



Incorporated in the Republic of South Africa
 (Registration number 1986/001616/06)
 ("Labat Africa" or "the company")
 JSE code: LAB ISIN: ZAE000018354
 LEI 9845000R73DF5EE41J88

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 NOVEMBER 2023

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months ended 30 November 2023 Unaudited R'000	6 months ended 30 November 2022 Unaudited R'000
Revenue	36 667	24 099
Cost of sales	(11 587)	(18 211)
Gross profit	25 080	5 888
Other income	344	14 366
Depreciation	(922)	(887)
Amortisation	(3 560)	(8 610)
Operating expenses	(13 408)	(11 099)
Operating loss	7 534	(342)
Investment revenue	1	-
Finance costs	(438)	(501)
Profit (Loss) before taxation	7 096	(840)
Taxation	-	2 910
Profit for the period	7 096	2 070
Other comprehensive income	-	-
Total comprehensive profit for the period	7 096	2 070
Attributable to:		
Equity holders of the parent	4 841	1 412
Non-controlling interest	2 255	658
Total comprehensive income for the period	7 096	2 070
Basic and diluted earnings per share (cents)	0.76	0.23
Headline Earnings/(loss) per share	0.78	(1.0)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 November 2023 Unaudited R'000	31 May 2023 Audited R'000	30 November 2022 Unaudited R'000
ASSETS			
Non-current assets			
Property, plant and equipment	3 817	3 834	12 767
Right-of-use assets	6 506	5 297	6 525
Intangible assets	34 418	37 473	103 402
Biological assets	-	7 200	-
Goodwill	-	1 248	1 248
Other investments	-	-	-
Deferred tax	4 048	2 641	19 675
	40 692	57 693	143 617
Current assets			
Biological assets	-	2 058	6 986
Inventories	6 497	6 742	2 478
Loans to directors and shareholders	2 839	2 998	2 752
Trade and other receivables	13 929	5 849	11 415
South African Revenue Services	50 934	54 785	53 041
Other financial assets	5 007	-	7 086
Cash and cash equivalents	2 033	2 810	4 308
Total Current assets	81 238	75 242	88 066
TOTAL ASSETS	121 931	132 935	231 683
EQUITY AND LIABILITIES			
Equity			
Share capital and share premium	244 322	244 322	244 519
Non-Distributable Reserves	54	54	96
Accumulated loss	(240 164)	(243 960)	(155 688)
	4 213	416	88 927
Non-controlling interest	-	9 372	9 860
Total equity and reserves	4 213	9 788	98 787
Non-current liabilities			
Lease liabilities	9 720	7 447	8 252
Other financial liabilities	19 634	19 966	18 057
Provision	9 800	9 800	9 800
Deferred Taxation	80	9 510	30 677
Deferred Revenue	866	826	1 104
Total Non-Current Liabilities	40 090	47 549	67 890
Current liabilities			
Loans from directors and shareholders	4 195	4 315	4 811
Share put options liability	-	-	900
Lease liabilities	832	1 517	832
South African Revenue Services	40 959	47 354	37 328
Trade and other payables	23 957	15 169	16 817
Deferred revenue	238	278	238
Other financial liabilities	-	2 052	2 050
Bank overdraft	653	-	30
Provisions	6 794	6 960	-
Total current liabilities	77 628	75 598	65 006
Total liabilities	117 718	123 147	132 896
Total Equity and Liabilities	121 931	132 935	231 683
Number of ordinary shares in issue (net of treasury shares) ('000)	639 102	619 642	619 503
Net asset value per share (cents)	(18,42)	1,58	15,95
Net tangible asset value per share (cents)	(23,80)	(4,70)	(2,3)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months ended 30 November 2023 Unaudited R'000	6 months ended 30 November 2022 Unaudited R'000
Cash flows used in operating activities:		
Cash used in operations	(416)	(6 715)
Interest received	1	3
Interest paid	(438)	(501)
Net cash used in operating activities	(853)	(7 213)
Cash flows used in investing activities:		
Purchase of property, plant and equipment	(34)	(242)
Purchase of intangible assets	-	(755)
Acquisition of subsidiary, net of cash acquired	-	-
Net flow used in investing activities	(34)	(997)
Net flow raised from financing activities:		
Lease payments	(538)	(519)
Proceeds on shares issue	-	10 264
Loans from related parties received	-	-
Loans from related parties paid	-	-
Directors and shareholders loans received (Proceeds of loans from directors)	-	-
Net flow from financing activities	(538)	9 745
Net increase / (decrease) in cash	(1 425)	1 535
Cash at beginning of period	2 805	2 743
*Net Cash at end of period	1 380	4 278
*Net of bank overdrafts		

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 2020 – Audited	167 943	170	(98 322)	69 793	6 172	75 965
Issue of shares	11 703	-	-	11 703	-	11 703
Share put option	(900)	-	-	(900)	-	(900)
Transfer of revaluation reserve	-	(21)	21	-	-	-
Non- controlling interest at acquisition	-	-	-	-	17	17
Loss for the period	-	-	(17 538)	(17 538)	1 103	(16 435)
Balance at 28 February 2021- Reviewed	178 746	149	(115 839)	63 056	7 292	70 348
Issue of shares	33 768	-	-	33 768	-	33 738
Total comprehensive income for the period	-	-	(5 232)	(5 232)	(2)	(5 234)
Non-Controlling interest	-	-	-	-	2 423	2 423
Transfer of revaluation reserve	-	(22)	22	-	-	-
Balance at 31 August 2021 – Audited	212 514	128	(121 050)	91 592	9 713	101 305
Issue of shares	7 210	-	-	7 210	-	7 210
Transfer of revaluation reserve	-	(22)	22	-	-	-
Loss for the period	-	-	(21 003)	(21 003)	(564)	(21 567)
Balance at 28 February 2022- Unaudited	219 724	106	(142 031)	77 799	9 149	86 948

Issue of shares	14 531	-	-	14 531	-	14 531
Non-Controlling interest at acquisition	-	-	-	-	376	376
Transfer of revaluation reserve	-	(10)	10	-	-	-
Loss for the period	-	-	(15 080)	(15 080)	(323)	(15 403)
Balance at 31 May 2022- Audited	234 255	96	(157 101)	77 250	9 202	86 452
Issue of shares	10 264	-	-	-	-	-
Profit for the period	-	-	1 412	-	-	-
Balance at 30 November 2022- Unaudited	244 519	96	(155 688)	77 250	9 202	86 452
Issue of shares						
Transfer of revaluation Reserve		(43)	43			
Issue of equity	10 067			10 067		10 067
Profit for the period	-	-	(88 313)	(86 900)	169	(86 731)
Balance at 31 May 2023- Audited	244 322	53	(243 959)	417	9 371	9 788
Issue of shares						
Profit for the period			7 096	4 841	2 256	7 096
Balance at 30 November 2023- Unaudited	244 322	53	(236 863)	5 258	11 627	16 884

SEGMENT REPORT

30 November 2023

	Technology	Bulk Logistics	Healthcare	Operational Total	Inter-Segment Eliminations	Total
	R 000's	& Head Office R 000's	R 000's	R 000's	R 000's	R 000's
Statement of Profit or loss						
External revenue	3 170	12 221	21 276	36 667	-	36 667
Cost of revenues	940	9 345	1 302	11 587	-	11 587
Gross Profit	2 230	2 876	19 974	25 080	-	25 080
Other income	-	344	-	344	-	344
Operating expenses	- 2 406	- 9 941	- 1 061	13 408	- -	13 408
Before disclosable items	- 176	- 6 720	- 18 912	12 016	-	12 016
Amortisation & depreciation	- 108	- 765	- 3 610	4 482	- -	4 482
Recurring operating (loss)/income	- 284	- 7 485	- 15 303	7 534	-	7 534
Finance income	1	-	-	1	-	1
Finance cost	- -	436 -	3 -	438	- -	438
(Loss)/Profit before taxation	- 283	- 7 920	- 15 300	7 096	-	7 096
Taxation	-	-	-	-	-	-
(Loss)/Profit for the period	- 283	- 7 920	- 15 300	7 096	-	7 096
Segment Assets	88 730	161 640	65 715	316 084	- 48 503	267 581
Segment Liabilities	60 534	78 217	37 780	176 531	- 37 391	139 140

SEGMENT REPORT
30 November 2022

Statement of Profit or loss	Technology R 000's	Bulk Logistics & Head Office R 000's	Healthcare R 000's	Operational Total R 000's	Inter-Segment Eliminations R 000's	Total R 000's
External revenue	2 206	21 448	3 997	27 651	(3 552)	24 099
Cost of revenues	688	16 536	987	18 211	-	18 211
Gross Profit	1 518	4 912	3 010	9 441	(3 552)	5 889
Other income	183	1 122	5 787	7 091	7 275	14 366
Operating expenses	(2 885)	(5 818)	(5 948)	(14 651)	3 552	(11 099)
Before disclosable items	(1 184)	216	2 848	1 881	7 275	9 156
Amortisation & depreciation	(109)	(680)	(99)	(888)	(8 610)	(9 497)
Recurring operating (loss)/income	(1 293)	(464)	2 749	993	(1 335)	(342)
Finance cost	-	(497)	(1)	(498)	-	(498)
(Loss)/Profit before taxation	(1 293)	(961)	2 748	495	(1 335)	(839)
Taxation	288	-	1 077	1 365	1 545	2 910
(Loss)/Profit for the period	(1 005)	(961)	3 825	1 860	210	2 070
Segment Assets	96 191	166 024	20 313	282 529	(50 846)	231 683
Segment Liabilities	55 963	80 878	30 109	166 950	(34 054)	132 896

COMMENTARY

1. BASIS OF PREPARATION

Statement of compliance

The unaudited 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 unaudited 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 period ended 30 November 2023 was supervised by the Financial Director, David O'Neill. The directors take full responsibility for the preparation of the condensed consolidated financial results for the 6 Months ended 30 November 2023.

2. BACKGROUND

During the current financial year starting 01 June 2022 our main goal was to focus on revenue generating activities across the various subsidiaries. As evidenced in the segmental results, these efforts are already starting to show results, with a notable improvement in the healthcare operations, which initiatives are showing sustainable growth. The shareholders are informed that the 31 May 2023 and 31 May 2024 audited financial statements and IAR have been issued by the Company on 10 December 2024 and 13 December 2024. These interim statements should be read in conjunction with the year end statements. Further, attention is drawn to the going concern and events after reporting date sections of this report which is set out in the IAR 2023 and 2024.

The Board is of the view that the Group is well positioned to explore greater opportunities and use current resources to further strengthen the Group's Healthcare strategy. We are now exporting product to overseas customers, with the initial customer in Australia ordering flowers and buds well in excess of (26.7%) THC.

As can be concluded from the below commentary, Labat has been very successful in laying a solid foundation of its Healthcare business with a focus on Cannabis, having secured the various required licences over the past three years, including an extraction licence.

Over the past two years, Labat has entered into a number of agreements and has managed to secure excellent quality acquisitions throughout the value chain of the healthcare division businesses, which value chain ranges from "Seed to Sales". At the date of this report, the Group comprises of three main segments, which are Healthcare, Logistics and Technology.

3. RESULTS

The directors of Labat (Board) present the results for the six-month period ended 30 November 2023, which are compared to the six months ended 30 November 2022.

Financial Performance – Statement of Comprehensive Income

Group revenue for the year increased by 152% to R36.7 million (2022: R24.1 million) compared to the prior year. This increase was driven mainly by the 13 new retail wellness stores that were opened during the

year. Gross profit for the six month period also increased to R25.1 million reflecting an increase of 425% over the prior year which is in line with the increase in revenue.

Operating expenses increased to R13,4 million (2022: R11,1 million) an increase of 21% when compared to the prior year. This increase, when adjusted for the difference in reporting period, level of activity (new store openings) and inflation, appears reasonable. IFRS-driven amortizations and impairments mainly related to the healthcare businesses reflect ongoing increases for the year.

Financial Performance – Statement of Financial Position

A biological asset was recognised during the period related to the Sweet Water Aquaponics business which was offset by impairment of intangible assets of R73.8 million in May 2023 from other healthcare businesses and SAMES. The impact of the above-mentioned transactions had a net impact on deferred taxation balances.

During the period under review, Labat Africa has been concentrating on growing its Healthcare business by implementing its highly focused strategy and has successfully completed the seed to customer value chain with the acquisition of Sweetwaters Aquaponics.

As of 30 November 2023, 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.

4. IFRS STANDARDS AND INTERPRETATIONS

Standards and Interpretations effective and adopted during the current period

In the current year, the Group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations.

There was no material impact on the implementation of any of these standards.

Standard/ Interpretation	Effective date: Years beginning on or after
COVID-19 - Related Rent Concessions Amendment to IFRS 16	01 April 2021

Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and may be relevant to the Group. The standards and interpretations are mandatory for the Group's accounting periods beginning on or after 01 June 2022 or later periods. These standards will be implemented in the applicable year for which they are mandatory.

There is unlikely to be a material impact on the future implementation of any of these standards.

Standard/Interpretation	Effective date: Years beginning on or after
IAS37 Onerous Contracts Cost of fulfilling a Contract	01 January 2022
IAS 16 Property, Plant and Equipment Proceeds before Intended Use: Amendments to IAS 16	01 January 2022
IFRS 9 Financial Instruments Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9 - fees and costs to be included when applying the '10 per cent' test for purposes of derecognition	01 January 2022
IAS 1 Presentation of Financial Statements Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2 to disclose material policies rather than significant policies	01 January 2023
IFRS 3 Business Combinations Reference to the Conceptual Framework: Amendments to IFRS 3	01 January 2022
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors Definition of accounting estimates: Amendments to IAS 8	01 January 2023
IAS 12 Income Taxes Deferred tax related to assets and liabilities arising from single transactions: Amendments to IAS 12	01 January 2023
IAS 1 Presentation of Financial Statements Classification of Liabilities as Current or Non-Current - Amendment to IAS 1	01 January 2023
IAS 41 Agriculture Annual Improvements to IFRS Standards 2018 – 2020: The amendment removes the requirement for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.	01 January 2022

5. 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 May 2023. 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.

6. 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 detail fair value has been audited and adjusted in the 2023 and 2024 Intergrated Annual Reports which was issued simultaneously in December 2024

7. GOODWILL

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:

The recoverable amount of each segment was determined based on value-in-use calculations, covering a detailed five-year forecast, followed by an extrapolation of expected cash flows for the remaining useful lives using a declining growth rate determined by management. The present value of the expected cash flows of each segment is determined by applying a suitable discount rate reflecting current market assessments of the time value of money and risks specific to the segment. There were no impairment indicators identified and therefore there was no need for an impairment loss provision. The detail fair value has been audited and adjusted in the 2023 and 2024 Intergrated Annual Reports which was issued simultaneously in December 2024

8. PROPERTY, PLANT AND EQUIPMENT:

There were additions amounting to R80k (2022: R457k). The balance relates to the valuation adjustment of Sweetwaters Aquaponics.

9. RIGHT OF USE ASSETS:

The right of use assets are mainly for the IFRS 16 recognition of office leases, building and motor vehicle leases. See May 2023 and May 2024 Audited Integrated Annual Report which was issued December 2024

10. BUSINESS COMBINATIONS

During the nine months ended 31 May 2022, the Company acquired Sweetwaters Aquaponics for a cash consideration of R10 million. The market value of the underlying assets could not be completed as at 31 May 2022 and the Net Asset Value was taken for disclosure purposes. The company subsequently appointed an independent valuer to value the underlying assets in Sweetwaters Aquaponics. This was completed during November 2022 and accordingly the effect of the purchase price allocation based on the independent valuations has been disclosed in the interim results for the period ended 30 November 2022.

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

Sweetwaters Aquaponics

The contribution to the trading results of the Group of businesses acquired has been accounted for from the effective date of the acquisition. In determining the purchase consideration payable, the profit history of the relevant business and its growth prospects within the Group, are considered.

The independent valuation of the medical cannabis license and the extraction license, and other intangible assets is more complicated due to this being a new industry in South Africa.

11. INTANGIBLE ASSETS

The intangible assets include:

- Contractual and non-contractual client relationships;
- Licenses;
- Intellectual Property ("IP");
- Integrated circuits
- Site Master Plan;
- Brands;
- E-commerce system; and
- Product and strain development.

Amortisation of intangibles assets

Intangible assets have been amortised at the rates stipulated in the accounting policy.

Pledged as security

No intangible assets were pledged as security.

Contractual commitments

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

12. VALUATION OF INTANGIBLE ASSETS

Intangible assets are the creative assets of any new business. They include assets such as:

- The brand, network and relationships, licenses, customer contacts, IP including trade secrets, Research and Development (R&D), trademarks, copyright, patents, and "Goodwill".

Intangible assets account for over 80% of the value of companies in the S&P 500. A typical example is Coca-Cola where most of the value lies in the brand and other intangible assets. This value is not replicated in their balance sheet. Intangible assets are the primary drivers of profitability and growth and are the most critical assets that such companies invest in. Some intangible assets are acquired but most are created internally by their own investment.

Start-up businesses, particularly in new industries such as in the Cannabis/Hemp industries have to invest heavily in these assets in order to get the business off the ground. They cannot create such value overnight. A classic example is Tesla which was a start-up in a completely new industry. It took them 18 years to reach profitability. Labat are following the same path but do not expect to take that long to

break-even and the Company has started to generate profits during the period under review as evidenced in the segmental report above.

Management is of the view that despite the substantial value being created/acquired, current accounting and reporting standards (IFRS) ignore the inherent value of these essential assets and therefore can potentially severely underestimate the intrinsic value of these assets. These valuable assets have to be amortised at the very time when they are increasing substantially in value rather than decreasing in value.

13. TAXATION

Taxation consists of significant 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 the Group and the payment of employee related PAYE.

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 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.

14. INVENTORIES

No inventory has been pledged as security against financial liabilities.

15. REVENUE

The details of the revenue is highlighted in the Statement of comprehensive Income and the segmental reports

16. INTANGIBLE ASSETS CHANGE IN ESTIMATES

During the prior financial year, the Group considered the amortisation period of the Intangible Assets as a whole. This was necessitated given the Covid lock down period for almost two years. This review resulted in changes in the expected usage of the intangible assets. The intangible assets are now expected to have an extended useful life of an additional two years given the increase in product demand from the date of original purchase. As a result, the expected useful life of the intangible assets increased and its estimated residual value decreased.

17. HEADLINE EARNINGS RECONCILIATION AND SHARE INFORMATION

The headline earnings reconciliation is set out below:

	30 Nov 2023 R'000 Unaudited	30 November 2022 R'000 Unaudited
Basic earnings / attributable to shareholders of the Group	4 841	1 412
Adjusted for:		
Gain/(loss) on bargain purchase – Sweetwater aquaponics	1	(7 274)
Headline loss attributable to shareholders of the Group	4 841	(5 862)
Per share information:		
Basic earnings/loss per share (cents)	0.76	0.2
Headline earnings/(loss) loss per share (cents)	0.78	(1.0)
Diluted basic earnings per share(cents)	0.76	0.2
Diluted headline earning/(loss) per share(cents)	0.78	(1.0)
Number of Shares ('000):		
Weighted average shares in issue (net of treasury shares)	607 066	590 276
Number of ordinary shares in issue (net of treasury shares)	636 292	619 502
Shares in issue at year end (Including treasury shares)	639 102	622 312

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. Shareholder approval will be required in this regard.

18. RELATED PARTY TRANSACTIONS AND BALANCES

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

19. OPERATING HIGHLIGHTS.

Healthcare Business

Since inception in 2019, Labat Healthcare's unwavering strategy has been to construct a self-sufficient, vertically integrated cannabis value chain. The advent of the legal cannabis industry in South Africa was met with the COVID 19 lockdown. A data driven approach made it necessary for the Labat team to dive deep and follow the largest markets in the world, alongside a new consciousness, a post Covid world, wherein health and wellness are new currencies. In line with best practices in the knowledge economy, Labat has an intellectually astute and expert Advisory Board which assists and navigates the full value chain.

Labat's plans to establish the first South African owned pharmaceutical distribution company in the largest European market completed the final phase with sales expected in the next financial year. Additionally, South Africa offers the most advanced and innovative intellectual property in a world that is fast migrating to a new mindset and a new value proposition in healthcare. There is a clear need for greater fluidity of the cannabis economy in order to drive demand-side solutions. Many transactions across the medicinal cannabis value chain in South Africa and abroad are waiting to be consummated, following a more robust local regulatory landscape to unfold. This will fuel growth in the cannabis economy and inject much needed capital into the system.

Over the recent 3 to 4 years, and after the lessons of Covid, the local cannabis industry had an accelerated catch up with the older and more established markets, globally. In the Labat Healthcare architecture the group understands how to best unlock value for shareholders and how to communicate the message of rising and sustainable measurable returns. The Business Design was guided by the understanding that a comprehensive ecosystem would allow Labat to maintain control over every stage of production, ensuring product quality, consistency, and value to Labat's stakeholders.

The Group has successfully implemented this strategy through acquisition of key components of the cannabis value chain. An overall and integrated cannabis value chain is a first for South Africa especially in the listed environment. Annually, additional countries onboard and the market is expanding exponentially.

The Company is in the process of unleashing what it terms "Cannabis 2.0" to expand and to capitalise on the various facets of the Labat Healthcare integrated ecosystem which is expected to create and compound tangible value for all stakeholders vested in the full value chain at the right time.

CannAfrica Retail Outlets

CannAfrica serves as Labat Healthcare's retail arm bringing premium cannabis products to consumers. With a focus on providing exceptional customer experiences and offering a curated range of products, CannAfrica is the gateway to the market. As announced on SENS on 26 July 2023, Labat acquired the remaining 30% interest in CannAfrica for a consideration of R6 428 571, which was settled through the issue of 29 924 000 Shares at an issue price of R0.12 per Share and the balance in cash of R2 837 660, which amount was offset against a loan account of Mr H Maasdorp. The effective date of this acquisition was 1 June 2023.

The rollout of Labat Healthcare retail stores is progressing well through both company-owned stores and franchises with a current foot print of 13 operating retail stores at year end.

The success of the CannAfrica stores is clearly visible in the sale of three corporate owned stores to various franchisees after year end. It is a business model that the Company will continue to deploy to deliver robust growth in store number in the coming financial years.

Sweetwaters Aquaponics (Cultivation and Extraction)

Sweetwaters Aquaponics is the cultivation and extraction business located in Kenton-on-Sea in the Eastern Cape. The acquisition of Sweetwaters was made on 01 March 2022. The Sweetwaters Cultivation Facility is 3.3 hectares and is entrusted with cultivating cannabis plants using aquaponic systems for sustainable and organic grow operations. Two export orders of high-quality product to off takers in Australia have been completed with additional exports to Australia planned for the current harvest expected at end of 2023. Furthermore an offtake agreement has been received from a European company. Given the demand for high quality Medicinal cannabis from Sweetwaters, the plan is to expand grow infrastructure from 2600sqm to 4000sqm in the short to medium term.

This facility also houses the extraction operations, enabling Sweetwaters to harness the full spectrum of cannabis-derived compounds for various applications. Extensive research and development has been conducted using various extraction techniques to produce high quality distillates and the company is now in the final stages of negotiations with European and Australian off takers for distillate to be produced

at Sweetwaters extraction facility with the full design of a 200sqm extraction laboratory at the Sweetwaters site completed. This facility is designed and will be built according to European Union Good Manufacturing Practices (EUGMP) standards.

African Cannabis Enterprises (ACE Genetics)

African Cannabis Enterprises is the genetics arm responsible for the development and propagation of cannabis strains with exceptional attributes. This foundation is integral to our commitment to produce cannabis products of the highest quality and genetic profiles. ACE Genetics is currently engaged in extensive research and development of African Cannabis Enterprises strains including landrace strains. Our commitment to validated "sources of origin" of all of our genetics and cannabis strains is integrated in our approach to build a commercial seed-bank that will drive our database of genetics as the building blocks of our finished measured products. Of significant importance to ACE Genetics is the Plant Breeders' Rights Act of 1976 (Act No. 15 of 1976) and the Plant Improvement Act 53 of 1976.

ACE Genetics has entered into various discussions with stakeholders and growers in neighbouring jurisdictions such as Eswatini, Lesotho, Malawi, Zimbabwe and Zambia with the objective to implement a southern African Landrace Genome Project.

The Highly Creative Consulting (THC)

Labat Healthcare continues to engage various companies on the continent for the development and implementation of holistic Cannabis and hemp strategies. THC consulting is currently engaged in cannabis cultivation and hemp development projects with stakeholders in Kenya and the pipeline of consulting projects is testament to the fact that THC is a recognised authority on Cannabis and hemp strategies in Africa.

South African Micro Electronic-Systems Proprietary Limited ("SAMES")

SAMES will remain a technology hub and will also hold the Healthcare divisions intellectual property; formulations; know-how; seed banks; extraction technology; strain development and other technologies needed in complying with Good Manufacturing Practice ("GMP") standards, including European Union GMP, where applicable.

Subsequent to 31 May 2024. This business again experienced challenges due to international events. A decision was taken to broaden the business of SAMES in order to reduce the reliance on the microchip business alone. (see further commentary in events after reporting date below.)

Labat Logistics

The Labat Logistics business was operating on an extended logistics contract with a major business entity. This contract was extended after year end for a period of time. The contract has come to an end and the current business has been re positioned as per May 2023 and 2024 IAR.

It is envisaged that the logistics division will also take over the healthcare logistics operation from external service providers. Similarly, the logistics business will form an integral part of the healthcare operations with both transportation and warehousing of raw materials as well as final products.

20. 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 unaudited provisional condensed consolidated financial statements presented have therefore been prepared on a going concern basis.

The Directors are continuing with a targeted roadshow to raise additional funds, mainly to fund the expansion programme in the field of the manufacture of medical Cannabis and industrial hemp. This has met with some success locally, albeit slowly. Shareholders have been informed that the Company is in discussions with potential investors to place shares for cash. The Board is of the opinion that, having regard to the current status and the future strategy and prospects of the Group, the Group has sufficient resources to continue as a going concern. The Group is projecting positive cash flows for the period ahead from its existing and new businesses.

21. RELATED PARTY TRANSACTIONS AND BALANCES

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

Relationships

Subsidiaries

- South African Micro-Electronic Systems Proprietary Limited
- SAMES Properties Proprietary Limited
- The Highly Creative Proprietary Limited
- CannAfrica Proprietary Limited
- BioData Proprietary Limited
- African Cannabis Enterprises Proprietary Limited (ACE Genetics)
- Echo Life Proprietary Limited
- Lima Romeo Air Proprietary Limited t/a Sweet Waters Aquaponics

Subsidiaries under business rescue

- Force Fuel Proprietary Limited
- Force Fuel Properties Proprietary Limited

Dormant companies

- Labat Chem Proprietary Limited
- Labat Investments (Namibia) Proprietary Limited
- Labat Bulk Logistics Proprietary Limited
- Labat Fuel and Supply Services Proprietary Limited
- Labat Pharmaceuticals Proprietary Limited
- Labat Training Academy Proprietary Limited

Shareholders and directors with significant influence

- Link Private Equity Investments Proprietary Limited
- Chronos Logistics Services Proprietary Limited
- New Generation Capital Proprietary Limited
- Herschel Maasdorp

- Stanton van Rooyen
- All Trading Proprietary Limited

Non-executive Directors

- Rowena Majiedt (Non-executive)
- Beverley Penny (Non-executive)
- Rustum Mohamed (Non-executive)

Executive Directors and members of key management

- Brian van Rooyen
- David O'Neill
- Gordon Walters
- Stanton van Rooyen
- Herschel Maasdorp

22. 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

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 Supreme Court of Appeal case law to finalise tax matters. SARS persists in non-compliance in not applying its mind to the quests and pleas of the taxpayer. We have appointed a group of experts to pursue the matter on our behalf.

23. CONTINGENT LIABILITIES

Labat Africa has issued financial guarantees with various fuel suppliers for Force Fuel. The Company has provided a cross deed of suretyship in favour of various other beneficiaries which cover the unutilised facilities granted to various subsidiaries which are currently being challenged. These have been fully disclosed in the audited 2023 and 2024 IAR which was issued in December 2024

24. DIVIDENDS

No dividend has been declared for the year under review

25. POST BALANCE SHEET EVENTS AND PROSPECTS

Potential Acquisitions and Strategic Relationships

The Company is currently engaged in various early stage discussions with viable Cannabis brands in order to expand the Labat Healthcare retail portfolio with various complementary and partner companies.

26. CONCLUSION

The Board acknowledges the frustration and disappointment some shareholders are feeling. However, the progress we continue to make – though not yet reflected in our share price – is genuine. The Board is confident that Labat is built to last, and the positive changes made will manifest themselves in robust results and ensuing shareholder value. The management team continues to be supported and guided by the Board as well as dedicated, resilient and intelligent employees. All have been instrumental in transforming and positioning the Labat Africa group for sustainable profitability, revenue growth and value creation, particularly in the medical cannabis, CBD and hemp industries.

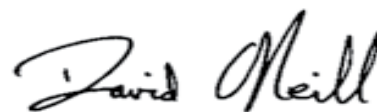
For and on behalf of the Board

B G VAN ROOYEN
CHIEF EXECUTIVE OFFICER



Johannesburg
19 December 2024

D J O NEILL
FINANCIAL DIRECTOR



Directors:

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

Company Secretary: Alred Van Rooyen

Registered Address: 23 Kroton Avenue, Weltevreden Park, 1709

Sponsor: Vunani Limited

Transfer Secretary: Computershare Investor Services Proprietary Limited