should this be required at any point in the future.

All that understood, we are able to comment on the market itself now.

*Sceletium tortuosum* is in its ascendancy. Of that there is no question. We have been promoting, and educating people about the applications of this plant since around the year 2000, and have seen the growth in demand first-hand. And certainly in the last 3-5 years, this growth has accelerated strongly.

Due to this strong acceleration over the last couple of years, supply is constantly catching up with demand, and is tending to lag just behind it. Farmers are constantly planting more, and in each harvest season, there is always a choice for every farmer to either release material into the market and/or retain for making cuttings for planting to increase the following year's harvest.

These decisions, which will vary from grower to grower, coupled with evolving market trends, as well as new growers and buyers coming into the market makes for an uncertain growth market. Likewise the commercial appetite for either raw material or extracts is also shifting. There are more end-users coming into the market as they discover the profound benefits of Scelletium, and also more extractors and product formulators are entering the market in concert with that.

It is also worth mentioning that entering the market as a grower is no trivial exercise. Scelletium is a hard plant to grow at scale. Having the proper genetics in place is crucial for good alkaloid expression, which in turn is critical to the commercial value of the crop - and acquiring the relevant genetics normally requires wild collecting and significant testing to verify, as cuttings of good strains are generally not available commercially.

This growth-limiting factor on the supply side, coupled with increasing demand, is likely to keep prices rising in the near to medium term. Conversely there are new players constantly intending to enter the market outside (both within) of South Africa. There are significant challenges to this as we know of no successful grow to this date outside of Southern Africa, despite a number of attempts, but it is a possible vector that may influence the market over time.

There is also a significant supply of fake Kanna coming out of China, but as Kanna is CNS active, it is normally pretty easy to verify good material (even apart from laboratory analytics). So while this will have some confounding impacts on the market, it is unlikely to cause any real issues in the long-term, and indeed is likely to increase the need for, and thus the value of, authentic Kanna.

I trust this helps in providing some market context which will help prospective TOA investors with their decision-making process.

Regards,

A handwritten signature in black ink, appearing to be 'Jean-Piere Le Roux', written in a cursive style.

Jean-Piere Le Roux

Director (Scelletium Source Africa Pty Ltd)