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Labat Africa's shares cheer listing in Germany

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SHARES in JSE-listed Labat Africa yesterday soared 16 percent after the health-care firm, with a focus on medical cannabis, listed its stocks on the Frankfurt Stock Exchange (FSE) as it aims to capitalise on Germany's expected legalisation of cannabis for medicinal and recreational purposes.

The shares were admitted to trading when the market opened yesterday, without restriction. By 2pm, the share on the JSE was at R0.28. It closed 52 percent higher at R0.38.

The announcement of the dual listing comes hot on the heels of the firm saying on Friday that it had secured R300 million funding from California-based GR Global Ventures (GRGV) over the next three years in cash for equity in exchange for new ordinary shares in Labat Africa.

Labat Africa chief excutive Brian van Rooyen said yesterday: "The FSE listing is an exciting move for the group. It comes off the back of Germany's new coalition government planning to legalise cannabis for medicinal and recreational purposes.

"The FSE listing will allow us to accelerate our cannabis goals in the European market, particularly now with robust negotiations currently under way in the growing cannabis economy of the European economic powerhouse, Germany."

Germany was set to legalise cannabis nationwide after major parties reached an agreement, the company said, adding that there would also be provisions related to advertising, with the intent being to restrict the promotion of cannabis, tobacco and alcohol to deter youth use, as reported by *Der Spiegel*.

"This reform has been a long time coming in Germany. The timing was strategic for us, we intend to capitalise on the proverbial first-mover advantage, while also taking advantage of the receptive and bullish European investor climate", Van Rooyen said.

Chief executive of Labat Healthcare, Stanton van Rooyen, said: "Our intention is to offer South African and international investors exposure to high-growth investments in the cannabis value chain. The listing on the FSE enables Labat Healthcare access to capital from retail and institutional investors in international markets.

"It also affirms our long-standing confidence that Labat Africa, through the health-care business, would find a smart and sustainable solution to meeting the global demand of the EU-GMP (good manufacturing practice) certification standard, which we are well-positioned for as a supplier of Pharmaceutical Grade Medicinal Cannabis and Industrial Hemp," Van Rooyen said.

Labat listed on the JSE in 1996 as a black-owned and managed investment holdings group, headquartered in South Africa. It repositioned and made a strategic shift to become a fully integrated cannabis health-care company in 2019. It has a market cap of R125 m.

Labat Africa in July reported its interim results, which saw it widen its half-year loss by more than 50 percent, hurt by the cash drain from its Force Fuel retail business and the Covid-19 outbreak, but it is looking forward to greener pastures as it transitions to the cannabis health-care sector.

Its headline loss a share for the six months to the end of February increased by 50 percent to 4.5 cents a share compared with the restated headline loss of 3c reported a year earlier.

Labat Healthcare group executive Herschel Maasdorp said: "The listing on the FSE and the capital commitment bolsters Labat's position on a global scale, and puts drive behind our strategy, which is intended to support the commercialisation of the company's cannabis focus.

"The funding enables the company, whilst it continues to maintain focus on strict cost controls, to tailor the timing and size of each capital call to support its ongoing research through clinical trials, its growth, customer engagements, operating costs and planned manufacturing as well as the export of medicinal cannabis into the European market, whilst safeguarding shareholder value, " Maasdorp said.

The company said GRGV's capital commitment would be drawn down by Labat Africa by way of capital calls, which "the company had the right to exercise with the timing and pricing at Labat's sole discretion, subject to trading volumes and pricing in accordance with the JSE listings requirements."

As part of the Capital Commitment, GRGV was also entitled to receive warrants for up to 30 million new Labat Africa ordinary shares at an exercise price of R0.50 per ordinary share representing more than a 100 percent premium on the current Labat Africa trading price.