**LABAT AFRICA LIMITED**
Incorporated in the Republic of South Africa
(Registration number 1986/001616/06)
JSE code: LAB ISIN: ZAE000018354
FSE code: LEI number: LEI9845000R73DF5EE41J88
("Labat" or "The company" or "the Group")

# REVIEWED PROVISIONAL CONDENSED CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 31 AUGUST 2021

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | 31 August 2021 R'000 Reviewed | 31 August 2020 R'000 Audited |
|---|---|---|
| Revenue | **29 270** | **40 251** |
| Cost of sales | (16 688) | (27 500) |
| **Gross profit** | **12 582** | **12 751** |
| Other income | 21 077 | 766 |
| Operating expenses | (31 456) | (28 087) |
| **Operating earnings/(loss) for the year (EBITDA)** | **2 203** | **(14 570)** |
| Depreciation | (2 095) | (2 101) |
| Amortisation | (28 243) | (22 025) |
| **(Loss) before interest and taxation** | **(28 135)** | **(38 696)** |
| Investment revenue | 46 | 271 |
| Finance costs | (1 389) | (2 124) |
| **Loss before taxation** | **(29 478)** | **(40 549)** |
| Taxation | 6 724 | 9 174 |
| **Loss for the year from continuing operations** | **(22 755)** | **(31 376)** |
| Loss from discontinued operations | - | (71 043) |
| Profit on loss of control | - | 112 538 |
| **(Loss)/profit for the year** | **(22 755)** | **10 119** |
| Attributable to: | | |
| Owners of parent | (22 770) | 10 376 |
| Non-controlling interest | 15 | (257) |
| | **(22 755)** | **10 119** |
| | | |
| **Per share information:** | | |
| **Basic earnings/(loss) per share** | **(5.7)** | **3.1** |
| -continuing | (5.7) | (16.4) |
| -discontinued | - | 19.5 |
| **Headline loss per share** | **(6.5)** | **(12.3)** |
| -continuing | (6.5) | (15.8) |
| -discontinued | - | 3.5 |
| Weighted average shares in issue (net of treasury shares) ('000) | **396 769** | **339 612** |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

| | 31 August 2021 Reviewed R'000 | 31 August 2020 Audited R'000 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Property, plant and equipment | 700 | 583 |
| Right of use assets | 7 934 | 6 813 |
| Deferred tax | 16 434 | 17 465 |
| Intangible assets | 116 348 | 123 547 |
| **Total Non-current assets** | **141 416** | **148 408** |
| **Current assets** | | |
| Inventories | 4 334 | 2 378 |
| Trade and other receivables | 9 747 | 8 846 |
| Taxation | 52 624 | 21 242 |
| Cash and cash equivalents | 14 444 | 9 013 |
| **Total Current Assets** | **81 148** | **41 479** |
| **TOTAL ASSETS** | **222 564** | **189 887** |
| | | |
| **EQUITY AND LIABILITIES** | | |
| **Equity** | | |
| Share capital and premium | 212 514 | 167 943 |
| Non-Controlling interest | 9 713 | 6 172 |
| Non-Distributable Reserves | 128 | 170 |
| Accumulated Loss | (121 050) | (98 322) |
| **Total Shareholders' Equity** | **101 305** | **75 963** |
| **Non-current liabilities** | | |
| Lease liabilities | 8 145 | 6 320 |
| Other financial liabilities | 15 620 | 15 823 |
| Provisions | 9 800 | 24 800 |
| Deferred revenue | 3 106 | - |
| Deferred tax | 29 334 | 31 616 |
| **Total non-current liabilities** | **66 004** | **78 559** |
| **Current liabilities** | | |
| Loans from directors and shareholders | 4 490 | 5 014 |
| Lease liabilities | 1 268 | 1 321 |
| Taxation | 32 837 | 14 856 |
| Trade and other payables | 13 073 | 14 167 |
| Other financial liabilities | 2 701 | - |
| Deferred revenue | 883 | - |
| Bank overdraft | 3 | 7 |
| **Total current Liabilities** | **55 256** | **35 365** |
| **Total liabilities** | **121 260** | **113 924** |
| **TOTAL EQUITY AND LIABILITIES** | **222 564** | **189 887** |
| | | |
| Number of ordinary shares in issue (net of treasury shares) ('000) | **479 538** | **386,989** |
| Net Asset Value per share(cents) | **21.1** | **19.6** |
| Net Tangible Asset Value per share (cents) | **(3.1)** | **(12.3)** |

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

| | 31 August 2021 Reviewed R'000 | 31 August 2020 Audited R'000 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Cash generated from operations | (7 018) | 22 915 |
| Interest received | 46 | 626 |
| Interest paid | (948) | (7 089) |
| Tax paid | - | - |
| **Net cash (utilised in) / generated from operating activities** | **(7 920)** | **16 452** |
| | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchases of property, plant and equipment | (150) | - |
| Proceeds on disposal of property, plant and equipment | - | 1 233 |
| Product development costs capitalised | (1 560) | (6 715) |
| Acquisition of subsidiary net of cash acquired | 38 | - |
| **Net cash utilised in investing activities** | **(1 672)** | **(5 482)** |
| | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from share issue | 21 167 | 3 068 |
| Proceeds of loans from directors and shareholders | 1 250 | 2 100 |
| Repayment of loans to directors | (6 175) | (240) |
| De-consolidation of bank overdraft on loss of control | - | 6 590 |
| Lease liability payments | (1 215) | (998) |
| Repayment of other financial liabilities | - | (17 699) |
| **Net cash generated from /(utilised) in financing activities** | **15 027** | **(7 179)** |
| | | |
| **Total net cash movement for the year** | **5 435** | **3 791** |
| Cash and cash equivalents at the beginning of the year | 9 006 | 5 215 |
| **Cash and cash equivalents at the end of the year** | **14 441** | **9 006** |

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

| | Share capital and premium R'000 | Revaluation reserves R'000 | Accumulated Loss R'000 | Equity attributable to owners of the parent R'000 | Non-Controlling interest R'000 | Total shareholders' equity R'000 |
|---|---|---|---|---|---|---|
| **Balance at 31 August 2019 – Audited** | **74 095** | **213** | **(108 742)** | **(34 434)** | | **(34 434)** |
| Issue of shares | 93 848 | | - | 93 848 | | 93 848 |
| Transfer of revaluation reserve through use | | (43) | 43 | | | |
| Non-controlling interest at acquisition | | | | | 6 429 | 6 429 |
| Total comprehensive income for the year | | | 10 377 | 10 377 | (257) | 10 120 |
| **Balance at 31 August 2020 – Audited** | **167 943** | **170** | **(98 322)** | **69 791** | **6 172** | **75 963** |
| Issue of shares | 45 471 | | | 45 471 | | 45 471 |
| Transfer of revaluation reserve through use | | (42) | 42 | - | | - |
| Non-controlling interest at acquisition | | | | | 3 526 | 3 526 |
| Total comprehensive income for the year | | | (22 770) | (22 770) | 15 | (22 755) |
| Share put options | (900) | | - | (900) | - | (900) |
| **Balance at 31 August 2021 – Reviewed** | **212 514** | **128** | **(121 050)** | **91 592** | **9 713** | **101 305** |

**SEGMENT INFORMATION**

| 31 August 2021 | Technology | Bulk Logistics | Fuel | Healthcare | Operational Total | Head Office | Inter-Segment Eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| **Statement of Profit or loss (R'000)** | | | | | | | | |
| External revenue | 7 632 | 14 786 | - | 6 852 | 29 270 | - | - | **29 270** |
| Management Fees | - | - | - | - | - | 11 761 | (11 761) | **-** |
| | **7 632** | **14 786** | **-** | **6 852** | **29 270** | **11 761** | **(11 761)** | **29 270** |
| Cost of revenues | (2 460) | (12 801) | - | (1 427) | (16 688) | - | - | **(16 688)** |
| **Gross Profit** | **5 172** | **1 985** | **-** | **5 425** | **12 582** | **11 761** | **(11 761)** | **12 582** |
| Other income | 18 000 | - | - | - | 18 000 | - | - | **18 000** |
| Gain on bargain purchase | - | - | - | - | - | 3 076 | - | **3 076** |
| Operating expenses | (5 296) | - | - | (6 757) | (12 053) | (22 459) | 3 056 | **(31 456)** |
| Amortisation | - | - | - | (28 243) | (28 243) | - | - | **(28 243)** |
| Depreciation | (865) | (924) | - | (30) | (1 819) | (276) | - | **(2 095)** |
| **Recurring operating profit/(loss)** | **17 011** | **1 061** | **-** | **(29 605)** | **(11 533)** | **(7 897)** | **(8 736)** | **(28 135)** |
| Interest received (Finance income) | 46 | - | - | - | 46 | - | - | **46** |
| Finance cost | (161) | (1 228) | - | - | (1 389) | - | - | **(1 389)** |
| **Profit/(loss) before taxation** | **16 896** | (167) | - | (29 605) | (12 876) | (7 897) | (8 736) | **(29 478)** |
| Fair Value Adjustments | - | - | - | - | - | - | - | **-** |
| Taxation | 41 | - | - | (1 225) | (1 184) | - | 7 908 | **6 724** |
| Loss from discontinued operation | - | - | - | - | - | - | - | - |
| Profit on loss of control | - | - | - | - | - | - | - | - |
| Outside shareholders interest | | | | 15 | 15 | - | - | **15** |
| **Profit/(loss) for the year** | **16 937** | **(167)** | **-** | **(30 815)** | **(14 045)** | **(7 897)** | **(828)** | **(22 770)** |
| | | | | | | | | |
| Segment Assets | 91 543 | 7 775 | - | 118 410 | 217 728 | **139 759** | (134 924) | **222 564** |
| Segment Liabilities | 55 365 | 33 371 | - | 26 624 | 115 360 | **35 856** | (29 957) | **121 260** |

| 31 August 2020 | Technology | Bulk Logistics | Fuel | Healthcare | Operational Total | Head Office | Inter-Segment Eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| **Statement of Profit or loss (R'000)** | | | | | | | | |
| External revenue | 14 126 | 25 234 | - | 891 | **40 251** | - | **-** | **40 251** |
| Management Fees | - | - | - | | **-** | 5 120 | **(5 120)** | **-** |
| | **14 126** | **25 234** | **-** | **891** | **40 251** | **5 120** | **(5 120)** | **40 251** |
| Cost of revenues | (3 114) | (23 890) | - | (496) | **(27 500)** | - | **-** | **(27 500)** |
| **Gross Profit** | **11 012** | **1 345** | **-** | **395** | **12 751** | **5 120** | **(5 120)** | **12 751** |
| Other income | 631 | - | - | - | **631** | 7 135 | **(7 000)** | **766** |
| Impairments | - | - | - | | **-** | (2 293) | **-** | **(2 293)** |
| Operating expenses | (6 353) | (2 191) | - | (8 251) | **(16 796)** | (43 270) | **12 248** | **(47 818)** |
| Amortisation | - | - | - | | **-** | - | **-** | **-** |
| Depreciation | (1 147) | - | - | - | **(1 147)** | (955) | **-** | **(2 102)** |
| **Recurring operating profit/(loss)** | **4 143** | **(847)** | **-** | **(7 856)** | **(4 560)** | **(34 263)** | **128** | **38 695** |
| Interest received (Finance income) | 78 | - | - | | **78** | 193 | **-** | **271** |
| Finance cost | (100) | (309) | - | | **(409)** | (1 715) | **-** | **(2 124)** |
| **Profit/(loss) before taxation** | **4 121** | (1 156) | - | (7 856) | **(4 892)** | (35 785) | **128** | **(40 549)** |
| Taxation | 1 048 | - | - | 1 960 | **3 008** | - | **6 166** | **9 174** |
| Loss from discontinued operation | | - | (71 043) | | **-** | **(71 043)** | | **(71 043)** |
| Profit on loss of control | | - | 112 538 | | **-** | 112 538 | | **112 538** |
| Outside shareholders interest | | - | | 257 | **257** | - | **-** | **257** |
| **Profit/(loss) for the year** | **5 168** | **(1 156)** | **41 495** | **(5 639)** | **(1 627)** | **(5 710)** | **6 294** | **10 377** |
| Segment Assets | 61 301 | 1 234 | - | 119 008 | **181 543** | **120 287** | **(111 943)** | **189 887** |
| Segment Liabilities | 42 119 | 12 570 | - | 8 121 | **62 810** | **65 232** | **(14 118)** | **113 924** |

**COMMENTARY:**
**BASIS OF PREPARATION**

**Statement of compliance**
The reviewed condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Limited ("JSE") Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa. The Listings Requirements require provisional reports to be prepared in accordance with the framework, concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting.

The accounting policies applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements.

The reviewed condensed consolidated financial results are prepared in accordance with the going concern principle under the historical cost basis as modified by the fair value accounting of certain assets and liabilities where required or permitted by IFRS. The Board has performed an assessment of the Group's operations relative to available cash resources and is confident that the Group is able to continue operating for the next 12 months.

These condensed consolidated financial results incorporate the financial results of the company and its subsidiaries. All significant transactions and balances between Group enterprises are eliminated on consolidation.

The preparation of the condensed consolidated financial results for the year ended 31 August 2021 was supervised by the Financial Director, Mr Gorden Walters.

The directors take full responsibility for the preparation of the condensed consolidated financial results for the year ended 31 August 2021.

**Review Conclusion**
The condensed provisional consolidated financial results of the Group have been reviewed by Nexia SAB&T. The auditors' review report is available for inspection at the company's registered office. The review conclusion is unmodified and is set out below:

*"Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements of Labat Africa Limited and its subsidiaries for the year ended 31 August 2021 are not prepared, in all material respects, in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, as set out in the basis of preparation of the condensed consolidated financial statements, and the requirements of the Companies Act of South Africa."*

The Auditor's Report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the Auditor's engagement, they should obtain a copy of the Auditor's Report together with the accompanying financial information from the company's registered office.

**Introduction**
South Africa's plans to legalise cannabis have taken a major step forward with the presentation of the National Cannabis Master Plan (NCMP) to the country's major economic stakeholders. The Department of Agriculture, Land Reform, Rural Development (DALRRD) made the presentation to Land Affairs Nedlac's Trade and Industry Chamber on Thursday, 27 May 2021, "As the next two years are expected to prove instrumental in South Africa's Cannabis industry, it is vitally important that the country be inclusive about its gigantic opportunities**".**

In the meantime, the Hawks have clamped down on a number of Illegal traders in the R28 billion Cannabis industry around the country. Captain Rikhotso from the Hawks indicated that in one instance operators faced charges, including dealing in dagga, cultivation of dagga, fraud and money laundering to the amount of approximately R10million. These are operators bypassing the South African Health Products Regulatory Authority (SAHPRA) regulations

This is a major departure from the country's existing foreign investment regime which requires significant local shareholding in any such venture.

The use of tissue culture as a starting material has numerous benefits for cultivators in that one can source higher quality, disease and pathogen-free plants from consistent genetics which will improve yields and profitability whilst reducing costs in that production and growth cycles are shortened and growing space reduced accordingly.

**Results**

The Board of Directors of Labat Africa ("**the Board**") are pleased to announce that the fuel business has now been de-consolidated from the Group in the previous financial year. There is no doubt that the complete transition into the Healthcare business with a strong Cannabis focus has put severe pressure on the resources of the Group. Labat Africa has now concluded its strategic intent of from seed to customer. Its dedicated focus ensures that the Company achieves only the best when it comes to technical ability, personnel experience and the art of Cannabis Genetics.

Labat Africa has completed the transition into the Cannabis Healthcare sector. The Company does expect a further slowdown with the outbreak of the fourth wave of the COVID-19 pandemic, together with the slow pace of South African regulatory framework. Under the circumstances, the Board has made a decision that the forecast published last year will move out by at least a year.

The directors of Labat ("Board") present the results for the year ended 31 August 2021. The Group reflected a Total Comprehensive (Loss) of (R22.8m), compared to the prior year profit of R10.1 million.

The results for the year ended 31 August 2021 show the following key indicators:

**Statement of Comprehensive Income**

- Total Revenue for the year ended 31 August 2021 is R29.3 million. This is down on the previous year's results of R 40.3 million, representing a decline of 27.3%. The decline is mainly as a result of the COVID period which hampered growth in all the Group's segments. The medical cannabis industry experienced major delays in getting the off-take agreements in operations.
- Gross Margin has increased from 31.7% in the 2020 FY to 42.9% in the 2021 FY. This was possible given the new operating model adopted despite lower turnover levels during the COVID period.
- Other Income increased by R20.3 million which is mainly based upon the further provisioning of the VAT amount receivable from SARS. More detailed disclosure is done in a separate note to this report below. Included in other income is the recognition of the bargain purchase in the two acquisitions of Ace Genetics (R2.3m) and Biodata (R0.8m).
- The EBITDA has turned around from a R14.6 million loss in FY2020 to R2.2 million profit in the FY2021 primarily due to the recognition of the VAT amount receivable from SARS.
- Taxation gain was mainly due to the deferred tax effect on timing differences arising on the intangibles and capitalisation of development costs.
- Loss per share from continuing operations for the year is (5.7) cents per share compared to the prior year (loss) per share from continuing operations of (16.4) cents. The headline (loss) per share from continuing operations improved to (6.5) cents from a loss of (15.8) cents per share from continuing operations in the prior year.

**Statement of Financial Position**

- Property, plant and equipment increased by R117k during the year.
- The right of use assets recorded an increase of R1.1 million which was mainly because of the increase in value on the new lease agreements entered into.
- Intangible assets decreased by a nett R7.2 million which was mainly due to an amortisation of intangibles charge of R 28.2 million charge to the statement of comprehensive income. Nett additions to intangibles during the year was R21 million.
- Deferred taxation assets decreased by a net R1 million notwithstanding the increased assessed tax losses at SAMES, which were offset by the increased deferred tax provisioning on intangible assets at Labat Healthcare group of companies.
- Inventories increased because of increased inventory levels at Labat Healthcare for the Cannafrica, Biodata and Ace Genetics businesses. The provision for obsolete stock for the year was R393k.

- Share Capital increased by R44.6 million which was done by way of shares issued for cash of R9 million, R20.6 million for business acquisitions and R15 million for the shares issued to Royale Energy. More details are presented in the Share Capital note below.
- Provisions decreased by R15 million as a result of the settlement of Royale Energy creditor in the Fuel business.
- Deferred taxation liability decreased by R2.3 million as result of the utilisation of the liability relating to the amortisation of the intangible assets.
- The increase in deferred revenue relates to the licence period of the Cannafrica franchise model.
- The increase in taxation increased due to VAT receivable provided for. The group is still in a net tax receivable position and discussions are ongoing with SARS to conclude on these matters. More details are described in the Taxation note below.
- Net asset value per share for the year increased to 21.1 cents, compared to 19.6 cents as at 31 August 2020.
- Net tangible assets per share as at 31 August 2021 improved to a negative of (3.1) cents from a negative of (12.3) at 31 August 2020. This includes an amortisation charge of R28.2 million as a non-cash charge for the year.

During the year under review, Labat has been concentrating on growing its Healthcare business and has been able to complete various acquisitions which are expected to increase the value of the business over time. These acquisitions also resulted in an increase in the intangible assets acquired.

As of 31 August 2021, the Company assessed whether there were events or changes in circumstances that would indicate that a Cash Generating Unit ("CGU") or group of CGUs were impaired. The Company considers external and internal factors, including overall financial performance and relevant entity-specific factors, as part of this assessment.

As the cannabis operating segment comprises various CGUs, management tested the individual CGUs for impairment. The recoverable amount of all CGUs was determined based on the value in use ("VIU") method using level 2 and level 3 inputs that were ultimately determined to be market participant assumptions. The recoverable amount for all CGUs was valued using a discounted cash flow ("DCF") model, a variation of the income approach, and is corroborated with value indications from certain market approaches, specifically the publicly traded guideline company method and the comparable transaction method.

**IFRS Standards and Interpretations**

**Standards and Interpretations effective and adopted during the current period**

| Standard/ Interpretation | Effective date: Years beginning on or after | Impact |
|---|---|---|
| **Covid-19 Related Rent Concessions Amendment to IFRS 16** | 01 September 2020 | The amendment did not have a material impact on the Group's Consolidated Annual Financial Statements. |
| **IAS 1 Presentation of Financial Statements – Disclosure initiative** | 01 January 2020 | The amendment did not have a material impact on the Group's Consolidated Annual Financial Statements. |
| **IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors Disclosure initiative** | 01 January 2020 | The amendment did not have a material impact on the Group's Consolidated Annual Financial Statements. |
| **IFRS 3 Business Combinations** | 01 January 2020 | The amendment did not have a material impact on the Group's Consolidated Annual Financial Statements. |
| **IFRS 7 Financial Instruments: Disclosures** | 01 January 2020 | The amendment did not have a material impact on the Group's Consolidated Annual Financial Statements. |
| **IFRS 9 Financial Instruments** | 01 January 2020 | The amendment did not have a material impact on the Group's Consolidated Annual Financial Statements. |

**Standards and interpretations not yet effective**

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 01 September 2021 or later periods:

| Standard/ Interpretation | Effective date: Years beginning on or after | Impact |
|---|---|---|
| **Onerous Contracts Cost of fulfilling a Contract Amendments to IAS 37** | 01 January 2022 | It is unlikely that the amendment will have a material impact on the Group's Consolidated Annual Financial Statements. |
| **Property, Plant and Equipment Proceeds before Intended Use - Amendments to IAS 16** | 01 January 2022 | It is unlikely that the amendment will have a material impact on the Group's Consolidated Annual Financial Statements. |
| **Annual Improvement to IFRS Standards 2018 - 2020 Amendments to IFRS 9** | 01 January 2022 | It is unlikely that the amendment will have a material impact on the Group's Consolidated Annual Financial Statements. |
| **Classification of Liabilities as Current or Non-Current Amendment to IAS 1** | 01 January 2023 | It is unlikely that the amendment will have a material impact on the Group's Consolidated Annual Financial Statements. |
| **IFRS 3 Business Combinations** | 01 January 2022 | It is unlikely that the amendment will have a material impact on the Group's Consolidated Annual Financial Statements. |
| **IFRS 7 Financial Instruments: Disclosures** | 01 January 2021 | It is unlikely that the amendment will have a material impact on the Group's Consolidated Annual Financial Statements. |
| **IFRS 9 Financial Instruments** | 01 January 2021 | It is unlikely that the amendment will have a material impact on the Group's Consolidated Annual Financial Statements. |
| **IFRS 10 Consolidated financial statements** | To be confirmed | It is unlikely that the amendment will have a material impact on the Group's Consolidated Annual Financial Statements. |
| **IFRS 16 Leases** | 01 January 2021 | It is unlikely that the amendment will have a material impact on the Group's Consolidated Annual Financial Statements. |
| **IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors** | 01 January 2023 | The amendment did not have a material impact on the Group's Consolidated Annual Financial Statements. |
| **IAS 12 Income Taxes** | 01 January 2023 | It is unlikely that the amendment will have a material impact on the Group's Consolidated Annual Financial Statements. |

**SAMES**

SAMES is near completion of the design of its new product range, which will be launched into the international market in the coming year. SAMES continued to operate profitably albeit at a lower level as a result of the worldwide micro-chip shortages and challenges. This shortage has had a negative effect on the roll out of the new devices and the group will have to assist SAMES with Working Capital for the next 12 months.

**Labat Logistics**

The Labat Logistics business is currently operating on the extended logistics contract with a major business entity. In the interim it is envisaged that the Logistics division will also take over the Healthcare logistics operation from the external service provider.

**Labat Healthcare**

The Healthcare group still needs funding with the roll out of the various initiatives. The roll out of the Healthcare business is now gaining momentum. It has been very difficult to operate in a very complex and changing legislative framework. We have renewed our off-take agreement with New Frontier Holdings (Pty) Ltd ("New Frontier") and have now positioned Labat Healthcare as an entity that will be able to fulfil it off take contract commitments by obtaining product from cannabis and hemp farmers in South Africa.

Recently the Minister of Rural Development and Land Affairs announced that Hemp licenses would be issued from the 1 November 2021. At the moment there is not a single off-take processing facility in the country. Labat Healthcare has extended its relationship with both New Frontier as well as discussions around the acquisition of a minority interest in a European based pharmaceuticals company. This will allow Labat Healthcare to obtain product from local farmers and supply product internationally.

Finally, the company has decided to accept the sellers' proposed cancellation of the transaction with Leaf Botanicals. The shares that have been issued for this transaction are being treated as treasury shares for the purpose of these results and are in the process of being cancelled.

**Property, plant and equipment at fair value**
Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The following non-financial assets were recognised at fair value:

| | 2021<br>R'000 | 2020<br>R'000 |
|---|---:|---:|
| **Plant and equipment** | | |
| Opening balance | 450 | 580 |
| Depreciation | (217) | (130) |
| **Fair value closing balance** | **233** | **450** |
| Fair value hierarchy | Level 3 | Level 3 |
| Valuation technique | Discounted cash flow | Discounted cash flow |

**Financial risk management and fair value**
There has been no material change in the Group's financial risk management objectives and policies compared to those disclosed in the condensed consolidated financial results for the year ended 31 August 2020. The Group does not currently carry any assets or liabilities at fair value which required any disclosure on its fair value measurement, other than those disclosed above. The carrying value of the Group's financial instruments however approximates their fair values.

**Business Combinations**
As announced on SENS on 21 October 2020 and 9 December 2020 respectively, the company concluded the acquisition of 70% in Biodata (Pty) Ltd (Biodata), a research and development operation in Cannabis, and the acquisition of 100% in African Cannabis Enterprises Proprietary Limited ("Ace Genetics"), a seed bank business which had developed more than 50 strains of cannabis. The effective date for these acquisitions were 1 September 2020 and 2 December 2020 respectively.

The acquisition of Biodata greatly complements the Healthcare business and is the only company which has obtained Ethics Approval from SAHPRA for its clinical trials.

The agreement concluded with ZCMA HOLDINGS and Medigrow to acquire an 80% interest in its Lesotho based operations as previously announced has again been delayed as the vendors were not able to comply with the terms mainly because of the continued lockdowns as a result of the Covid 19 pandemic. We have initiated discussions to amend the proposed agreement.

Labat remains in discussions with other cannabis and health related businesses to further expand its Healthcare operations and offerings.

**BioData**

In December 2020 the Company announced the acquisition of 70% of the shares in BioData. As a result, BioData became a subsidiary with the effective date of consolidation of 1 September 2020.

This business combination enhances Labat Healthcare's plans to realise its strategy of an end-to-end integrated Healthcare offering.

The investment in BioData was accounted for at fair value of the consideration payable. The business combination is disclosed below:

Biodata is a revolutionary medical science and research organisation which was acquired by Labat and will be utilised to drive research and development of Labat Africa's Cannabis products for the market. Biodata has, and continues to conduct medical research and clinical trials involving various cannabinoids. Biodata has an exclusivity agreement with Canadian medicinal cannabis company to exclusively distribute THC and CBD medicines in South Africa. The products are currently being registered with SAHPRA. Biodata is headed up by Dr Shiksha Gallow.

| **Figures in R'000** | **Reported 28 February 2021** | **Reported 31 August 2021** | **Difference** |
|---|---|---|---|
| Property, plant and equipment | 8 | 8 | - |
| Intangible assets | - | 16 352 | 16 352 |
| Deferred taxation | - | (4 580) | (4 580) |
| Inventory | 19 | 19 | - |
| Other financial assets | 6 | 6 | - |
| Trade and other receivables | 38 | 38 | - |
| Cash and cash equivalents | 37 | 37 | - |
| Trade and other payables | (84) | (84) | - |
| **Total identifiable net assets/(liabilities)** | **24** | **11 796** | **11 772** |
| Non-controlling interest | 17 | (3 526) | (3 526) |
| Bargain purchase | - | (770) | (770) |
| Goodwill | 7 459 | - | (7 459) |
| **Purchase consideration** | **7 500** | **7 500** | **-** |

The following highlight the results for the financial year since acquisition and if the business was acquired at the beginning of the financial year.

| **Figures in R'000** | **Since Acquisition 1 September 2020** | **Full year results** |
|---|---|---|
| Revenue | 499 | 499 |
| **Profit / (Loss)** | **(10)** | **(10)** |

At the time of our half – year reporting for the period ending 28 February 2021 the valuation for the business acquisition was not completed. This required additional work and the results were concluded as at year end. As a result, the business identified the clinical trials as a key enabler in medical cannabis research upon which a detailed forecast model was based upon.

Based on the additional assets identified at acquisition, being the intangible assets, the resultant deferred taxation thereon the resultant effect of the PPA allocation resulted in a bargain purchase amount of R770k.

**Ace Genetics**

In December 2020 the Company announced the acquisition all the shares in African Cannabis Enterprises (Ace Genetics). As a result, Ace Genetics became a subsidiary with the effective date of consolidation of 2 December 2020.

This business combination enhances Labat Healthcare's plans to realise its strategy of an end-to-end integrated Healthcare offering.

The investment in Ace Genetics was accounted for at fair value of the consideration payable. The business combination is disclosed below:

| Figures in R'000 | Reported 28 February 2021 | Reported 31 August 2021 | Difference |
|---|---|---|---|
| Property, plant and equipment | 159 | 159 | - |
| Intangible assets | - | 3 387 | 3 387 |
| Deferred taxation | - | (948) | (948) |
| Inventory | 1 511 | 1 511 | - |
| Cash and cash equivalents | 1 | 1 | - |
| **Total identifiable net assets/(liabilities)** | **1 671** | **4 110** | **2 439** |
| Bargain purchase | - | (2 306) | (2 306) |
| Goodwill | 133 | - | (133) |
| **Purchase consideration** | **1 804** | **1 804** | **-** |

The following highlight the results for the financial year since acquisition and if the business was acquired at the beginning of the financial year.

| Figures in R'000 | Since Acquisition 4 December 2020 | Full year results |
|---|---|---|
| Revenue | 0 | 0 |
| Loss | **(167)** | **(287)** |

At the time of our half – year reporting for the period ending 28 February 2021 the valuation for the business acquisition was not completed. This required additional work and the results were concluded as at year end. As a result, the business identified the unique development of the cannabis strains as a key enabler in product supply under the offtake agreement upon which a detailed forecast model was based upon.

Based on the additional assets identified at acquisition, being the intangible assets, the resultant deferred taxation thereon and inventory at fair value, the acquisition resulted in a bargain purchase of R2.3 million, which can mainly be attributed to the strain development and interest in the medical cannabis market.

The Company has an obligation to repurchase 900 000 shares at R1.00 per share in relation to the acquisition of Ace Genetics, in the event that the share price does not reach R1.00 on or before 02 December 2021.

The contribution to the trading results of the businesses acquired, has been accounted for from the effective date of the acquisitions. In determining the purchase consideration paid, the profit history of the relevant business and its growth prospects within the Group, were considered. The fair value of shares issued as part of the purchase price was determined based on the third-party acceptance of the value of the Labat Africa shares at the effective date.

The intangible assets include an additional Cannabis licence to cultivate, harvest, process and export Cannabis from the Kingdom of Lesotho to other countries for medicinal and pharmaceutical purposes as well as a detailed infrastructure plan, Intellectual Property and offtake agreements.

There were no other acquisitions or disposals during the period under review.

**Property, plant and equipment:**
Property, plant and equipment of the Group increased by approximately R117k. Property, plant and equipment acquired under business combinations were R167k. Other additions were Nil in the current financial year (2020: R4.2m.

**Right of use assets:**
The right of use assets of R 7.9 million (2020: R6.8m) are mainly for the IFRS 16 recognition of office leases and motor vehicles. Assets acquired during the year via leases were R3 million (2020: R2.8m).

**Earnings reconciliation and share information**
The headline earnings reconciliation is set out below:

| | 31 August 2021 R'000 Reviewed Continuing | 31 August 2020 R'000 Audited Total | 31 August 2020 R'000 Audited Continuing | 31 August 2020 R'000 Audited Discontinued |
|---|---|---|---|---|
| **Basic (loss)/earnings attributable to shareholders of the Group** | **(22 770)** | **10 376** | **(55 921)** | **66 298** |
| **Adjusted for:** | | | | |
| Gain on bargain purchase-Ace Genetic | (2 306) | - | - | |
| Gain on bargain purchase-Bio Data | (770) | - | - | |
| Gain on the de-consolidation of the Force Fuel Group | - | (112 538) | - | (112 538) |
| Impairment of Intangible assets & goodwill | - | 59 888 | - | 59 888 |
| Profit on disposal of PPE | - | (1 820) | (135) | (1 685) |
| Impairment of loan | - | 2 293 | 2 293 | - |
| **Headline (loss)/earnings attributable to shareholders of the Group** | **(25 846)** | **41 801** | **(53 762)** | **11 962** |
| | | | | |
| **Per share information:** | | | | |
| Basic (Loss)/earnings per share (cents) | (5.7) | 3.1 | (16.4) | 19.5 |
| Headline loss per share (cents) | (6.5) | (12.3) | (15.8) | 3.5 |
| Diluted basic (loss) per share (cents) | (5.7) | - | - | - |
| Diluted headline (loss) per share (cents) | (6.4) | - | - | - |
| | | | | |
| **Number of Shares ('000):** | | | | |
| Weighted average shares in issue (net of treasury shares) | 396 769 | - | 339 612 | 339 612 |
| Number of ordinary shares in issue (net of treasury shares) | 479 538 | - | 386 989 | 386 989 |
| Shares in issue at year end (Including treasury shares) | 498 998 | - | 395 199 | 395 199 |

**Diluted earnings per share**
There are a total number of 900 000 shares that are Potential Ordinary Shares (POS) as a consequence of a share put liability resulting from the purchase of Ace Genetics.

**Share Capital**
The company issued a total of 20 554 000 shares for its business acquisitions, which are made up as follows:

- 11 250 000 shares for the acquisition of 75% of Leaf Botanicals (in the process of being cancelled),
- 7 500 000 shares for the acquisition 70% of Biodata, and
- 1 804 000 shares for the acquisition of 100% of Ace Genetics.

During the year under review, the company also issued an additional 84 495 209 shares under its general authority to issue shares which authority was approved by shareholders at the company's last annual general meeting held on 2 May 2020. The Company continues to place shares for cash under its General Authority to raise capital for its continuing operations.

There were no share repurchases effected during the year under review. However, as previously announced, the Company has an obligation to repurchase 900 000 shares at R1.00 per share in relation to the acquisition of Ace Genetics, in the event that the share price does not reach R1.00 on or before 02 December 2021.

The number of shares in issue as at 31 August 2021 was 498 997 885 ordinary shares (2020: 395 198 676 shares).

**Royale Energy**
The Company also settled R15 million of liabilities associated with Force Fuel through the issue of 10 000 000 shares under the General Authority to issue shares for cash.

**Intangible assets**

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated amortisation | Carrying value | Cost | Accumulated amortisation | Carrying value |
| | R '000 | R '000 | R '000 | R '000 | R '000 | R '000 |
| **Total** | **166 616** | **(50 268)** | **116 348** | **145 572** | **(22 025)** | **123 547** |

Additions to internally developed intangible assets include capitalised costs of R1.5 million (2020: R1.9 million). No impairment loss was recognised in the current year. In the 2020 financial year an impairment loss of R(29.5) million was recognised for all the intangible asset categories in Force Fuel due to the entire Fuel business being placed under voluntary business rescue.

During the year, the Group acquired two new businesses in the medical cannabis industry, i.e. Ace Genetics and Biodata. The details of the Intangible assets acquired for Ace Genetics and Biodata were R3.4 million and R16.4 million respectively.

**Amortisation of intangibles assets**
Intangible assets have been amortized at the rates stipulated in the accounting policy, The current year amortization was R28.2 million (2020: R22.0 million).

**Pledged as security**
No intangible assets were pledged as security.

**Contractual commitments**
The Group has no contractual commitments for the acquisition of intangible assets.

**Goodwill**

| | 31 August 2021 Reviewed R'000 | 31 August 2020 Audited R'000 |
|---|---|---|
| Balance at the beginning of the period | - | 30 430 |
| Additions through business combinations | - | - |
| Goodwill impairment | - | (30 430) |
| **Total goodwill at the end of the period** | **-** | **-** |

**Goodwill Impairment**
**Impairment testing**
For the purpose of annual impairment testing, goodwill is allocated to the operating segments expected to benefit from the synergies of the business combinations in which the goodwill arises as set out below, and is compared to its recoverable value.

**Taxation**

| | 31 August 2021 Reviewed R'000 | 31 August 2020 Audited R'000 |
|---|---|---|
| Current tax assets | 52 624 | 21 242 |
| Current liabilities | (32 837) | (14 856) |
| **Net tax asset/(liability)** | **19 787** | **6 386** |

Taxation consists of significant individual tax related assets and liabilities receivable and payable by the group in terms of the Income Tax and VAT Act. Due to the significance of these balances, they have been disclosed separately within the consolidated financial statements. The nature of these accounts relates mostly to disputes with SARS surrounding outstanding VAT receivables and VAT payable by/to the group and the payment of employee related income tax.

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The group is still in a net tax receivable position and discussions are ongoing with SARS to conclude on these matters. Judgement was used by management, based on information provided by legal counsel, when determining the amounts that would be recoverable from SARS regarding the VAT recoverable.

**Inventories**

| | 31 August 2021 Reviewed R'000 | 31 August 2020 Audited R'000 |
|---|---|---|
| Work in Progress | 1 005 | 858 |
| Finished Goods | 3 722 | 1 715 |
| | **4 727** | **2 573** |
| Allowance for obsolescence | (393) | (195) |
| | **4 334** | **2 378** |

No inventory has been pledged as security against financial liabilities.

**Revenue**

| | 31 August 2021 Reviewed R'000 | 31 August 2020 Audited R'000 |
|---|---|---|
| **Revenue from contracts with customers** | | |
| Sale of goods | 14 484 | 15 017 |
| Rendering of services | 14 786 | 25 234 |
| **Total revenue from contracts with customers** | **29 270** | **40 251** |
| **Disaggregation of revenue from contracts with customers** | | |
| The company disaggregates revenue from customers as follows: | | |
| **Sale of goods** | | |
| Information technology sales | 7 632 | 14 126 |
| Medical cannabis sales | 6 852 | 891 |
| **Total sale of goods** | **14 484** | **15 017** |
| **Rendering of services** | | |
| Bulk logistics | **14 786** | **25 234** |
| **Total revenue from contracts with customers** | **29 270** | **40 251** |
| **Timing of revenue recognition** | | |
| At a point in time | 23 551 | 39 360 |
| Over time | 5 719 | 891 |
| | **29 270** | **40 251** |

**COVID-19 Impact and Social Unrest**

The COVID-19 pandemic and lockdowns have had a severe impact on the businesses of Labat, especially our SAMES business and Labat Healthcare business. The impact on SAMES was due to the problem around the supply of semi-conductors, as mentioned earlier. The Labat Healthcare business was impacted through the delayed roll out of Cannafrica stores in particular.

The business was fortunately not impacted by the July 2021 social unrest.

The Board has carefully considered the current cash position and facilities available to the Group. Various options taking into consideration the impact of COVID-19, were discussed and assessed in terms of the Group's financial obligations. The Group pro-actively engaged with its financiers and suppliers and constructive proposals to mitigate the impact of the national lockdown were considered.

The Group is taking appropriate steps to assist with limiting the spread of the virus, including working from home, where possible. Labat has implemented stringent measures to combat the spread of the COVID-19 virus at all its operations, in line with the government guidelines so as to ensure the well-being of our employees and stakeholders.

The Group has continued on its strategy of rolling out of its Labat Healthcare businesses in order to ensure a successful launch of the Labat Healthcare retail business during the year under review. The group was also represented at the recent Cannabis Expo, where its products sold out.

**Going Concern**

The Board has performed an assessment of the Group's operations relative to available cash resources and is confident that the Group is able to continue operating for the next 12 months. The Board remains reasonably confident that it will manage the uncertainties that exist as detailed below. The reviewed provisional condensed consolidated financial statements presented have therefore been prepared on a going concern basis.

The Group's total assets exceed its total liabilities by R101.3 million (2020: R75.9 million), has accumulated losses of R(121.0) million (2020: R(98.3) million), current assets exceed its current liabilities by R 25.9 million (2020: R6.1 million) and the Group incurred a (loss) after taxation of R(22.8) million (2020: R (31.4) million).

The directors have successfully raised additional funds during the year under review to support the turnaround and to fund its expansion program. This has yielded R14m and has helped to finance the start-up operations of the healthcare business as well as providing much needed working capital for the group. The Company intends raising additional funds in 2022 to facilitate the growth of the healthcare business.

The group has entered into an agreement with USA based funding group GR Global Investments whereby GR Global Investments has agreed to invest an amount of up to ZAR 300 million over the next three years in equity (the "Capital Commitment") in exchange for new ordinary shares in Labat. This Capital Commitment will be drawn down by Labat by performing capital calls which Labat has the right to exercise the timing and price at its sole discretion. As part of the Capital Commitment agreement, the Purchaser is also entitled to receive warrants for up to 30 million new ordinary shares of Labat at an exercise price of 50 cents per ordinary share representing more than a 100% premium on the current Labat trading price.

The financial statements are prepared on the basis of accounting policies applicable to a going concern. This basis presumes that that the Group will continue to receive the support of its holding company and directors and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business. The Group is projecting positive cash flows for the year ahead from its existing and new businesses.

**Related party transactions and balances**

The Group entered into transactions with related parties which were in the ordinary course of business, and which were consistent with the previous year and are not considered to be material to an understanding of these results.

**Relationships**

| | |
|---|---|
| Shareholders with significant influence | Link Private Equity Investments (Pty) Ltd<br>The Highly Creative Proprietary Limited |
| Directors and members of key management | Brian van Rooyen<br>David O'Neill<br>Gorden Walters<br>Mike Stringer<br>Stanton van Rooyen<br>Herschel Maasdorp |

| RELATED PARTY LOAN BALANCES | 31 August 2021 Reviewed R'000 | 31 August 2020 Audited R'000 |
|---|---|---|
| **Owing (to) by shareholders and directors with significant influence** | | |
| Brian Van Rooyen | (50) | (2 053) |
| David O'Neill | (2 149) | (1 919) |
| Herschel Maasdorp | 2 698 | - |
| Landers & Kent | (2 006) | (757) |
| **Owing (to) by shareholders and directors with significant influence** | | |
| Director services raised as provision | (16 461) | (14 701) |
| Brian van Rooyen - Finance costs to loan advanced | (211) | (193) |
| David O'Neill - Finance costs to loan advanced | (230) | (206) |
| | | |
| **Related party transactions** | | |
| Link Private Equity Investments (Pty) Ltd - Rent paid | 600 | 600 |
| | | |
| **Compensation to directors and other key management** | | |
| Short-term employee benefits | 13 038 | 9 940 |

**Litigation**
The Group has various claims and counter claims made by and against Labat which have risen in the normal course of business as previously disclosed. These matters are being dealt with by the company's attorneys. No material changes to litigation have occurred since the previous financial year, other than the SARS VAT claim as detailed below:

**Outstanding SAMES VAT Claims**
In 1999 SAMES ("the taxpayer") had an assessed tax loss. For some or other reason, unbeknown to the taxpayer, the South African Revenue Services (SARS), disallowed the assessed loss in the year 2000 and "created" a non-existing Income Tax liability. SARS then withheld all VAT credits owed to the taxpayer and allocated it to an unknown Income Tax (IT) "liability". No further credits, except some payments to the taxpayer of a million rand, was paid out to the taxpayer to date hereof. This had now been going on for more than 13 years.

The taxpayer appealed SARS' decision to disallow the assessed loss and on 13 September 2007 the Tax Appeal Committee decided to reinstate the assessed loss and a settlement agreement was entered into between the taxpayer and SARS on 12 November 2007. A new assessment was issued by SARS on 13 September 2008 to reflect the reinstated assessed loss. The only problem was that the VAT credits allocated to an unknown Income Tax liability was not refunded as mentioned above.

The group has made every effort to bring this matter to finality. SARS on the other hand has done everything in its power to stall rectification of unlawful allocations to a debt which does not exist notwithstanding High Court case law including a recent High Court judgement where SARS was denied the right to appeal. SARS persists in non-compliance in not applying its mind to the pursuits and pleas of the taxpayer.

The group has provided adequately against the claim to SARS and reported it in the Annual Financial statements for 2019 and 2020. Nothing further happened in relation to the claim firstly as a result of the ongoing investigations within SARS and then came covid. During this period the tax court ordered SARS to settle this matter. The Group submitted a written settlement offer to SARS, they did not respond and the offer is no longer available to SARS.

***The Way Forward:***
The directors have engaged new Counsel to aggressively pursue the claim against SARS and herewith follows their comment:

> *"From the attached judgement is remains clear that SARS has acted in a tardy and administratively unjust manner to date. It furthermore appears that the allocations of VAT refunds due to the taxpayer has been improperly administered by SARS in that set offs and allocations have been applied unlawfully with due regard to the provisions of the Tax Administration Act. SARS' conduct is contrary to established case law and precedent".*

*"Our suggestion is to initiate proceedings under section 11(4) of the TAA similar to what we have done successfully in other matters where refunds were being withheld unlawfully"*

*"We can further confirm that we have engaged SARS in order to remedy the situation and have since met with the relevant SARS Officials to test the waters. We are confident that we will reach an amicable out of court settlement with SARS even though there are no guarantees. In reiteration, given the quantum, it is worth the attempt"*

The Group have decided that, given the extent of the claim as well as the advice from Counsel, that it had provided sufficiently against the claim to SARS and that the reversal of a portion of the provision was required and justified in the circumstances. Shareholders are advised that there is a chance that the full claim will be received and shareholders will be kept informed of developments in this regard.

**Changes to the Board**
Mr NS Mogapi resigned as a director with effect from 31 December 2020 and Mr M Stringer was appointed to the Board of Labat with effect from 14 April 2020 as an executive director. Mr M Stringer subsequently resigned on 1 September 2021.

There have been no other changes to the board of directors of Labat Africa for the year under review and to the date of issue of this announcement.

***Subsidiary Board Appointments***
Mr H Maasdorp has been appointed as a board member on all Labat Healthcare companies and also serves on the executive committee as Business Development executive for the group. Stanton van Rooyen has been appointed as CEO of the Healthcare group.

**Contingent Liabilities**
Labat Africa Limited has issued financial guarantees with various fuel suppliers for Force Fuel as follows

| | **31 August 2021 R'000** | **31 August 2020 R'000** |
|---|---|---|
| Parent Company Guarantee | 54 000 | 69 000 |
| Less: Provision made | (9 800) | (24 800) |

- The company has provided a cross deed of suretyship in favour of various other beneficiaries which cover the unutilised facilities granted to various subsidiaries.
- The company has provided limited suretyship in favour of various financial institutions which covers the unutilised facilities granted to a subsidiary Institution.

**Dividends**
No dividend has been declared for the year under review (August 2020: R nil).

**Post Balance Sheet events**

- The Leaf Botanicals transaction was cancelled by the vendor, which cancellation has been accepted by the company subsequent to year-end.
- Labat has entered into discussions with a number of strategic funding partners with a view of funding operations and or subscribing for shares. As announced in December 2021, a R300 million equity draw down facility has been signed with GRV Global.
- Labat has received approval to list its shares as a secondary listing on the Frankfurt Stock Exchange. With a focus on pharmaceutical grade Medicinal Cannabis, Labat Africa is one of two cannabis businesses listed on the Johannesburg Stock Exchange offering South African and international investors exposure to high growth investments in Cannabis Healthcare. The shares were admitted to trading when the market opened on Monday 06 December 2021, without restriction. The application was for the dual listing of the equity (the "Listing") quoted under the ISIN ZAE000018354 on the open market segment "Quotation Board" of Frankfurt Stock Exchange ("FSE") with the LEI NO 9845000R73DF5EE41J88. Labat remains primary listed on the Johannesburg Stock Exchange under the Ticker Symbol "LAB", with the stock price in Frankfurt linked to the stock price in Johannesburg. Any issue of shares shall be placed as a private placement,

- The listing was handled and successfully conducted by Renell bank, a CRR credit institution within the meaning of Section 1 Paragraph 3d Sentence 1 KWG in conjunction with Article 4 Paragraph 1 No. 2 of Regulation (EU) 575/2013 of the European Parliament and of the Council of June 26, 2013.
- Labat has entered into an agreement to acquire 100% of Miami based business Echo Life Brands. Further details will be announced later.
- Labat is reconsidering the transaction with Medigrow Lesotho due to a number of reasons including the political instability in the region.
- Subsequent to year end, the share price of Labat did not reach R1.00 over the time period ending 2 December 2021 and the Company will be attending to the various regulatory approvals in relation to the put option to repurchase the 900 000 shares issued for the Ace Genetics acquisition as detailed above.
- On Royale Energy, the Company also has an obligation to repurchase the 10 000 000 shares at R1.50 from Royale Energy, in respect of a Parent Company Guarantee, if the share price of Labat does not reach R1.50. This share repurchase will require the approval of Labat Africa shareholders in a General Meeting, unless waived by the two parties.

**Prospects**

Subsequent to year-end, Labat has acquired the rights to the product range and operations in South Africa from Miami based Echo Life. We have implemented the Healthcare strategy to accelerate the roll out of all cannabis infused products with the Echo range which are in line with regulatory approvals. This range of products are already available in the South African Market at various major retail outlets. We have on-boarded the product range to our new e-commerce platform and will be rolling it out into the Cannafrica stores in 2022.

The operations of Ace & Axle and Ace Genetics have been combined, as it will provide a captive market for the Ace Genetics product range. The Ace & Axle license agreement has been concluded with Echo Life Products and two thousand sample packs were received and delivered to potential customers.

The growth of the group is still being adversely affected by the Covid-19 pandemic but a stable base has been established and good growth is expected in the years ahead as local and international market conditions improve.

The Intangible assets related to the acquisitions of Biodata Proprietary Limited ("Biodata") and Ace Genetics, were both finalised concluded during the year ended 31 August 2021, and the intangible assets related to these acquisitions are included in the Intangible Assets shown in the Statement of Financial Position at 31 August 2021. The intangible assets are tested for impairment each year. The Board is of the view that the value of the medical cannabis business is grossly undervalued in South Africa. We have taken a conservative view for the time being for the value of the Intangible Assets as reflected on the Statement of Financial Position and is in line with current IFRS standards.

In THC, the oft-take agreement has also been further extended and will yield additional significant value in the foreseeable future. Current market studies being conducted indicates that the South African cannabis market is estimated at around R29 billion and growing. Labat has also initiated discussions with New Frontier Holdings Germany regarding their collaboration with our research project.
For and on behalf of the board.

| | |
|---|---|
| **B G VAN ROOYEN** | **G R I WALTERS** |
| CHIEF EXECUTIVE OFFICER | FINANCIAL DIRECTOR |

Johannesburg
31 December 2021

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**Directors:**
BG van Rooyen*, DJ O'Neill*, GRI Walters*, R M Majiedt^, R Rustum^, BA Penny^
Executive*, Independent non-executive^

**Company Secretary:** Light Consulting Proprietary Limited
**Registered Address:** 23 Kroton Avenue, Weltevreden Park, 1709
**Sponsor:** AcaciaCap Advisors Proprietary Limited
**Transfer Secretary:** Computershare Investor Services Proprietary Limited