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## Response to Concerns About Investing In North Macedonia

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### WHY LOCATE IN NORTH MACEDONIA?

After considerable research, Gold Leaf Europe's ("Gold Leaf's") project director, Ed Cichon, decided to locate Gold Leaf's growing facilities in a country that has a previous reputation for corruption and a challenging business climate, a reputation that still hangs over the country, which it has been working diligently to overcome.

The country, North Macedonia, has made considerable progress in addressing these issues, in fighting corruption, and offering foreign investors and companies an attractive, conducive business environment – which comes with very low costs – a major reason the world's largest cannabis growing company, Canopy Growth, recently entered into a partnership with North Macedonia's largest grower, Ohrid Organics and its 49% owner, London-based Hydrogen Utopia International<sup>1</sup>, and one of Europe's largest cannabis growers, PharmaCann International, operates a large, GMP certified growing facility in North Macedonia<sup>2</sup>.

North Macedonia attracted Gold Leaf's interest shortly after medicinal cultivation and sale was approved by the North Macedonia Legislature because of the country's extremely low costs of labor, utilities, taxes, and operations.

Ed has designed and built growing facilities in the U.S. in New York and Oklahoma. **He investigated all countries in Europe in which it is legal to grow, distribute, and export cannabis. He thoroughly researched the business climate in North Macedonia, discussed Gold Leaf's proposed project with the American Embassy in Skopje, spent time with the country's Office of Economic Development gathering information about the business climate**

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<sup>1</sup> Proactive News, "Hydrogen Utopia says medical cannabis business has landed Canopy Growth deal," July 11, 2024, <https://www.proactiveinvestors.com/companies/news/1051674/hydrogen-utopia-says-medical-cannabis-business-has-landed-canopy-growth-deal-1051674.html>

<sup>2</sup> "North Macedonia Grower Receives Export License," MMJ Daily, June 17, 2021, <https://www.mmjdaily.com/article/9331218/north-macedonian-grower-receives-export-license/>

As the article notes, Zlatko Keskovski, PhD, CEO of PharmaCann, states that the company has built its facility in such a meticulous way that allowed them to earn an EU-GMP certificate for the production and extraction of final forms of cannabis oils. "It is critical to understand the industry, especially in Europe," Zlatko says. "Here, you have to understand the pharma business. When you say cannabis business, you think it's just about agricultural issues, but that's not the whole story. There are so many regulations at play, and you need to know how to comply with them. That is why it is of the utmost importance to invest in a proper infrastructure that would allow you to comply with these strict pharmaceutical standards."



**in the country and visited foreign companies that have located in North Macedonia and are exporting and selling products outside the country.**

There are four factors that led to Ed's decision to locate the Gold Leaf growing facilities in North Macedonia:

1. It is one of only a handful of European countries where it is legal to grow, distribute, and export medicinal cannabis;
2. It has adopted Canada's free market approach to cultivation, distribution, and sale, as opposed to setting up a state monopoly, a plus for investors;
3. It has a favorable climate and conducive growing conditions; and
4. It has extremely low costs for land, labor, and utilities, as well as a low corporate tax rate (10%), and it does not charge an excise tax on cannabis, thus operating costs are extremely low<sup>3</sup>.

February 2025 wholesale prices (50% of retail prices) in German dispensaries for 22% THC imported from North Macedonia<sup>4</sup> are close to \$4,800 per pound. **The Gold Leaf Phase 1 facility's operating costs decline from 16% of net revenues in Year 2 (i.e., approximately \$620 per pound) to a little more than 3% of net revenues in subsequent years**, as set forth in the Gold Leaf's [Project Plan](#) and [Financial Highlights](#)). Gold Leaf's flower has 27.4% THC. Gold Leaf also has moved forward with becoming a licensed cannabis distributor in Germany so it can capture the entire wholesale price.

According to Statista, a global data and business intelligence platform based in Germany that covers 170 industries with 13 locations worldwide, "North Macedonia is fostering a growing Cannabis market, attracting investment and shaping regulations to capitalize on the industry's potential."<sup>5</sup>

As a result, "North Macedonia's medical cannabis market is rapidly expanding, attracting international investments and paving the way for future growth in the industry."<sup>6</sup>

<sup>3</sup> John Domic, Ohrid Organics, "Growing in North Macedonia keeps our production costs very competitive," MMJDaily.com, <https://www.mmjdaily.com/article/9601990/growing-in-north-macedonia-keeps-our-production-costs-very-competitive/>

<sup>4</sup> "Cannamedial Hybrid classic, North Macedonia," 22% THC, Cannabis Flower Pricing Options, Apotheke LUX 99, Cologne, Germany, <https://cannabis-apotheke.de/sorten?search=Gorilla%20Zkittlez>

<sup>5</sup> Statista, Market Insights, "Cannabis – North Macedonia," <https://www.statista.com/outlook/hmo/cannabis/north-macedonia>

<sup>6</sup> Statista, Market Insights, "Medical Cannabis – North Macedonia," <https://www.statista.com/outlook/hmo/cannabis/medical-cannabis/north-macedonia>



## IS IT SAFE TO INVEST IN NORTH MACEDONIA?

Canopy Growth, PharmaCann, and Gold Leaf, would not invest in North Macedonia if there was any concern about corruption, fraud, or a large presence of gangs. These companies, and the other foreign companies that have located in North Macedonia, are a vital source of tax revenue for the country.

Ed has checked, and these companies and the other foreign companies he has visited have not been bothered by anyone with regard to asking for bribes or some other form of corruption. Yes, there was a Minister of Health who allegedly was holding up cannabis growing applications in 2022 and early 2023 for some sort of remuneration, but he has been removed from office.

The world's 4<sup>th</sup> largest pharmaceutical firm also would not be talking to Gold Leaf about a 100% direct sale offtake and would not have directed one of its agents to travel to North Macedonia to meet with Ed the moment that the Gold Leaf growing license was activated in January 2024, if it had any concerns about corruption, fraud, or gangs.

One can easily find negative information on the Internet about North Macedonia with links stating how rampant corruption is in the country. There also are links to information on the formation of an anti-corruption team within the government in 2019 and the [EU's 111-page North Macedonia 2019 Report](#) stating that **“good progress has been made” against corruption and its impacts in the country.**

[Transparency International's 2023 Corruption Perceptions Index](#) ranked North Macedonia 76<sup>th</sup> out of the world's 180 countries. The U.K. was ranked 20<sup>th</sup> and the U.S., which is not free of fraud and corruption, was ranked 24<sup>th</sup>. In its 2019-2022 rankings, North Macedonia received scores of 85 in 2022, 87 in 2021, 111 in 2020, and 106 in 2019, thus, showing steady improvement over the past five years.

Other 2023 rankings include Portugal, 34<sup>th</sup>; Saudia Arabia, 53<sup>rd</sup>; Bahrain and China, 76<sup>th</sup>; South Africa, 83<sup>rd</sup>; India 93<sup>rd</sup>; Morocco, 97<sup>th</sup>; Argentina, 98<sup>th</sup>; Brazil, 104<sup>th</sup>; Egypt, Thailand, and Panama, 108<sup>th</sup>; and Turkey and the Philippines, 115<sup>th</sup>.

**North Macedonia**, which shares borders with Bulgaria, Greece, Serbia, Kosovo, and Albania in southeastern Europe, **currently has a Fitch BB+ credit rating with a Stable Outlook, as of October 4, 2024<sup>7</sup>.**

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<sup>7</sup> Fitch Ratings, “Fitch Affirms North Macedonia a ‘BB+’; Outlook Stable,” <https://www.fitchratings.com/research/sovereigns/fitch-affirms-north-macedonia-at-bb-outlook-stable-04-10-2024>



## **NORTH MACEDONIA'S EARLY GROWING LICENSE DIFFICULTIES**

Of the 64 growing licenses originally approved by the North Macedonia Legislature and issued by the Ministry of Health since 2016, 35 are no longer active<sup>8</sup>. Recent additions have brought the number of active growing licenses back up to around 70<sup>9</sup>. However, only a handful of these facilities have been built to meet the European standards for Good Agricultural and Collecting Practices (GACP) for medicinal cannabis and pharmaceutical quality Good Manufacturing Practices (GMP).

**GMP certified facilities must be built at the onset to meet these standards.** Cannabis cultivation in open fields and greenhouses will not qualify. If a facility is not built to meet these standards, it is very difficult, and expensive, to retrofit it at a later date to meet the GMP certification standards (click [here](#) to view the requirements and other advantages of a GMP certification).

**Without these certifications, it is not possible to export cannabis outside North Macedonia,** although many growers have tried and, when caught, have had their growing licenses revoked<sup>10</sup>.

This is the reason some people have come to believe that portions of the cannabis industry have been taken over by gangsters. There is an oversupply of cannabis being grown in North Macedonia that is not GMP certified. As a result, some growers have turned to selling into the black market so they can remain in operation, something which has led North Macedonia to tighten standards and restrict the number of growing licenses being issued<sup>9</sup> and step up efforts to crack down on illegal operators<sup>10</sup>.

## **ESTABLISHING A GROWING FACILITY IN NORTH MACEDONIA IS NOT EASY**

As noted in a June 29, 2021 article announcing the first export of cannabis flower from North Macedonia,<sup>11</sup> “the granting of the all-important license to PharmaCann is the result of five years

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<sup>8</sup> Cannabis Business Plan, “Cannabis Market in North Macedonia,” March 8, 2024, <https://cannabusinessplans.com/cannabis-market-macedonia/>

<sup>9</sup> There now are only a limited number of growing licenses being issued (one in 2023 and only two more that the project developers are aware of in 2024), which have stringent requirements and multiple inspections to ensure each requirement has been met. The requirements include building a facility, employing the necessary personnel (including a security guard and a minimum of four other employees, including a certified pharmacist and agronomist), and installing sophisticated security measures and equipment, which represents a significant investment for project developers who must make these investments to apply for a growing license, without a guarantee of receiving a license.

<sup>10</sup> Global Initiative Against Transnational Organized Crime, Risk Bulletin #19, “The legalized medical cannabis business in North Macedonia is at risk of criminal diversion,” August 2024, <https://riskbulletins.globalinitiative.net/see-obs-019/06-legalized-medical-cannabis-north-macedonia.html>

<sup>11</sup> “North Macedonian Cannabis Flowers to be Exported to Europe for First Time,” June 29, 2021:



of hard work and more than €20 million of investment.”

By comparison, the Gold Leaf project had been under way for three years – from when Ed first began researching the business climate in North – and required an investment of only a little over \$1 million, prior to receiving its growing license ... the only cannabis growing license issued in North Macedonia in 2023.

The June 29, 2021 article also states: “As evidence grows of cannabis’ therapeutic benefits for treating a variety of diseases and conditions, Mr. Keskovski [the CEO of PharmaCann International at the time of the article] expects Europe to become the largest medical cannabis market in the world in the next five years. However, there are still only a limited number of European-based facilities producing high-quality, cannabinoid-based products.”

**Ed Cichon is more than happy to discuss the business climate in North Macedonia with you further**, based on his experience working in the country for the past four years, and visiting with the American Embassy, North Macedonia government officials, and cannabis growers and other foreign companies operating in North Macedonia.

**Ed also invites you to travel to North Macedonia with him for a first-hand look at the Gold Leaf Phase 1 facility**, to meet with his North Macedonia team and high-level government officials, and visit other companies operating in North Macedonia to become better informed about the country’s current business climate ... and the opportunities it offers.

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<https://businessofcannabis.com/north-macedonian-cannabis-flowers-to-be-exported-to-europe-for-first-time/>

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