



LABAT AFRICA LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1986/001616/06)

("Labat Africa" or "the Company")

ISIN Code: ZAE 000018354 Share code: LAB

ANNOUNCEMENT RELATING TO THE 80% ACQUISITION OF A SAHRPRA APPROVED CULTIVATION OPERATION IN SOUTH AFRICA

Shareholders are advised that Labat has concluded an agreement for the acquisition of 80% of shares and claims in Lima Romeo Air Proprietary Limited, known as Sweetwater, which is a fully operational SAHPRA approved medicinal cannabis cultivation facility in Kenton-on-Sea in the Eastern Cape of South Africa ("the Acquisition"). The Vendors are Mr A de Jager (75%), Mr S Booth (12%) and Ms P Gillies (3%), who are not related parties to Labat. The remaining 20% will be retained by two shareholders, namely Mr Booth (10%) and Dr Gallow (10%), who runs BioData Proprietary Limited, in which Labat owns 70%.

The effective date of the acquisition is 1 March 2022.

1) Rationale for the Acquisition

As previously announced, Labat has a secured offtake agreement with buyers in Europe, particularly Switzerland and Germany for the supply of cannabis products. Since the dual listing of Labat in Frankfurt, Labat has been regularly approached by international buyers of cannabis flower, for the supply of high quality THC flower from South Africa.

The Eastern Cape based operation will be supported by a team of highly skilled breeders, growers and researchers. This Operation currently has an offtake agreement in place with an Australian pharmaceutical client and has also recently facilitated a number of transactions for the supply of Cannabis to Europe. Labat will use its funding lines and in-house expertise to make significant capital investments into the current facility and upgrade the existing infrastructure in order to increase the current production capacity from 500kg per year to 1.8 tons per year. The capital investment will also be used to set up a European Union Good Manufacturing Processes (EU-GMP) processing facility on the site with the assistance of a German Pharmaceutical company.

Following the recent acquisition of Miami-based CBD lifestyle brand Echo Life, Labat is pleased to have concluded this second acquisition following the securing of a R300m funding facility from the United States based GR Global last year as well as the successful listing on the Frankfurt Stock Exchange in December 2021. This Acquisition further enhances Labat Africa's position in the Cannabis industry as the company continues to work towards its goal of propelling South Africa's proposition to its rightful place on the world stage in the field of cannabis cultivation and medicinal cannabis supply.

The acquisition of the Eastern Cape based facility provides Labat with additional medical and pharmaceutical infrastructure in support of its Healthcare Strategy and enables Labat to accelerate the delivery on the off-take agreement with a Swiss pharmaceutical group.

The assets acquired through the Acquisition of Sweetwater include all operating assets of the cultivation facility, including 1.5ha of land, a 1100sqm Aquaponic Grow Facility, 5 Grow Tunnels and 216.27 kilograms of dried stock, 10 kilograms of which has been presold to Australia and does not form part of the Acquisition.

In line with the Labat Healthcare Roadmap, it is envisaged to establish the Ace Genetics Nursery for the African Genome and Landrace Project at the same location, towards the commercialisation of the Ace Genetics Seedbank in Quarter 3.

Labat is also pleased to announce that following the successful listing on the Frankfurt Stock Exchange, investors are now able to trade in Labat Frankfurt listed shares on interactive brokers an international brokerage platform. Labat continues to engage various trading platforms to allow local investors to trade on the Frankfurt Stock exchange.

2) Funding

The 80% acquisition of the business will be financed through a 100% multi-million rand cash consideration from the company. A deposit of 50% of the purchase consideration has been paid into trust pending the conclusion of the suspensive conditions below.

3) Suspensive and closing conditions

The Acquisition is subject to the fulfilment of the following suspensive and closing conditions:

- The parties meeting all closing conditions of the sale of share agreement by 15 March 2022 and the agreement/s becoming unconditional, which include, inter alia, proof of transfer of the land to Sweetwater from the Deeds Office, provision of the latest financial information and employment agreements being entered into with key management;
- The board providing a certified extract of the board resolution approving the Acquisition;
- Any regulatory approvals to the extent required.

4) Warranties

The sale and purchase agreement/s contains the normal warranties and indemnities associated with a transaction of this nature;

5) Classification of the transaction

The acquisition is classified as a "Category 2 Transaction" in terms of the JSE listings requirements. None of the various groupings and or parties and its associates are related parties to Labat and accordingly, shareholder approval is not required.

6) Financial Information

The Company has received the latest financial information from Sweetwaters for the 9 month period ending 30 November 2021, and these financial statements were prepared in accordance with IFRS for SMEs and was compiled by Charteris and Barnes.

The net asset value as at 30 November 2021 was R6,722,021 and the net profit before taxation R2 459 287.

The Board of Labat is satisfied with the quality of the underlying financial information provided.

Johannesburg

2 March 2022

Sponsor

Acaciacap Advisors Proprietary Limited

