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

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 29 FEBRUARY 2020

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months ended 29 February 2020 Unaudited R'000	6 months ended 28 February 2019 Unaudited R'000	12 months ended 31 August 2019 Audited R'000
Revenue	**219 490**	**312 151**	**616 431**
Cost of sales	(200 515)	(284 743)	(570 525)
Gross profit	**18 975**	**27 408**	**45 906**
Gain on Bargain purchase	-	-	715
Other income	14 651	(162)	7 447
Impairments	-	-	(49 920)
Operating expenses	(25 893)	(26 741)	(69 444)
Operating profit/(loss)	**7 734**	**504**	**(65 296)**
Finance income	426	561	159
Finance costs	(4 971)	(5 970)	(11 968)
Profit/(Loss)before taxation	**2 806**	**(4 904)**	**(77 105)**
Taxation	-	1 373	4 161
Profit/ (loss) for the period	**2 806**	**(3 531)**	**(72 944)**
Other comprehensive income	-	-	-
Total comprehensive (loss)/income for the period	**2 806**	**(3 531)**	**(72 944)**
Attributable to:			
Equity holders of the parent	2 806	(3 531)	(72 944)
Non-controlling interest	-	-	-
Total comprehensive income/(loss) for the period	**2 806**	**(3 531)**	**(72 944)**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	29 February 2020 Unaudited R'000	28 February 2019 Unaudited R'000	31 August 2019 Audited R'000
ASSETS			
Non-current assets			
Property, plant and equipment	34 663	26 180	27 090
Intangible assets	109 830	40 169	34 031
Goodwill	62 070	79 636	30 430
Investment in subsidiaries	-	-	-
Deferred tax	8 364	8 020	14 275
	214 928	**154 005**	**105 826**
Current assets			
Inventories	7 010	9 543	5 350
Other financial assets	-	473	-
Trade and other receivables	48 011	48 341	56 080
Taxation	17 905	32 331	17 616
Cash and cash equivalents	6 356	6 261	11 660
	79 281	**96 949**	**90 706**
Total assets	**294 209**	**250 954**	**196 531**
EQUITY AND LIABILITIES			
Equity			
Share capital and share premium	171 095	74 095	74 095
Reserves	214	257	213
Accumulated loss	(105 936)	(38 841)	(108 742)
	65 373	**35 511**	**(34 434)**
Non-current liabilities			
Finance lease liabilities	2 985	-	2 985
Other financial liabilities	85 760	101 617	80 833
Loans from directors and shareholders	2 000	-	2 035
Deferred Taxation	6 208	4 420	7 957
	96 953	**106 037**	**93 810**
Current liabilities			
Loans from directors and shareholders	4 675	3 771	2 755
Loans from subsidiaries	-	-	493
Finance lease liabilities	677	-	-
Taxation	9 757	17 865	9 232
Trade and other payables	83 681	66 570	91 787
Other financial liabilities	11 619	-	13 371
Bank overdraft	9 113	5 843	6 445
Provisions	12 409	15 357	13 072
	131 884	**109 406**	**137 154**
Total Liabilities	**228 837**	**215 443**	**230 964**
Total equity and Liabilities	**294 210**	**250 954**	**196 531**
Number of ordinary shares in issue (net of treasury shares) ('000)	389 909	292 909	292 909
Net asset value per share (cents)	16.76	12.12	12.12
Net tangible asset value per share (cents)	16.76	12.12	5.53

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months ended 29 February 2020 Unaudited R'000	6 months ended 28 February 2019 Unaudited R'000	12 months ended 31 August 2019 Audited R'000
Cash flows from/(used in) operating activities:			
Cash receipts from customers	34 465	343 501	81 478
Cash paid to suppliers and employees	(29 355)	(326 918)	(81 993)
Cash generated from operations	3 056	16 583	35 833
Investment revenue (Interest received)	43	46	159
Finance costs (Interest paid)	(4 735)	(5 970)	(11 182)
Taxation paid	(421)	34	(440)
Net cash from/(used in) operating activities	**(2 058)**	**10 693**	**24 370**
Cash flows used in investing activities:			
Purchase of property, plant and equipment	(176)	(173)	(633)
Purchase of intangible assets	(799)	(808)	(1 543)
Acquisition of subsidiary, net of cash acquired	-	(7 308)	-
Loans from group companies - received	-	-	-
Proceeds from disposal of financial assets	-	-	-
Advances of other financial assets	-	2 987	-
Loans from group companies paid	-	(2 467)	-
Acquisition of subsidiary, net cash acquired	1 217		(7 308)
Net flow used in investing activities	**242**	**(7 769)**	**(9 485)**
Net flow (used in)/from financing activities:			
Finance lease payments	(497)	-	(808)
Repayment of loans	-	(8 502)	-
Proceeds on shares issue	1 370	410	410
Receipt of loans from group companies	1 409		
Increase of loans to group companies	(1 243)		
Advances to related parties	(550)	-	-
Directors and shareholders loans received (Proceeds of loans from directors)	943	531	532
Directors and shareholders loans repaid (Repayment of loans to directors)	(1 035)	(1 380)	(3 620)
Repayments of other financial liabilities	(6 552)	-	(12 619)
Net flow (used in)/from financing activities	**(6 155)**	**(8 941)**	**(16 105)**
Net increase/(decrease) in cash	(9 189)	(6 017)	(1 220)
Cash at beginning of period	5 215	6 435	6 435
Cash at end of period	**(2 757)**	**418**	**5 215**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital R'000	Total share Capital R'000	Non-Distributable Reserves/ Revaluations R'000	Accumulated Loss R'000	Total Equity R'000
Opening balance at 1 September 2016	**2 111**	**58 905**	**343**	**(52 621)**	**6 627**
Profit for the period	-	-	-	1 006	1 006
Balance at 28 February 2017 - Unaudited	**2 111**	**58 905**	**343**	**(51 615)**	**7 633**
Issue of shares	29	980	-	-	980
Profit for the period	-	-	-	3 634	3 634
Transfer of revaluation reserve	-	-	43	43	-
Balance at 31 August 2017 - Audited	**2 140**	**59 885**	**300**	**(47 938)**	**12 246**
Profit for the period	-	-	-	4 438	4 438
Transfer of revaluation reserve	-	-	30	-	(30)
Balance 28 February 2018 – Unaudited	**2 140**	**59 885**	**270**	**(43 500)**	**16 654**
Profit for the period	-	-	-	8 147	8 147
Transfer of revaluation reserve			13	43	30
Balance 31 August 2018 – Audited	**2 140**	**59 885**	**257**	**(35 310)**	**24 832**
Issue of shares	14 210	14 210	-	-	14 210
Loss for the period	-	-	-	(3 531	(3 531)
Balance at 28 February 2019 - Unaudited	**16 350**	**74 095**	**257**	**(38 841)**	**35 511**
Issue of shares	-	-	-	-	-
Loss for the period	-	-	-	(69 412)	(69 412)
Transfer of revaluation reserve	-	-	(44)	44	-
IFRS 9 adjustment	-	-	-	(532)	(532)
Balance 31 August 2019 – Audited	**16 350**	**74 095**	**213**	**(108 741)**	**(34 433)**
Issue of shares	97 000	97 000	-	-	97 000
Profit for the period	-	-	-	2 806	2 806
Transfer of revaluation reserve	-	-	-	-	-
Balance at 29 February 2020 - Unaudited	**113 350**	**171 095**	**213**	**(105 935)**	**65 373**

SEGMENTAL INFORMATION

	29 February 2020 Unaudited R'000	28 February 2019 Unaudited R'000	31 August 2019 Audited R'000
Revenue			
Technology – External	6 035	7 659	14 795
Bulk logistics – External	17 597	15 311	37 969
Wholesale - Fuel	194 098	289 182	560 683
Properties	1 760	-	588
Wholesale - Fuel - Inter segmental	-	1 610	7 136
Elimination adjustments	-	(1 610)	-
Head office – Inter segmental	1 500	-	2 400
Elimination adjustments	(1 500)	-	(9 536)
Total revenue as per statement of profit and loss	**219 490**	**312 151**	**616 432**
Profit/(Loss) for the year before disclosable items			
Technology	1 605	2 572	3 334
Bulk logistics	(3 965)	(2 462)	(10 627)
Wholesale - Fuel	(4 206)	(5 429)	(5 286)
Properties	1 892	-	1 398
Head office	753	-	7 368
Elimination adjustments	(2 997)	-	715
Investment income			
Technology	43	46	107
Bulk logistics	-	-	-
Wholesale - Fuel	383	516	1 019
Head office	-	-	-
Elimination adjustments	(383)	-	(967)
Finance costs			
Technology	-	-	-
Bulk logistics	(236)	(181)	(557)
Wholesale - Fuel	(4 551)	(5 789)	(10 784)
Properties	(383)	-	(967)
Head office	(184)	-	(627)
Elimination adjustments	383	-	967
Depreciation and amortisation			
Technology	(107)	(120)	(233)
Bulk logistics	-	-	-
Wholesale - Fuel	(2 476)	(2 300	(11 338)
Properties	-	-	(481)
Head office	(320)	-	(706)
Taxation			
Technology	-	720	5 911
Bulk logistics	-	(689)	-
Wholesale - Fuel	-	1 342	(1 269)
Properties	-	-	(481)
Head office	-	-	-

Profit/(Loss) for the year and other comprehensive income			
Technology	1 648	1 852	9 120
Bulk logistics	(4 201	(1 773)	(11 184)
Wholesale - Fuel	(10 850)	(3 610)	(43 422)
Properties	8 509	-	593
Head office	7 250		(7 765)
Elimination adjustments	450	-	(20 998)
Total comprehensive income for the year	**2 806**	**(3 531)**	**(72 943)**
Segment assets			
Technology	66 792	57 562	73 065
Bulk logistics	13 773	44 660	15 405
Wholesale - Fuel	134 383	163 059	121 212
Properties	20 520	-	14 081
Head office	113 596	-	15 819
Elimination adjustments	(54 855)	(13 986)	(43 051)
Total assets as per statement of financial position	**294 209**	**250 954**	**196 531**
Segment liabilities			
Technology	(57 075)	(19 181)	(59 073)
Bulk logistics	(14 962)	(25 798)	(11 655)
Wholesale - Fuel	(184 324)	(180 306)	(185 521)
Properties	(9 201)	-	(12 751)
Head office	(25 637)	-	(33 414)
Elimination adjustments	**62 362**	**9 842**	**71 449**
Total liabilities as per statement of financial position	**(228 837)**	**(215 443)**	**(230 965)**

COMMENTARY

Introduction

There is no doubt that the combined effect of the COVID-19 pandemic and the Moody's downgrade will be devastating for the economy. In December 2019, COVID-19 emerged and has subsequently spread worldwide. In March 2020, the World Health Organisation declared the outbreak of the novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the country. On March 24, 2020 the President of the country declared a state of disaster and announced a 21 day lockdown to close all non-essential businesses. This was then extended until 30 April 2020, including restrictions on the following: travel, public gatherings, stay at home orders and advisories and quarantining of people who may have been exposed to the virus. After close monitoring, responses and guidance from government, in an effort to mitigate the spread of COVID-19 we expect our operations to be affected as the virus continues to proliferate. We have adjusted certain aspects of our operations in order to protect our employees as well as our business. We will continue to monitor the situation closely and it is possible that further measures may have to be implemented.

We have been operating for more than 25 years and have faced many challenges on our journey but never in our wildest dreams would we have imagined that we would face such a crisis like this. COVID-19 and the subsequent lockdown has hit everybody very, very hard. Our entire business is facing massive challenges specifically with the Force Fuel group being the hardest hit. We are not the only ones, companies have shut down, people having been retrenched, pay cuts are the order of the day despite, the various relief incentives offered by both Government and the Private Sector.

None of us imagined that the whole world could be so drastically impacted in such a short space of time but we have to find ways to be positive and keep moving forward. As we know we are facing tough economic times, a twin crisis - fighting COVID-19 in a time of a ratings downgrade. The resultant loss of jobs and the loss of life is devastating and we pray every day that the situation will improve and business, society and life can get back to normal as quickly as possible.

Business has come to a standstill and life as we know it has changed. There is no certainty about when this will all end. We need to do whatever we can online. We know it is not ideal, but we should "use" the opportunity presented by COVID-19 to re position our strategy. We firmly believe this is an opportunity for us at the Labat Family to unite, stand strong and reflect on the values that this company has lived by and operated within for the last 25 years.

Results

Notwithstanding the fact that Labat Africa recovered from a very bleak set of results for the year ended 31 August 2019, it does expect a further blow by the COVID-19 lockdown. However, even though the future is uncertain, there are steps one can follow to mitigate risk. Investors are understandably worried that the country will go into a recession. Many are wondering what we can expect from the market as the virus continues to spread. Is this just a temporary dip, or should we all be battening down the hatches for further market downturns?

For Labat Africa Not So……

The Board of Directors of Labat Africa ("**the Board**") are pleased to announce a total turnaround of the Group following the re positioning of the Group, together with taking drastic measures, including right sizing of the current investments as well as the consideration of offloading assets which are not core to the Group strategy going forward. The company's revenue for the six months ended 28 February 2020 decreased by R93 million to R219 million from R312 million for the same period last year.

Operating profit from R504 000 in 2019 to R7 734 000 in 2020 improved due to the once-off recognition of investment in the Healthcare business and the revaluation of property plant and equipment as other Income of R14.6 million, which was offset by the operating losses in the wholesale fuel business, mainly due to industry issues, such as racketeering and difficult economic conditions, in a low margin environment. As a result of this and the further impact of COVID-19 on volumes, the Labat Africa Board is considering the various options available, including exiting the fuel business. Labat Africa has taken a strategic decision to focus its growth in the Healthcare business. Gross profit decreased from R27.4 million to R18.9 million due to lower revenue levels, although the gross margin remained relatively stable.

Operating expenses have decreased from R26.7 million to R25.8 million. This is mainly due to the rightsizing of the Force Fuel operations. Additional restructuring and other costs relating to the acquisitions of the Healthcare related businesses were incurred during the period to expand and improve our offering in the cannabis business, which are considered once off in nature. The re positioned strategy and focus on the Healthcare operations is well geared for the expansion and implementation of the Healthcare strategy.

Finance Costs mainly relates to funding within Force Fuel and is set to decrease going forward as plans are afoot to convert a portion of the loans into equity.

Profit before taxation of R2.8 million was achieved for the six months ended 29 February 2020 against a R3.5 million loss reported for the previous period.

Trade and other receivables have reduced from R56 million at 31 August 2019 to R48 million at 29 February 2020 due to the lower turnover levels. Trade and other payables have also reduced from R91.7 million at 31 August 2019 to R83.6 million as at 29 February 2020, linked to the lower volumes. This was mainly because of the tough and difficult trading conditions primarily in the fuel and energy business.

Labat Africa's equity position has improved significantly by 54% from R35 million to R65 million as at 29 February 2020. This is mainly as a result of a number of acquisitions being made in the Healthcare business during the period under review. This has further strengthened the Balance Sheet. The prior year was negatively impacted due the impairment of Goodwill in a Labat Africa subsidiary.

Headline earnings reconciliation
The headline earnings reconciliation is set out below:

	29 February 2020 Unaudited R'000	28 February 2019 Unaudited R'000
Profit/(Loss) for the period	**2 806**	**(3 531)**
Adjustments	(14 651)	162
Headline earnings/(Loss) attributable to shareholders of the Group	**(11 845)**	**(3 369)**
Share information		
Basic and diluted earnings per share (cents)	0.07	(1.21)
Basic and diluted headline earnings per share (cents)	(0.03)	(1.75)
Weighted average shares in issue ('000)	389 909	292 189
Number of shares in issue at period end	389 909	292 909

Goodwill

Figures in Rands	**29-Feb-20**	**28-Feb-19**	**31-Aug-19**
Balance at the beginning of the period	30 430	-	80 350
Additions through business combinations	31 640	79 636	-
Goodwill impairment		-	(49 920)
Total goodwill at the end of the period	**62 070**	**79 636**	**30 430**

Acquisitions and Disposals
With effect from 1 October 2019, the Group concluded the acquisition of 100% of Pac-Con Pharmaceuticals CC ("Pac-Con"), The Highly Creative (Pty) Limited ("THC") and CannAfrica (Pty) Limited ("CannAfrica").

The founders of THC have been researching and securing the various opportunities within the cannabis industry for well over a year. Mr Mike Stringer (Mike) has worked for thirty years in the Active Pharmaceutical Ingredients ("API") industry and the last five years as CEO of a large API facility. THC has negotiated a five year off take agreement with a UK based cannabis group New Frontier Holdings. The group operates in Wales and England.

The investments were accounted for at fair value of consideration payable. The aggregate business combinations are disclosed below:

Figures in R'000	**THC**	**Pac-Con**	**CannAfrica**
Property, plant and equipment	-	1 945	1 393
Intangible assets	75 000	-	-
Inventory	-	726	712
Trade and other receivables	-	484	37
Cash and cash equivalents	-	595	622
Other financial liabilities	-	(5 567)	(2 692)
Trade and other payables	-	(2 341)	(454)
Total identifiable net assets/(liabilities)	**75 000**	**(4 158)**	**(382)**
Non-controlling interest	-	-	
Goodwill	-	16 258	15 382
Purchase consideration	**75 000**	**12 100**	**15 000**

The contribution to the trading results of 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, are 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 accounting of these subsidiaries and businesses is based on best estimates and provisional fair values. Goodwill relates primarily to future profits of these businesses and the anticipated synergies that the businesses bring to the Group. There were no disposals during the period under review.

The accounting of these business combinations is based on best estimates and provisional fair values. 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. The Group has not yet completed its assessment of the fair value of all identifiable assets, liabilities, and/or contingent liabilities. The fair values will be accurately determined within 12 months from the date of acquisition.

The Acquisition of Medigrow Lesotho has not yet been finalised.

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

As part of the repositioning strategy SAMES will remain as the 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. Although SAMES commenced the year with growing revenues, the SAMES revenue has decreased by 18.9% to R6.1 million from R7.7 million in the previous corresponding period. This was mainly because the production of SAMES microchips is outsourced to China, which was locked down due to COVID-19 with only two months of reporting revenue figures of R250 000 for the two months combined. The company has since recovered significantly despite the outbreak in South Africa of COVID-19.

Logistics business

Summarily the logistics business will form an integral part of the Healthcare operations with both transportation and warehousing of raw material as well as final products. These are explicit requirements in respect of the GMP accreditation. Furthermore, the final product of our pharma business is expected to sell for between R800 and R100 for a 20ml bottle. The company's marketing efforts are showing suitable results and the Group is well positioned for growth based on work completed over the past three years.

Wholesale Fuel Business

During the period under review, the business has scaled down its operations with getting rid of low margin business and was well positioned to return the business to profitability. Labat Africa had previously taken a view to impair the goodwill in the company and plans are underway to separate this business from the Healthcare business. We are currently following the regulatory requirements in respect of the way forward. This business has suffered severely under the COVID-19 crisis and various plans are under way to save the business. We would like to notify shareholders that Force Fuel's financial position is tenuous to say the least and it is deteriorating daily in view of the current COVID-19 lockdown, which has had a direct effect on the company's volumes, turnover and ability to collect its outstanding debtors on a timely basis.

The upshot of this is that the Board is likely to place the Force Fuel business under supervision (Business Rescue) in terms of the provisions of Chapter 6 of the 2008 Companies Act as soon as circumstances permit. Shareholders will be kept informed of developments in this regard.

Prospects

The Board is of the view that the Group is well positioned to explore greater opportunities and use current resources to broadly diversify the Group's Healthcare strategy.

In addition, the acquisition of CannAfrica, one of our subsidiaries in the pharmaceutical business, will be responsible for the warehousing of our product and the rolling out of our retail presence throughout the country, a first on the continent. We hope that through CannAfrica, we will be able to offer entrepreneurial opportunities to fellow South Africans through a franchise scheme. All of these are part of a larger- plan that Labat Africa is working on to ensure that the healthcare business has a deep and lasting positive impact in South Africa in particular.

Notwithstanding the COVID-19 pandemic which has hit the South African economy harshly, with the government announcing a five-day week complete lockdown, we are confident that the Group is currently well positioned to take advantage of the **NEW ECONOMY – MEDICINAL AND PHARMACEUTICAL CANNABIS**

BASIS OF PREPARATION

Going concern
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 business. In the event that Force Fuel is placed into Business Rescue, shareholders are advised that Labat Africa itself has not signed surety for the debt owing to Standard Bank, which was incurred by Force Fuel prior to Labat Africa's acquisition thereof. The total liabilities of R85 million due to Standard bank is secured by third party guarantees.

Statement of compliance
These unaudited interim results are prepared in accordance with the framework concepts and the recognition and measurement criteria of International Financial Reporting Standards ("**IFRS**"), its interpretations adopted by the International Accounting Standards Board ("IASB"), the presentation and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, IAS 34 – *Interim Financial Reporting*, the Listings Requirements of the JSE Limited, and the requirements of the Companies Act of South Africa, No. 71 of 2008, as amended.

The unaudited interim 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, and where applicable.

The preparation of these condensed consolidated interim financial statements has been supervised by the Group Financial Director, Mr Gorden Walters, in terms of section 29(1)(e) of the Companies Act 2008, as amended (the Companies Act).

Any reference to current or future financial performance included in this announcement has not been reviewed nor reported on by Labat Africa's external auditor.

The Board takes full responsibility for the preparation of the unaudited interim results for the six months ended 29 February 2020.

IFRS 9: Financial instruments
The standard requires financial assets to be measured either at amortised cost or fair value, depending on the business model under which they are held and the cash flow characteristics of the instrument. In addition, the standard replaces the incurred loss impairment model in IAS 39 with an expected loss model. It will no longer be necessary for a credit event to have occurred before credit losses are recognised. The amendments have not materially impacted the Group's financial statements as presented. However, subsequent to 29 February 2020, shareholders are advised that the impact of COVID-19 will have to be assessed.

IFRS 15: Revenue from contracts with customers
The IFRS replaces IAS 18 Revenue and provides a single, principles based five-step model to be applied to all contracts with customers. The steps involve identifying the contract, identifying the performance obligations under the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract, and recognising revenue when the entity satisfies a performance obligation. The amendments have no impact on the Group's financial statements as presented.

IFRS16: Leases – Effective date: 1 January 2019
The IFRS 16 replaces IAS 17 Leases. IFRS 16 has one model for lessees which will result in almost all the leases being included on the Statement of Financial Position. Lessors continue to classify leases as operating or finance leases. The Group chose to early adopt this new standard and its interpretations with effect from the year ended 31 August 2019.

ACQUISITIONS AND DISPOSALS
The following acquisitions were made during the year:

- THC for R75 million, settled through the issue of 75 000 000 shares at R1.00 per share, with effect from 1 February 2020;
- Pac-Con (R12.25 million), settled through the issue of 5 000 000 shares at R1.00 per share and cash of R9 million, effective from 15 May 2020; and
- 70% of CannAfrica for R15 million, settled through the issue of 15 000 000 shares at R1.00 per share, effective 1 February 2020.

These transactions are in line with the company's expansion into the healthcare and cannabis sectors and have been fully explained in the various SENS announcements. One of the subsidiaries in the healthcare business has shown a profit of R600 000 for the first month of operation since the acquisition thereof.

There were no other acquisitions or disposals during the period under review but shareholders are referred to the various SENS announcements that the company is still in discussions with a number of parties to further expand its footprint.

SHARE CAPITAL
During the year under review, the company issued 95 000 000 shares at an issue price of R1.00 per share in settlement of the purchase price in respect of the acquisitions of Pac-Con, THC and CannAfrica. The issue price and acquisition were accounted for at a fair value of R1.00 per share in accordance with IFRS 3. A portion of the cash payable for the Pac-Con acquisition remains payable and has been recorded as a short term liability at 29 February 2020.

In addition, 2 000 000 shares were issued for cash at an issue price of 49 cents per share during the period under review, which share issue was effected under the Boards' general authority to issue shares, as approved by shareholders at the company's annual general meeting held on 26 February 2019.

No shares were repurchased during the period under review.

CHANGES TO THE BOARD
There have been no changes to the Board of Labat Africa during the period under review. However, subsequent to year end, Mr Tebogo Mogapi changed his role from executive to non-executive director and Mr Michael (Mike) Stringer was appointed to the Board as an executive director, heading up Labat Healthcare.

DIVIDENDS
No dividend has been declared for the period under review (February 2019: Rnil).

RELATED PARTIES
There were no material transactions with related parties during the period under review, save for transactions with related parties which were in the ordinary course of business, and on an arm's length basis.

LITIGATION
The Group has various claims and counter claims made by and against Labat Africa which have arisen in the normal course of business as previously disclosed. These matters are being dealt with by the company's attorneys. Changes to litigation have occurred since the previous corresponding period which included two judgements in favour of Labat Africa against GEM.

POST BALANCE SHEET EVENTS
Labat Africa is in discussions with a number of parties with a view to expand its Healthcare offering. The directors are evaluating the various options around the fuel business, which may include placing the business into Business Rescue, selling the business or evaluating other opportunities. The main focus going forward will be on growing the healthcare business These discussions are ongoing.

The acquisition of the Medigrow Licence as announced on SENS on 22 November 2019 is in the process of being finalised.

Labat Africa has announced the acquisition of a 70% stake in Science and technology group Biodata, effective 1 June 2020.

FORWARD LOOKING STATEMENTS
This report may contain certain forward-looking statements concerning Labat Africa's operations, economic performance and financial condition, plans and expectations. Such views involve both known and unknown risks, assumptions, uncertainties and other important factors that could materially influence the actual performance of the Group. No assurance can be given that these will prove to be correct and no representation or warranty expressed or implied is given as to the accuracy or completeness of such views or as to any of the other information in this report.

The Group does not undertake to update any forward-looking statements and does not assume responsibility for any loss or damage, however arising, as a result of the reliance by any party thereon, including, but not limited to, loss of earnings, profits or consequential loss or damage.

Labat Africa Strategy
Labat Africa is transitioning into a fully-fledged, integrated healthcare company with the establishment of Labat Healthcare. Last year we announced the company's entry into the cannabis industry. This is a development that we are excited about and believe that it will be a game changer for Labat Africa. Labat Healthcare would like to establish itself as leader in the industry and the first listed company to do so.

Labat Africa has always prided itself on being nimble enough to take up opportunities whenever they are available on the market. We have been involved in a number of industries over the years, including ICT, logistics and energy.

Our entry into the cannabis business is in line with a focus on multi sector markets and a need to be at the forefront of transformation. The cannabis and hemp sector offered us an opportunity to do that. The cannabis industry offers two distinct business avenues. The first is the development of cannabis for medicinal use. These are your medicinal oils and creams.

There is also the industrial growing of hemp which will provide opportunities to emerging and small - scale farmers, help create jobs and contribute to the South African economy through taxes. We have conducted a desktop study at Labat Africa which indicated that for every one hectare of cannabis grown, we can hire at least three people.

Through growing hemp we will be able to utilise land productively and create economic activity in rural and far-flung areas. This will also help uplift communities where normally there are no jobs and no economic activity. Labat Healthcare will have a robust value chain which includes, farming, logistics, processing, refinement, retail and customers at the end of the process.

We already have a logistics division within the Group and this will be used to provide that type of service. Labat Africa plans to be a leading and innovative healthcare company in South Africa with a focus on medicinal cannabis. We plan to play a leading role in the development of the South African Industrial Hemp and Medical cannabis industry with a focus on value creation in the economy.

Projections on the value of the cannabis and related industries are that it will be worth approximately R10 billion by 2023. Labat Africa aims to be at the forefront of the drive to formalise this industry and help our people benefit through the creation of jobs, retail opportunities and a programme to develop skills for the industry which we believe is a growth industry.

Labat Healthcare will be guided by an experienced team under the leadership of Mike Stringer. Mike was previously the managing director of one of the leading API facilities in Cape Town and has done extensive work on the regulatory components of the cannabis industry in the last decade. What Labat will offer is home-grown African expertise, world leading technology, South African Health Products Regulatory Authority ("SAHPRA") approved products, locally owned mission critical Intellectual Property, being part of a JSE listed entity and a growing distribution network with a global footprint.

We are truly excited about the next chapter in our journey at Labat Africa and we are confident that this initiative will create a new formal industry with benefits for both our people and the South African economy.

For and on behalf of the Board

BG VAN ROOYEN	**GORDEN WALTERS**
CHIEF EXECUTIVE OFFICER	**FINANCIAL DIRECTOR**

28 April 2020

Directors
BG van Rooyen*, DJ O'Neill*, GRI Walters*, M Stringer*, NS Mogapi^, RM Majiedt^, R Mohamed^, BA Penny^
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Sponsor: Arbor Capital Sponsors

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