

PRIVATE & CONFIDENTIAL

Business Valuation

30 June 2020

Now, for tomorrow

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United Kingdom

30 June 2020

Dear Mr Tommy Doran

INDICATIVE VALUATION OF ECO EQUITY ZIMBABWE (PVT) LIMITED

INTRODUCTION

Eco Equity (Zim) (Pvt) Ltd is a part of a group of companies, Eco Equity the medicinal Cannabis producer has a laser focus on meeting its mission goals and delivering on its objectives to be the largest producer of effective EU-GMP medicinal cannabis to the global market.

Baker Tilly Capital Zimbabwe (Pvt) Ltd [hereinafter referred to as “Baker Tilly”] has been requested by the Directors of Eco Equity (Zim) (Pvt) Ltd to prepare an

indicative valuation of Eco Equity (Zim) (Pvt) Ltd [hereinafter referred to as “Eco Equity”] as at 30 June 2020. The valuation is for Eco-Equity (Zim) Private Limited a Special Purpose Vehicle for Eco-Equity Limited for production, processing and export of medicinal cannabis.

PURPOSE OF REPORT

The purpose of the report is to assist you in determining an independent indicative value of Eco Equity as a reference point for your consideration of a proposed cannabis farming project. This valuation was performed solely to assist in the matter of secured lending and transactional activity for the project, as such this restricted appraisal is intended for use by Eco-Equity Limited and should not be used for any other purpose or by any other party for any purpose unless written consent has been provided by Baker Tilly and/or Eco Equity. The estimate of value that results



from a valuation engagement is expressed as a conclusion of value. The Valuation was prepared in terms of the requirements of:

- ✓ APES 225 Valuation Services (“APES 225”) issued by the Accounting Professional & Ethical Standards Board. We refer you to Annexure A which contains the three types of valuation services contemplated by APES 225. We confirm that you have engaged us to conduct a Valuation Engagement, as defined.
- Other relevant standards e.g. AASB 2 Share-based Payment, AASB 3 Business Combinations, AASB 136 Impairment of Assets, AASB 13 Fair Value Measurement.

DEFINITION OF [MARKET VALUE / FAIR MARKET VALUE (OECD) / FAIR MARKET VALUE (/ FAIR VALUE]

For the purposes of our valuation,

[market value is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion].

[fair market value (OECD) is defined as the price a willing buyer would pay a willing seller in a transaction on the open market].

[fair market value (US Internal Revenue Service) is defined as the price at which the property would change hands between a willing buyer and a willing seller neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts].

[fair value (IFRS) is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date].

[Market value], as defined above, is a concept of value which may or may not equal the sale price that could be obtained if the equity was sold to a special purchaser in an actual transaction in the open market. Special purchasers may be willing to pay higher prices to gain control or obtain the capacity to reduce or eliminate competition, ensure a source of revenue, achieve cost savings arising on business combinations following acquisitions or other synergies which could be enjoyed by the purchaser.

SOURCES OF INFORMATION

Appendix 2 to this report sets out details of information referred to and relied upon by Baker Tilly during course of preparing this report and forming our opinion.

SUMMARY OPINION

Following a critical analysis of Eco Equity business and the industry in which it is operating, coupled with the current economic environment as at 30 June 2020, it was considered that the following methods be applied:

- Price Earnings Ratio method.
- Discounted Cash Flow (DCF) method.

The table below summarises the values of Baker Tilly on the basis of each valuation method applied:

Valuation Method	Weight	Aggregate Value	Weighted Value	Aggregate Value /Share	Weighted Value/Share
				2 000	2 000
		US\$	US\$	US\$	US\$
Discounted Future Cashflows	0,70	179 863 214	125 904 249	89 932	62 952
Price Earnings ratio	0,30	281 634 485	84 490 346	140 817	42 245
Recommended Value	1,00		210 394 595		105 197

Our conclusion must be read in conjunction with the entire report which sets out our detailed findings, including the Sources of Information (Appendix 2) and Disclaimer (Appendix 9).



Thank you for the opportunity to assist you on this matter. Should you wish to discuss this report further please do not hesitate to contact Mr. Tapiwa Murambinda or Mr. James Chitupa on +263 (242) 369730 / +263 773 426 717 or email tapiwa.murambinda@bakertilly.co.zw Cc james.chitupa@bakertilly.co.zw

Yours sincerely,

Tapiwa Murambinda
Partner | Advisory Services

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Appendices

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Glossary



DEFINITIONS

Term	Definition
Eco Equity Ltd	UK based mother company
Eco Equity Zimbabwe (Pvt) Ltd	Zimbabwean based subsidiary
Bdgt	Budget period
“Board” or “Directors”	The Board of Directors of the Company
EBIT	Earnings before interest and tax
EBITA	Earnings before interest tax and amortization as derived from the Financial Projections
EBITDA	Earnings before interest, taxes, [depreciation] and amortization
Operational Cash Flow	EBITA plus depreciation less capital expenditure, tax paid and plus or minus changes in working capital, as derived from the Financial Projections.

ABBREVIATIONS

Term	Definition
Capex	Capital expenditure
CAGR	Compound annual growth rate
COGS	Cost of goods sold
Fcst	Forecast period
GM	Gross margin
NBV	Net book value
NWC	Net working capital
p.a.	Per annum
p.m.	Per month
Chg.	Changes



Section 1

Business overview

Subtitle

Overview of the Business



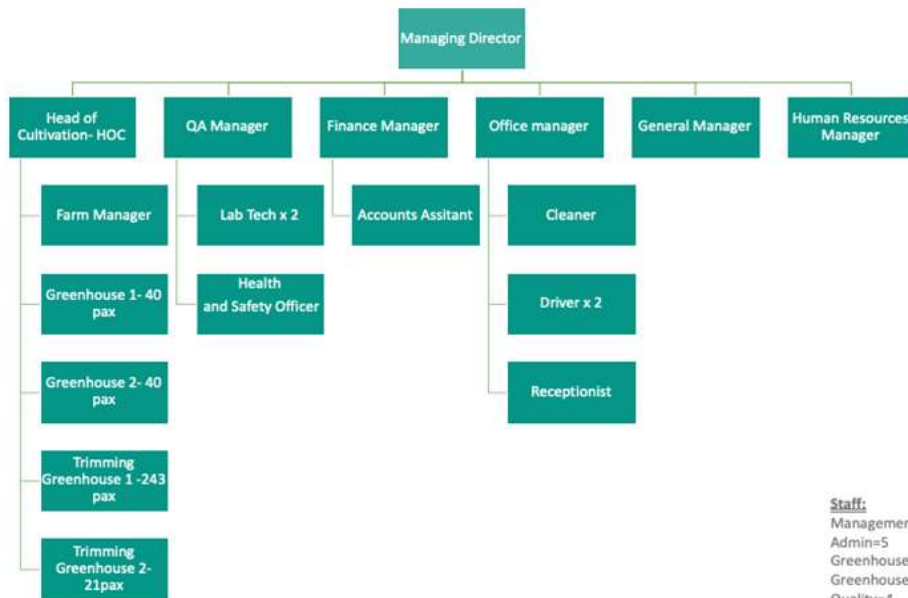
BUSINESS OVERVIEW

Eco Equity a UK registered company, has acquired a license for medicinal cannabis cultivation and extraction and will be conducting operations just outside of Harare, in Zimbabwe.

Eco Equity is also dedicated to making the cleanest, safest and premium quality cannabis concentrates and extracts.

The company will distribute a premium produce consisting of EU GMP certified cannabis flower, concentrates and extracts through export wholesale transactions to qualified and licensed cannabis establishments.

GROUP STRUCTURE

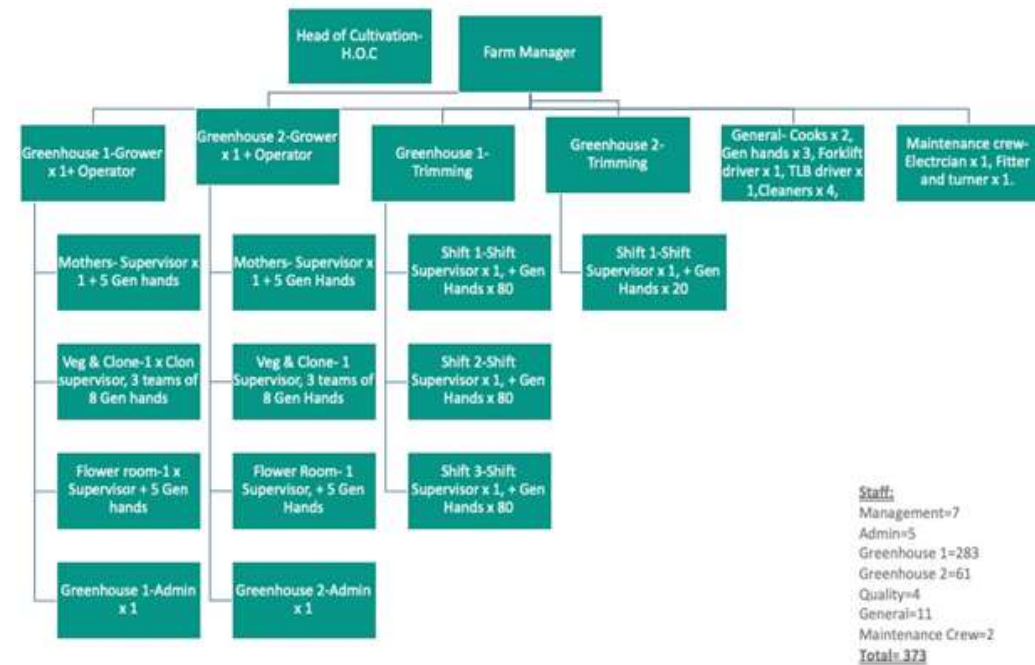


Staff:
 Management=7
 Admin=5
 Greenhouse 1=283
 Greenhouse 2=61
 Quality=4
 General=11
 Maintenance Crew=2
Total= 373

CORE MANAGEMENT TEAM

Jon-Paul Doran	CEO & Founder
Timothy Ambrose	Co-Founder & COO
Soheil Ghaffari	Head Cultivator
Tommy Doran	Managing Director (Zimbabwe)

BUSINESS STRUCTURE AND STAFFING



Staff:
 Management=7
 Admin=5
 Greenhouse 1=283
 Greenhouse 2=61
 Quality=4
 General=11
 Maintenance Crew=2
Total= 373

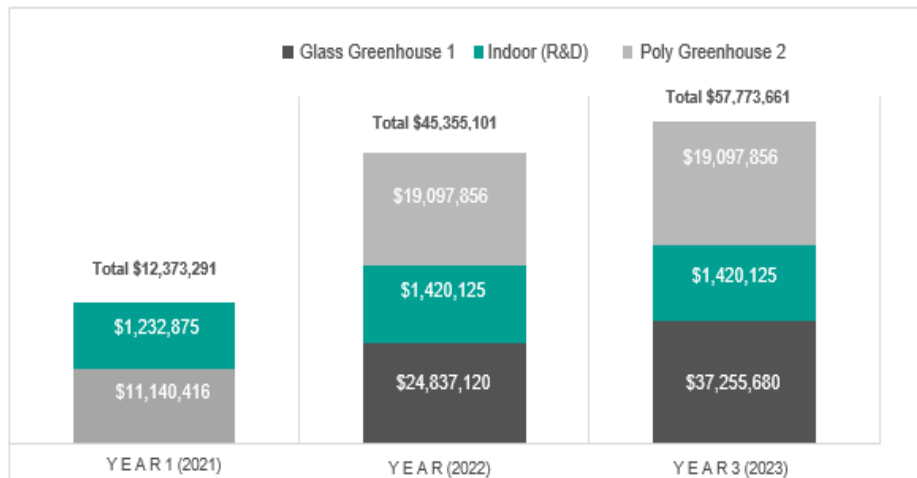


PRODUCTION TIMELINE & REVENUE GENERATION HORIZON PLAN (USD\$)

The business model is to produce the highest quality Full Spectrum Medical Cannabis which retails in the EU for approx. US\$4000 per KG. Through 3 growing structures in (Indoor Facility(R&D), Glass Greenhouse (GH1) and a Poly Greenhouse (GH2) continuous production, allowing for 5 harvests per year from each facility respectively. Eco Equity is projected to complete the first harvest in 2021:

Key dates:

- Indoor Facility -Start of cultivation 2020 Q4 - Harvest 2021 Q1
- Local WHO-GMP certification Q4 2020
- Poly Greenhouse 2 - Start of cultivation 2021 Q2 - Harvest 2021Q3
- Glass Greenhouse – 2022 Q1 start of cultivation - Harvest Q2
- EU GMP Certification Q2 2022



CUSTOMERS

Regent Pharmaceuticals Limited a United Kingdom based medical & pharmaceutical distribution company together with Tilray International a Canadian cannabis company have expressed interest in purchasing 24 tons annually of medicinal cannabis from Eco-Equity Limited via a LOI. These will be the anchor clients for the project.

SUPPLIERS

Dutch Greenhouses is a key supplier for the cultivation and processing equipment for the project, with PharmaOut playing a critical advisory and consulting role to help navigate the stringent regulatory requirements for EU GMP compliance.

COMPETITION

Zimbabwe currently has 25 licensed medicinal cannabis cultivators and processors. As at the date of this valuation report on Eco-Equity (Zim) Private Limited was the only active of the 25 licensed producers.

Since 2017, four African countries have legalised cannabis for medicinal use Lesotho, Zimbabwe, South Africa and Uganda. A subsidiary of Together Pharma in Uganda did its first export of 250 kgs of medicinal cannabis in April this year to Israel.

Major players in the medicinal cannabis industry are GW Pharmaceuticals, Canopy Growth, Tilray, Medi Kingdom, Aurora Cannabis, Tikuna Olam, Cannabis Science, VIVO Cannabis, Medical Marijuana, Greenlane Holdings and Innovative Industrial Properties just to mention a few. Most of the entities are fully vertically integrated (from cultivation to dispensaries). They have established supply lines across most jurisdictions where medicinal cannabis is legalised and imports are allowed into the countries.



LEGAL AND TAX MATTERS

In Zimbabwe, cannabis regulation governs the entire plant (any of the genus cannabis), and its derivatives, with three exceptions:

- ✓ Fiber for use in manufacturing (canvas, etc),
- ✓ Crushed seeds that cannot germinate, and
- ✓ Fixed oil from the seed.

The production of cannabis for medicinal or scientific purposes was legalised in Zimbabwe in 2018 by virtue of Statutory Instrument 62 of 2018 Dangerous Drugs (Production of Cannabis for Medicinal and Scientific Use) Regulations, 2018 (“the Cannabis Regulations”).

The Cannabis Regulations provide guidance to any individuals or companies that wish to produce cannabis for medicinal and scientific use in Zimbabwe. Any individual or company that intends to produce cannabis for medicinal and scientific use is required to obtain a producer’s license from the Minister of Health and Childcare.

Statutory instrument 208 of 2019, Criminal Law Codification (Persons who may lawfully possess, deal in or use industrial Hemp) Regulations, 2019 regulates the growing, processing and supply of industrial hemp. As a result, only prescribed persons may acquire, possess supply, cultivate industrial hemp on farms approved by the Minister of Lands, Agriculture, Water, Climate and Rural Resettlement. This development in the law clarifies the conflict between the Cannabis Regulations and the Criminal code, which criminalised the possession of cannabis.

Currently the regulations do not allow for local sales of medicinal cannabis within Zimbabwe, all production is meant for exports. The Government of Zimbabwe is currently working on an investment stabilization agreement for the medicinal cannabis industry that will see key guarantees such as:

- ✓ Exchange control regulations allowing for 100% foreign currency retention by the investor

- ✓ Fixed cannabis production and income tax
- ✓ Investment protection

LICENCES AND AVAILABILITY

Since April 2018, companies and individuals in Zimbabwe have been able to apply for a license to cultivate cannabis for medical and research purposes.

The five-year renewable licences permit the growing, possession, transportation and sale of fresh and dried cannabis as well as cannabis oil. Licences can be refused if it is suspected that the applicant intends to divert produce to an illicit market or use.

Producers intending to possess, produce, sell, provide, ship, deliver, transport or deliver cannabis at more than one site will require a separate licence per site.

Cannabis producers must be licensed by the minister and are subject to the following rules:

- Licence applications in terms of section 27 of the Act need to be made to the Minister.
- An individual is required to demonstrate proof of citizenship or proof of being ordinarily resident in Zimbabwe or proof of an exemption by the Minister.
- Companies must demonstrate proof of citizenship or proof of being ordinarily resident in Zimbabwe for the majority of directors.
- Companies must also provide proof of incorporation in Zimbabwe of the company;
- The Minister has powers to audit the activities of the licensed producer with respect to cannabis and the application for the licence must provide a detailed description of the method that the applicant will use to keep records.
- The application must also contain the following, if applicable:



- ✓ the maximum quantity expressed as net weight in grams of fresh cannabis, dried cannabis, cannabis oil to be produced by the applicant under the licence and the production period
- ✓ the maximum number of cannabis plants to be sold or provided by the applicant under the licence and the period in which that quantity is to be sold or provided.
- An applicant for a licence to sell or provide fresh cannabis or cannabis oil must first provide the Minister with the dried cannabis equivalence factor determined under section 73 and the method that was used to determine it. This is prior to commencing selling the product.
- An applicant who intends to possess, produce, sell, provide, ship, deliver, transport or destroy cannabis at several sites, must submit separate applications for each proposed site.
- A licensed producer must designate one authorised person in charge at the site to have overall responsibility for the activities. They may, if appropriate, be a licensed producer. The responsible person in charge will ensure that the site activities comply with regulations.
- The licensed producer may also designate alternative responsible persons in charge at the site who will have authority to replace the main designated responsible person when that person is absent.
- The Minister will not issue, renew or amend a producer's licence if certain requirements or if the Minister has reasonable grounds to believe that false or misleading information or documents has been submitted alongside the application.
- A licence will also be denied if information has been received from a peace officer, the authorities or the UN, that the applicant has been involved in the diversion of a controlled substance or precursor to an illicit market or use. The Minister will not issue a licence if this is likely to create a risk to public health, safety or security, including the risk of cannabis being diverted to an illicit market use.
- The producer licence is be valid for five years and may be renewed after it has expired.



SWOT ANALYSIS

Strengths

- Plants are grown in a state-of-the-art Glass greenhouse and Latest polytunnels. with readily accessible natural water
- Diversification of business - cultivation and extraction
- Extensive industry knowledge
- Proven, disciplined management team

Opportunities

- High growth industry
- Growing interest and demand for natural, alternative medicine
- Global Market

Weaknesses

- Product liability/ legal issues
- Enhanced risk of banking / financial scrutiny
- Crop loss possibility due to pests, heat, human error,etc.
- High energy consumption

Threats

- Possible cannabis law changing
- Black market competition
- Pharmaceutical companies



Section 2

Market Analysis



Market Analysis

GLOBAL ECONOMIC OVERVIEW

The global legal cannabis market amounted to USD9.5 billion in 2017, growing by 37 percent on the year, according to the report "The Road Map to a USD57 Billion Worldwide Market".

Spending on legal cannabis worldwide is expected to hit USD57 billion by 2027, while the cannabis market in the United States and Canada is estimated to be about USD46.5 billion and other USD10.5 billion would go to other markets. The largest growth rate is predicted within the rest-of-world markets, from USD52 million spent in 2017 to a projected USD2.5 billion in 2027. The recreational cannabis market will cover about 67% of the spending while medical cannabis will take up the remaining 33%.

ZIMBABWE ECONOMIC OVERVIEW

GDP contracted by 12.8% in 2019 due to poor performance in mining, tourism, and agriculture. Foreign currency and electricity shortages affected mining and tourism. Agriculture shrank about 15.8% due to cyclone Idai in March 2019, prolonged drought, livestock diseases, and currency shortages reducing the availability of inputs. Despite a global mineral price recovery, production in Zimbabwe dropped below 2018 levels. Austerity measures through the Transitional Stabilization Program 2018–20 and attendant monetary reforms constricted economic activity. Any 2020–21 recovery would depend on quick turnaround in the real sector. In the medium term, however, fiscal and monetary reforms are expected to stabilize the economy and begin to generate positive results.

Following the February 2019 unpegging of the exchange rate from the US dollar and the June 2019 introduction of the new currency—the Zimbabwe dollar—the exchange rate deteriorated from 2.5 Zimbabwe dollars per US dollar in February 2019 to 57.36 Zimbabwe dollars per US dollar currently. Inflation spiked from single digits in 2018 to more than 200% in November 2019, occasioned largely by the exchange rate movements and by shortages of basic goods, including fuel, foodstuffs, and electricity. The current account deficit, at 2.2% of GDP in 2019, put

pressure on urgently needed foreign exchange and made enhancing exports critical. The budget deficit narrowed from 9.9% of GDP in 2017 to 5.6% in 2018 and 6.0% in 2019, mainly due to government measures, which include frozen public sector employment, reduced investment and consumption spending, better revenue mobilization, and restrictions on government borrowing and the issue of government securities.

KEY STATISTICS FOR THE ZIMBABWEAN CANNABIS MARKET



MARKET OVERVIEW	
Population (m)	16.5
GDP (US\$b)	17.8
Ruling Government Party	Zimbabwe African National Union - Patriotic Front, Movement for Democratic Change
Party Stance on Cannabis	Legal
Total Healthcare Expenditure (US\$b)	1.8
Total Beauty & Wellbeing Expenditure (US\$b)	-
Alcohol Consumption (Litres Per Capita Per Year)	4.8
Prevalence of Tobacco Users (%)	15.8
Prevalence of Cannabis Users (m)	2.2*
Average Cost Per Gram of Cannabis (US\$)	1

* Assume regional average prevalence rate
Source: World Bank/WHO/UNODC/Prohibition Partners












INDUSTRY OUTLOOK

By 2023, the value of Africa's legal cannabis market could be worth over \$US7.1b. The figures in the table are based on the country markets that are profiled in this report (South Africa, Zimbabwe, Lesotho, Nigeria, Morocco, Malawi, Ghana, eSwatini and Zambia). Research assumes a fully legal and regulated cannabis industry by 2023.

MARKET	2023 (US\$b)
 Recreational Cannabis	>6.3
 Medicinal Cannabis	>0.8
Total	>7.1

Source: Prohibition Partners

Key Statistics for the African Cannabis Market

 Population, 2018 (m)	1,200
 Estimated No Patients, 2023 (m)	0.42
 GDP, 2017 (US\$ t)	1.6
 Total Healthcare Expenditure, 2018 (US\$ b)	140
 Total Pharmaceutical Expenditure, 2015 (US\$ b)	21
 Estimated cannabis users, 2016 (aged 15-64)	76
 Total Estimated Cannabis Market Value, 2023 (US\$ b)*	>7.1
 Estimated medicinal cannabis market value, 2023 (US\$ b)*	>0.8
 Estimated recreational cannabis market value, 2023 (US\$ b)*	>6.3

*Estimates assume that by 2023, all countries profiled (South Africa, Zimbabwe, Lesotho, Nigeria, Morocco, Malawi, Ghana, eSwatini and Zambia) will have legalised medical cannabis and regulated recreational use.

Values are calculated only on country markets profiled in this report

Source: World Bank/ UNODC/ Prohibition partners



Section 3

Financial Analysis

Financial Performance



Projected Income Statement (USD)

Summarised below is the Profit and loss forecast income statements for the financial periods from 31 December 2020 to 31 December 2026

Income statement	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26
Revenue	-	12 373 291	45 355 101	57 773 661	57 773 661	57 773 661	57 773 661
Direct Costs	183 459	4 851 109	15 194 018	15 496 138	15 496 138	15 496 138	15 496 138
Gross Profit	(183 459)	7 522 182	30 161 083	42 277 523	42 277 523	42 277 523	42 277 523
- Administrative costs	428 000	453 200	453 200	453 200	453 200	453 200	453 200
- Other Direct costs	10 500	367 285	1 181 738	1 472 333	1 472 333	1 472 333	1 472 333
- Royalty & Management Fees	-	618 665	2 267 755	2 888 683	2 888 683	2 888 683	2 888 683
- Regulatory Fees	50 000	110 000	115 000	115 000	115 000	115 000	115 000
- Salaries Administration	384 527	885 300	912 400	912 400	912 400	912 400	912 400
- Community Programs	-	61 866	226 776	288 868	288 868	288 868	288 868
EBITDA	(1 056 486)	5 025 865	25 004 215	36 147 039	36 147 039	36 147 039	36 147 039
- DD&A	160 343	473 596	776 409	864 512	864 512	864 512	864 512
EBIT	(1 216 829)	4 552 269	24 227 805	35 282 527	35 282 527	35 282 527	35 282 527
- Finance Charges	-	-	-	-	-	-	-
- Interest expense	-	-	816 667	1 400 000	1 400 000	1 400 000	583 333
PBT	(1 216 829)	4 552 269	23 411 139	33 882 527	33 882 527	33 882 527	34 699 193
- Tax expense	-	480 601	5 045 401	7 655 707	7 870 919	7 941 124	8 791 348
Net profit	(1 216 829)	4 071 668	18 365 738	26 226 820	26 011 607	25 941 402	25 907 845

Source: Management



Projected Cash Flow Statement (USD)

Cashflow statement	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26
EBIT	(1 216 829)	4 552 269	24 227 805	35 282 527	35 282 527	35 282 527	35 282 527
+ Depreciation	160 343	473 596	776 409	864 512	864 512	864 512	864 512
- Tax	-	312 391	3 447 721	6 742 100	7 795 595	7 916 553	8 493 770
Pre-working capital cashflow	(1 056 486)	4 713 475	21 556 494	29 404 939	28 351 444	28 230 486	27 653 269
Change in inventory	-	-	-	-	-	-	-
Change in accounts payable	116 645	713 411	255 162	-	-	-	-
Change in accounts receivable	-	(1 640 926)	(3 104 640)	-	-	-	-
(A) Cashflow from operations	(939 840)	3 785 960	18 707 015	29 404 939	28 351 444	28 230 486	27 653 269
- Investments fixed assets (depreciable)	4 982 400	1 136 000	11 338 100	-	-	-	-
- Other investments (non-depreciable)	2 750 000	-	-	-	-	-	-
(B) Cashflow from investments	(7 732 400)	(1 136 000)	(11 338 100)	-	-	-	-
+ Equity capital raised	-	-	-	-	-	-	-
+ Equity capital - Local assets in kind	2 750 000	-	-	-	-	-	-
+ Debt raised (Finance Lease)	20 000 000	-	-	-	-	-	-
- Finance Lease	-	-	-	-	-	-	-
- Capital Repayments	-	-	2 916 667	5 000 000	5 000 000	5 000 000	2 083 333
- Interest paid	-	-	816 667	1 400 000	1 400 000	1 400 000	583 333
(C) Cashflow from financing	22 750 000	-	(3 733 333)	(6 400 000)	(6 400 000)	(6 400 000)	(2 666 667)
Net cashflow (A)+(B)+(C)	14 077 760	2 649 960	3 635 582	23 004 939	21 951 444	21 830 486	24 986 602
Cash at BoP	-	14 077 760	16 727 720	20 363 302	43 368 241	65 319 685	87 150 171
Cash at EoP	14 077 760	16 727 720	20 363 302	43 368 241	65 319 685	87 150 171	112 136 773

Source: Management



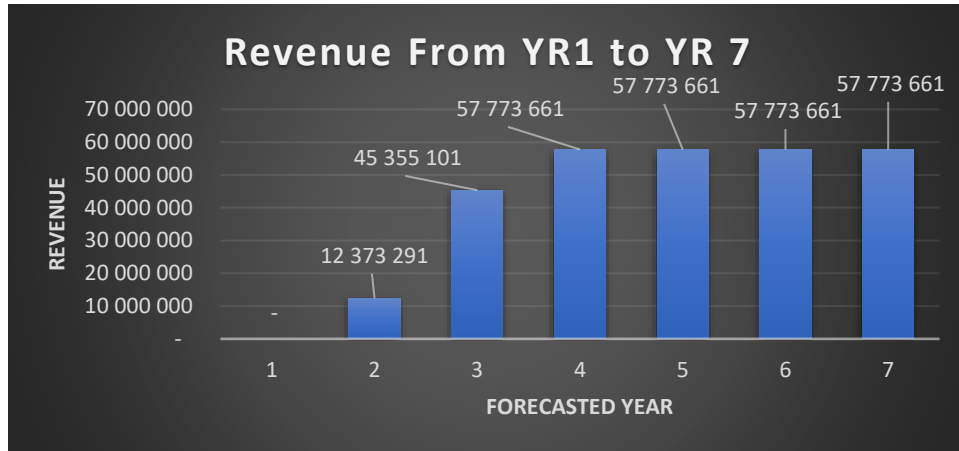
Projected Balance Sheet (USD)

Balance Sheet	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26
Cash	14 077 760	16 727 720	20 363 302	43 368 241	65 319 685	87 150 171	112 136 773
Inventory	-	-	-	-	-	-	-
Accounts receivable	-	1 640 926	4 745 566	4 745 566	4 745 566	4 745 566	4 745 566
Other	-	-	-	-	-	-	-
Current assets	14 077 760	18 368 646	25 108 867	48 113 806	70 065 250	91 895 736	116 882 339
PP&E	7 572 057	8 234 461	18 796 152	17 931 640	17 067 128	16 202 615	15 338 103
Other	-	-	-	-	-	-	-
Non-current assets	7 572 057	8 234 461	18 796 152	17 931 640	17 067 128	16 202 615	15 338 103
TOTAL ASSETS	21 649 817	26 603 107	43 905 019	66 045 446	87 132 378	108 098 352	132 220 442
Equity Capital	2 750 000	2 750 000	2 750 000	2 750 000	2 750 000	2 750 000	2 750 000
Retained earnings	(1 216 829)	2 854 839	21 220 577	47 447 397	73 459 004	99 400 407	125 308 252
Other	-	-	-	-	-	-	-
Equity	1 533 171	5 604 839	23 970 577	50 197 397	76 209 004	102 150 407	128 058 252
Accounts payable	116 645	830 057	1 085 218	1 085 218	1 085 218	1 085 218	1 085 218
Debt	20 000 000	20 000 000	17 083 333	12 083 333	7 083 333	2 083 333	-
Tax Payable	-	168 210	1 765 890	2 679 497	2 754 822	2 779 393	3 076 972
Total liabilities	20 116 645	20 998 267	19 934 442	15 848 049	10 923 374	5 947 945	4 162 190
TOTAL EQUITY AND LIABILITIES	21 649 817	26 603 107	43 905 019	66 045 446	87 132 378	108 098 352	132 220 442

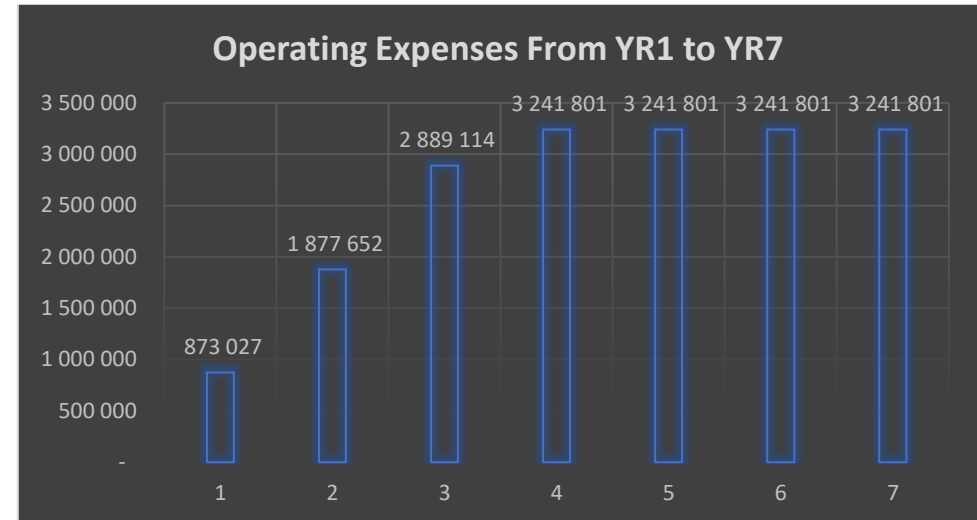
Source: Management



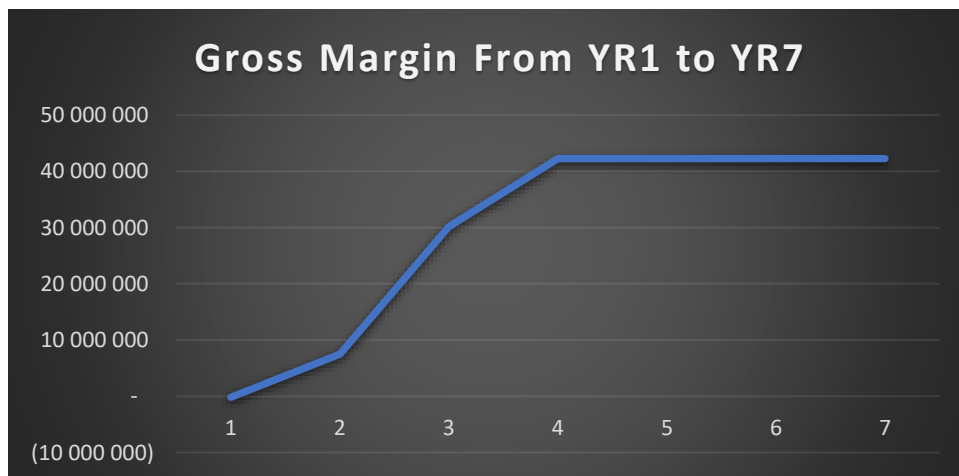
TURNOVER



OPERATING EXPENSES



GROSS MARGIN



From a total capital raise of £18.3 million, Eco Equity is expected to generate \$45.4 million in gross revenues with net income of nearly \$23.4 million, in its first full year of operations. Cumulative revenues are expected to grow to nearly \$115.5 million by Year 3 and \$231 million by Year 5, with net income of nearly \$62 million and over \$130 million respectively (from the first year of full operations). All sales will be tracked via our robust, industry-leading, inventory management and tracking system *365 Cannabis*.



NET WORKING CAPITAL

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Net Working capital							
Accounts Receivable, Net	-	1,640,926	4,745,566	4,745,566	4,745,566	4,745,566	4,745,566
Inventory	-	-	-	-	-	-	-
Working Capital Assets	-	1,640,926	4,745,566	4,745,566	4,745,566	4,745,566	4,745,566
Accounts Payable	116,645	830,057	1,085,218	1,085,218	1,085,218	1,085,218	1,085,218
Taxes Payable	-	-	-	-	-	-	-
Other Current Liabilities							
Working Capital Liabilities	116,645	830,057	1,085,218	1,085,218	1,085,218	1,085,218	1,085,218
Net Working capital	(116,645)	810,869	3,660,347	3,660,347	3,660,347	3,660,347	3,660,347
Chg. in Accounts Receivable, Net	-	(1,640,926)	3,104,640	-	-	-	-
Chg. in Inventory	-	-	-	-	-	-	-
Chg. in working capital assets	-	(1,640,926)	3,104,640	-	-	-	-
Chg. in Accounts Payable	116,645	713,411	255,162	-	-	-	-
Chg. in Taxes Payable							
Chg. in Other Current Liabilities							
Chg. in working capital liabilities	116,645	713,411	255,162	-	-	-	-
Changes in net working capital	(116,645)	(2,354,337)	2,849,478	-	-	-	-

Content (receivables, inventories, payables, etc)



INVESTED CAPITAL-START-UP SUMMARY

The business will be fully funded with a cash requirement of £18.3 million this will include total capital costs of £15.3 million leaving £3 million as working capital. This will pay for the total expenses for the project.

Start-up expenses

Investments in fixed assets USD\$	#	Date	Price	Total
Costs (USDs)				
Greenhouse 1 - Glass	1	Jan-22	9,861,000	\$ 9,861,000.00
Greenhouse 1 - Glass OSBL	1	Jan-22	630,000	\$ 630,000.00
Greenhouse 2 - Poly	1	Mar-21	1,136,000	\$ 1,136,000.00
R&D Facility	1	Nov-20	450,400	\$ 450,400.00
Laboratory Equipment & GMP Certification	1	Sep-20	1,500,000	\$ 1,500,000.00
Pump House	1	Mar-20	490,000	\$ 490,000.00
Water Reservoir / Dam	1	Mar-20	15,000	\$ 15,000.00
Power Generation	1	Sep-20	1,276,000	\$ 1,276,000.00
Electrical Package OSBL	1	Sep-20	750,000	\$ 750,000.00
Water Distribution / Bore Holes	1	Jan-20	36,000	\$ 36,000.00
Civils	1	Jul-20	350,000	\$ 350,000.00
Comms / Security / Ex Lighting	1	May-20	115,000	\$ 115,000.00
Licensing & Permits	1	Mar-20	393,000	\$ 393,000.00
Other Capex	1			\$ -
Project Management	1	Sep-22	847,100	\$ 847,100.00
				\$17,849,500.00



Section 4

Valuation Methodology

Valuation Methodology



SELECTION OF VALUATION METHODOLOGY

The choice of the method or methods to be used for valuing a business enterprise or a business ownership interest is to be determined by amongst others the characteristics of the business to be valued, the purpose and use of the valuation analysis and its report, the historical financial performance of the subject company, the company's competitive market position, experience and quality of management, the availability of reliable information requisite to the various valuation methods and the marketability of equity ownership interest.

There are three general approaches to valuing a business; the asset approach, market approach and income approach, where:

- i. Asset approach represents the orderly disposition value of assets.
- ii. The income approach uses either a capitalization of cash flow method or discounted future cash flow method to convert anticipated benefits to value.
- iii. The market approach determines value using two methods. The first compares the subject company to sales of similar businesses or business interests. The second compares the subject company to a set of guideline public companies.

In selecting an appropriate methodology for performing the 100% analysis of Eco Equity Zimbabwe, we have considered the following: -

- Discounted Cash Flow method (DCF)
- Price Earning Valuation (P/E Valuation)

Baker Tilly has considered the appropriateness or otherwise, of employing other valuation techniques, such as:

- **The Equity Method** –The equity method focuses on cash flows for one year, and it was also discarded for that reason.

- **Net Asset Value (NAV)**- The Net Asset Value of a company is determined by adjusting the book values of the assets and liabilities to allow for market considerations and other exigencies and subtracting the total liabilities from the total assets. The company is still setting up and no major investments in Property, Plant and Equipment has been made. We have not identified any assets and liabilities that appear material for us to consider this method, hence this method has not been applied to the valuation.
- **Dividend Growth Model** – The model attempts to calculate the fair value of a share irrespective of the prevailing market conditions and takes into consideration the dividend pay-out factors and the market expected returns. Eco Equity Zimbabwe has not declared dividends. Hence this method has not been applied to the valuation.

Valuation Results

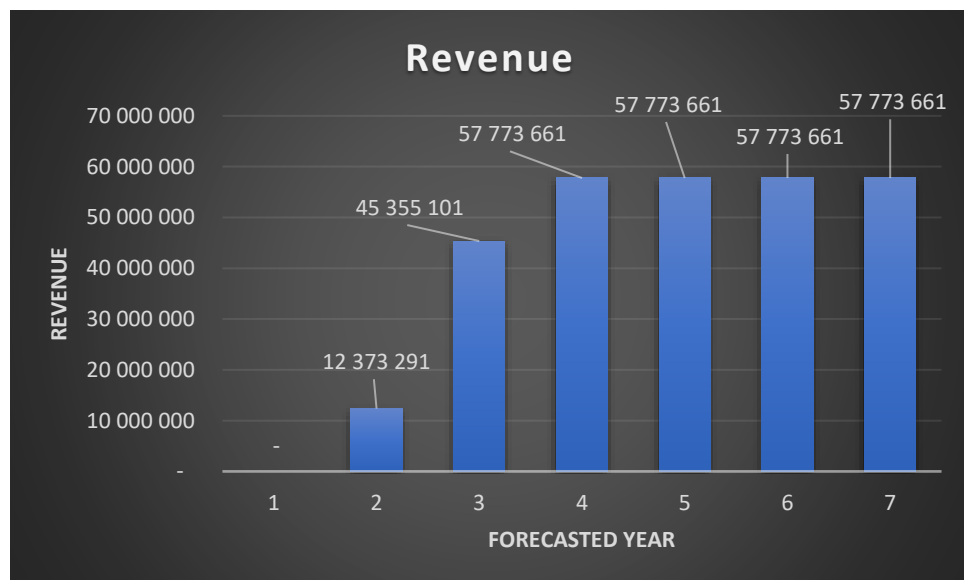


Option 1 – Price Earnings Ratio Valuation

The PER method is one of the most widely used valuation techniques. Under this method the value of a firm is equal to sustainable earnings multiplied by an appropriate PER. The appropriate PER is determined by identifying the PER of a comparable listed firm and using it as a basis for capitalising the earnings. Using this method, the value of a firm is defined as:

$$\text{Value} = \text{Maintainable Earnings} \times \text{PER}$$

Summarised below is the full year earnings forecasts for FY2020 and FY2026.



In determining maintainable earnings, an average was calculated for 6 years which is more representative of licensing period.

To determine a valuation on an earnings basis it is necessary to apply an earnings multiple to the assessed revenue to come up with an appropriate representation of

maintainable earnings. The capitalisation rate represents the return on investment that would be required by a reasonable prudent investor or directors in this type of business and reflects the risks and opportunities inherent in the business. The earnings multiple is the reciprocal of the capitalisation rate. The earnings multiples is applied to the future maintainable revenue/earnings.

Having regard to the overall trend of increasing revenue and other points, we consider the average earnings for the 6 years from FY2020 to FY2025 of approximately \$16,56 million.

Listed Guideline Company Multiples

To obtain a comparable PER, we used an average PER for both the Mid Cap and Small Cap stocks which is 25.

	Share Price		Revenue		EBITDA			EPS			Enterprise Value			P/E		
	2019	2020	2019	2020	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
Large Cap Life																
Genzyme (Genzyme Corporation)	\$24.20	\$4,681	\$7,271	\$201	\$62	\$25	\$1.00	\$1.00	\$1.00	und	und	und	34.5x	und	und	und
Aucora (Aucora Inc.)	\$37.27	\$2,708	\$2,458	\$74	\$27	\$27	\$2.74	\$2.74	\$2.74	und	und	und	und	und	und	und
TheraVox	\$199.66	\$1,754	\$3,399	\$71	\$7	\$101	\$1.30	\$1.30	\$1.30	und	und	und	25.0x	und	und	und
Apellis Inc.	\$35.01	\$1,643	\$1,660	\$47	\$93	\$13	\$1.09	\$1.09	\$1.09	und	und	und	35.7x	27.6x	12.7x	und
Orion (Orion Corp.)	\$29.00	\$2,209	\$2,270	\$146	\$96	\$5	\$1.00	\$1.00	\$1.00	und	und	und	und	und	und	27.0x
Organon (Organon Holdings Inc.)	\$52.42	\$420	\$475	\$9	\$45	\$51	\$0.09	\$0.09	\$0.09	und	und	und	und	und	und	21.5x
MSD Corp.	\$76.89	\$347	\$360	\$23	\$91	\$30	\$0.10	\$0.10	\$0.10	und	und	und	und	und	und	und
Average													22.5x	24.5x	14.5x	und
Mid Cap Life																
Village Farms International, Inc.	\$27.00	\$400	\$404	\$5	\$1	\$40	\$0.20	\$0.20	\$0.20	und	und	und	und	und	und	und
World Green Inc.	\$147.00	\$100	\$296	\$25	\$1	n/a	\$1.50	\$1.50	n/a	und	und	und	und	und	und	und
The Supreme Cannabis Company, Inc.	\$30.00	\$104	\$147	\$43	\$2	n/a	\$1.20	\$1.20	n/a	und	und	und	und	und	und	und
Zenith Capital Inc.	\$50.70	\$30	\$100	\$5	\$100	n/a	n/a	n/a	n/a	und	und	und	und	und	und	und
The Floor Corporation	\$30.00	\$76	\$100	\$6	\$7	\$47	\$0.10	\$0.10	\$0.10	und	und	und	und	und	und	und
Wood41 Inc.	\$11.57	\$37	\$36	\$2	\$1	n/a	n/a	\$0.10	n/a	und	und	und	und	und	und	und
The Green Organic Dutchman Holdings Ltd.	\$25.44	\$140	\$71	\$29	\$4	\$38	\$0.50	\$0.50	\$0.50	und	und	und	und	und	und	und
Average													17.0x	6.0x	5.0x	23.1x
Small Cap Life																
Genentech (Genentech Inc.)	\$20.00	\$40	\$70	n/a	n/a	n/a	n/a	n/a	n/a	und	und	und	und	und	und	und
Delta 9 Cannabis Inc.	\$30.00	\$40	\$70	\$7	\$3	\$1	\$0.10	\$0.10	\$0.10	und	und	und	und	und	und	und
WVD Cannabis Inc.	\$30.00	\$76	\$71	\$7	\$10	\$40	\$1.00	n/a	\$0.06	und	und	und	und	und	und	und
Dechra (Dechra Company Inc.)	\$30.11	\$37	\$60	\$1	\$18	\$23	\$0.10	\$0.10	\$0.10	und	und	und	und	und	und	und
Insulet (Insulet Corporation)	\$70.00	\$30	\$30	\$10	n/a	n/a	\$1.00	n/a	n/a	und	und	und	und	und	und	und
Average													10.0x	3.0x	3.0x	21.0x
Extraction Companies																
The Vitro Company	\$30.00	\$141	\$100	\$37	\$60	\$96	\$0.20	\$0.20	\$0.20	und	und	und	und	und	und	und
MedPharm Labs Corp.	\$15.00	\$143	\$215	\$17	\$13	\$73	\$0.06	\$0.05	\$0.23	und	und	und	und	und	und	und
Reckitt Wellness Solutions Inc.	\$30.11	\$400	\$100	\$7	\$47	\$40	\$0.01	\$0.01	\$0.01	und	und	und	und	und	und	und
Redwood Technology Inc.	\$30.07	\$1	\$4	n/a	n/a	n/a	n/a	n/a	n/a	und	und	und	und	und	und	und
Average													3.0x	3.0x	4.0x	13.0x
Average All													11.0x	10.7x	10.5x	20.4x
Median All													16.0x	6.0x	6.0x	16.0x

Source: Company Filings, S&P Capital IQ As of May 29, 2020; shares outstanding based on most recent quarterly financials and adjusted for share issuance transactions and other significant publicly disclosed transactions.



The entities that fall within the small caps and medium caps have more or less a similar structure with Eco Equity Zimbabwe. More importantly some of those have operations in Southern Africa particularly Lesotho and South Africa which closely mimic the Zimbabwean scenario.

			Average
Maintainable earnings			16 566 734
Proxy:			Average
PER			25
Adjusted for factors matching Eco Equity with comparable companies			
Country risk	<i>The country is facing a potential debt crisis</i>		-2
Property risk	<i>The country previously has history of issues with property ri</i>		-2
Skills and workforce'	<i>Eco Equity has an equally inexperienced workforce</i>		-1
Market	<i>International market readily available</i>		1
Competition	<i>Faces strong competition on the international market</i>		-2
Unlisted	<i>Entity is not listed and regarded as small.</i>		-2
Adjusted PER			17
Eco Equity Zimbabwe Value			281 634 485

In determining the applicable PER to Eco Equity Zimbabwe, we have considered the following factors which are key to the Cannabis Industry in Southern Africa and other emerging markets:

- Country risk – Zimbabwe is currently facing economic challenges which include currency issues, remittance of dividends, foreign currency shortages and social challenges
- Property Rights – any investment that is premised on entitlement to property in the country may be subject to risk judging from previous scenarios although the risk can be managed.

- Skills and workforce – Currently the Cannabis industry is still new in the country and the company will have to develop skills and expertise to enable skills transfer and the learning curve can be costly to the company.
- Market- although the competition is stiff in the cannabis industry, an evaluation of the company's strategy and business plan reveals that there is a ready market for the product
- The company will have to invest more to outmanoeuvre stiff competition as currently there is stigma associated with cannabis and verp in most of the countries outside of America and Europe.
- Listing status – There are huge benefits that are associated with listed entities including size and scalability of operations which the company may be have access to by virtue of it being unlisted.

At the adjusted Price Earnings Ratio (PER), Eco Equity Zimbabwe value is approximately **US\$281 634 485** or **US\$140,817** per share. However, this method has a lower weight compared to other methods in a scenario where debt funding is considered. The average weighted value based on our calculations eventually translates to approximately **US\$84 490 346** or **US\$42,245** per share.



Option 2 – Discounted Cash Flow]

The underlying rationale for DCF is that the value of a firm is the present value of its future free cash flows. In this case there is an explicit forecast period and a period to perpetuity.

Capitalisation Rate

In conducting the DCF valuation method, the projected free cash flows available to the shareholders are discounted using an appropriate Weighted Average Cost of Capital Calculation

The Weighted average cost of capital has been calculated as 11% and comprises mainly of the Cost of Equity and Cost of Debt (Adjusted for Tax) of Eco Equity Zimbabwe. The cost of equity has been calculated using an **extended CAPM method**: Extends domestic CAPM to pricing systemic risk adjusted security returns to a world market portfolio of investible assets. The Capital Assets Pricing Model (CAPM) has been calculated with the following inputs;

Global Risk free rate	0,69%			
Market Return + 30% Premium on specific risk	7,46%			
Global assets Beta	1,0096			
Extended CAPM	7,53%			
Extended CAPM was used because it caters for the size of the comparable company(CGC)				

Extended CAPM formula:

$$R_{IDC} = R_{FDC} + \beta_{IDC}[E(R_{WDC}) - R_{FDC}]$$

- R_{IDC} = Return for risky global asset "i" measured in investor's domestic currency
- R_{FDC} = Global risk-free asset's rate of return in the investor's domestic currency.
- R_{WDC} = Return on world market of investible assets in the investor's domestic currency; used in calculating the world market risk premium in the investor's domestic currency.
- β_{IDC} = The global asset's beta, its sensitivity to world market returns, in the investor's domestic currency.

WACC	
Debt/Equity Ratio (20m : 2,75m)	7,273
Cost of Equity	7,53%
Global Risk Free Rate	0,69%
Equity Beta	1,0096
Market Risk Premium	5,74%
Company Specific Risk	30,00%
Cost of Debt (Kd)	16,00%
After-tax Cost of Debt(Kd)	12,04%
Tax Rate	24,72%
WACC	11%



Based on the assumptions as set out in this report, the projected net cash flows for the explicit forecast period and the terminal value period as presented in the table below form the basis for the indicative value of Eco Equity as of 30 June 2020

Cashflow statement	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25
EBIT	(1 216 829)	4 552 269	24 227 805	35 282 527	35 282 527	35 282 527
+ Depreciation	160 343	473 596	776 409	864 512	864 512	864 512
- Tax	-	312 391	3 447 721	6 742 100	7 795 595	7 916 553
Pre-working capital cashflow	(1 056 486)	4 713 475	21 556 494	29 404 939	28 351 444	28 230 486
Change in inventory	-	-	-	-	-	-
Change in accounts payable	116 645	713 411	255 162	-	-	-
Change in accounts receivable	-	(1 640 926)	(3 104 640)	-	-	-
(A) Cashflow from operations	(939 840)	3 785 960	18 707 015	29 404 939	28 351 444	28 230 486
- Investments fixed assets (depreciable)	4 982 400	1 136 000	11 338 100	-	-	-
- Other investments (non-depreciable)	2 750 000	-	-	-	-	-
(B) Cashflow from investments	(7 732 400)	(1 136 000)	(11 338 100)	-	-	-
+ Equity capital raised	-	-	-	-	-	-
+ Equity capital - Local assets in kind	2 750 000	-	-	-	-	-
+ Debt raised (Finance Lease)	20 000 000	-	-	-	-	-
- Finance Lease	-	-	-	-	-	-
- Capital Repayments	-	-	2 916 667	5 000 000	5 000 000	5 000 000
- Interest paid	-	-	816 667	1 400 000	1 400 000	1 400 000
(C) Cashflow from financing	22 750 000	-	(3 733 333)	(6 400 000)	(6 400 000)	(6 400 000)
Net cashflow (A)+(B)+(C)	14 077 760	2 649 960	3 635 582	23 004 939	21 951 444	21 830 486
Cash at BoP	-	14 077 760	16 727 720	20 363 302	43 368 241	65 319 685
Cash at EoP	14 077 760	16 727 720	20 363 302	43 368 241	65 319 685	87 150 171



	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Year	1	2	3	4	5	6
Net Cashflows	14 077 760	2 649 960	3 635 582	23 004 939	21 951 444	21 830 486
WACC	11%	11%	11%	11%	11%	11%
Discounted Value (<i>E.</i>)	12 625 941	2 131 571	2 622 797	14 884 764	12 738 380	11 361 737
NPV for 6 years (Sum of <i>E.</i>)	56 365 190					
Terminal Value =						
	FCF (y6)* (1+g)					
	WACC - g					
FCF(y6) - Free cashflow is year 6				21 830 486		
g-Expected growth for the project assuming growth in perpetuity				3%		
WACC-Weighted Average Cost of Capital				11%		
Terminal Value				264 574 790		
NPV for Terminal Value				123 498 023		
Net Present Value				179 863 214		
Sensitivity Analysis on NPV						
	WACC	NPV for 6 years	Terminal value	NPV for Terminal value	NPV	
	8%	42 370 321	449 708 018	262 400 309	304 770 630	
	9%	41 001 261	374 756 682	205 004 738	246 006 000	
	10%	39 699 734	321 220 013	164 836 657	204 536 391	
	12%	37 283 137	249 837 788	113 013 927	150 297 065	
	15%	34 071 016	187 378 341	70 442 459	104 513 474	

Enterprise value as of 30 June 2020

The enterprise value as of 30 June 2020 is estimated by discounting the projected net cash flows in the explicit forecast period and the terminal value period with the discount rate of 11%. Based on the assumptions as outlined in Section 3, the enterprise weighted value as of 30 June 2020 is estimated to be **US\$179 863 214 or US\$89 932** per share.



Section 5

Summary

Indicative Valuation Analysis of the Company

Summary



INDICATIVE VALUATION ANALYSIS OF ECO EQUITY ZIMBABWE PRIVATE LIMITED

Summary of the indicative value of 100% of the shares:

When determining the valuation basis on earnings and discounted cash flows, we are of the opinion that a weighted average be applied as follows:

Determination of weights		
Discounted Future Cashflows	0,70	Most appropriate for the company's business model of creating value by generating cashflows from cannabis exporting
Price Earnings ratio	0,30	Weighting is appropriate since the share price is not entirely observable and the maintainable earnings are based on future activities

The following table provides a summary of the indicative values obtained from each valuation method as well as the recommended value for **Eco Equity Zimbabwe**. The detailed valuation and the methodology in obtaining each valuation figure are discussed in the preceding paragraphs.

The valuation summaries are outlined below:

Valuation Method	Weight	Aggregate Value	Weighted Value	Aggregate Value /Share	Weighted Value/Share
				2 000	2 000
		US\$	US\$	US\$	US\$
Discounted Future Cashflows	0,70	174 531 525	122 172 067	87 266	61 086
Price Earnings ratio	0,30	281 634 485	84 490 346	140 817	42 245
Recommended Value	1,00		206 662 413		103 331

Based on a weighted valuation method approach, our opinion is that an indicative value for 100% Equity in Eco Equity Zimbabwe (Pvt) Ltd is **US\$206 662 413** and/or value of **US\$103 331** per share.

OTHER POINTS TO NOTE

- The authorised share capital of the company is 2,000 ordinary shares of \$1 each.
- We advise that Eco Equity Zimbabwe explores opportunities in the financial markets to enable the company to raise enough capital to expand operations. The company already has a first mover advantage in the country and all other resources are easily accessible.
- Currently the country is facing challenges in access to capital due to various reasons. A firm that can raise capital has a possibility to realising high returns due to nature of the product which is almost entirely for export purposes.
- Capital can be raised via debt or equity or any other hybrid form of instruments but from the magnitude of the project, listing on a stock exchange may be the best way to raise capital. However, raising capital on an exchange has its own challenges that will include high costs of associated with transaction advisory as well as costs of compliance.
- The entity has an opportunity to list the asset on a foreign exchange. It is not uncommon for entities to list on a foreign exchange whilst the underlying asset is local. Several companies in commodities business in sectors such as mining and agriculture have listed on foreign bourses either on the main bourses or alternatives.
- Due to the market perception of investment in the country, such a transaction will have to be high ringenced and secured.
- We recommend that Eco Equity Zimbabwe engage us further in gathering a team of experts with an international footprint to enable the entity to explore capital raising opportunities in jurisdictions such Canada, USA, United Kingdom and Australia.



Section 6

Appendices

Appendix 1 – General Valuation Methodology
Appendix 2 – Sources of Information
Appendix 3 – Valuation Analyst Representation
Appendix 4 – Benchmark Transactions
Appendix 5 – Benchmark Listed Guideline Companies
Appendix 6 – Discount Rate

Appendix 7 – Discount for Lack of Control
Appendix 8 – Discount for Lack of Marketability
Appendix 9 – Disclaimer

Appendix 1 – General Valuation Methodology



There are three general approaches to valuing a business; asset approach, market approach and income approach, where:

- i. The income approach uses either a capitalization of cash flow method or discounted future cash flow method to convert anticipated benefits to value.
- ii. The asset approach relies on the underlying market value of the net assets. This approach is generally considered when the subject company is an investment or real estate holding company.
- iii. The market approach determines value using two methods. The first compares the subject company to sales of similar businesses or business interests. The second compares the subject company to a set of guideline public companies.

(A) Income Approach

Capitalisation of Future Maintainable Earnings

The capitalisation of future maintainable earnings methodology involves capitalising the estimated future maintainable earnings at an appropriate multiple. The multiple, which is the reciprocal of the capitalisation rate, represents the return of investment that would be required by a reasonable prudent investor in this type of business and reflects the risks and opportunities inherent in the business. The earnings multiple is applied to the future maintainable earnings.

Most commonly businesses are valued by reference to EBIT or EBITDA as such results are not affected by differing interest and taxation expenses, and in the latter depreciation, which can vary from investor to investor as a result of factors which do not relate to the nature of the business.

The selection of multiple is undertaken by reviewing either mergers and acquisition data and / or listed guideline company data. For the purpose of valuing a small to medium sized business, the first is generally most applicable.

In using the mergers and acquisition data, a review is undertaken of recent transactions of comparable businesses from which the implied earnings multiples

are calculated. Multiples are then selected and applied to the subject entity to arrive at an indication of value. The multiples derived are generally based on an analysis of recent trades of entire companies and therefore reflect value for 100% of the business.

In using guideline company data, a portfolio of public companies is selected based on comparability of the subject company from which valuation multiples and other analytics are calculated. Multiples are then selected and applied to the subject entity to arrive at an indication of value. The multiples derived for guideline companies are based on share prices reflective of the trades of small parcels of shares. As such, they generally reflect multiples reflective of the prices at which portfolio interests change hands. The multiples may also be impacted by the level of liquidity in the particular stock.

The guideline company multiples are traded on the stock exchange. Private companies generally trade at a discount to listed companies.

Discounted Cash Flow

The discounted cash flow (DCF) methodology has regard to the expected future economic benefits of the investment or assets discounted to its present value. This is considered appropriate where a forecast of future cash flows can be made with a reasonable degree of certainty. This methodology considers:

- projected future cash flows;
- an appropriate discount rate; and
- perpetuity or terminal value.

Appendix 1 – General Valuation Methodology



In most of the DCF analysis, the discount rate used is the company's weighted average cost of capital ("WACC"), which measures a company's cost of debt and equity weighted by the percentage of debt and percentage of equity in a company's target capital structure. Arithmetically, the formula for calculating the after-tax WACC is:

$$\text{After-tax WACC} = (K_d * (1-T) * D/(D+E)) + (K_e * E/(D+E))$$

Where:

K _d	=	Cost of debt
K _e	=	Cost of equity
D	=	Estimated market value (or book value) of debt
E	=	Estimated market value of equity
T	=	Assumed tax rate

(B) Asset Based Approach

The asset based approach determines the value of the equity having regard to the market value of the underlying assets and liabilities. This approach includes the following methodologies:

- going concern method;
- orderly realisation method; and
- liquidation method.

Under a going concern method, the value is derived by assessing the market value of every asset and liability on a going concern basis, including intangible assets if appropriate. A net asset or cost based methodology is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g., real estate, holding or non-operating entities).

The orderly realisation method has regard to the amount that would be distributed to equity holders on the assumption that the entity would be wound up with the funds realised from the sale of its assets, after payment of all liabilities including realisation costs and taxes.

The liquidation method is based on the same principles except that in the orderly realisation method, the assets are realised in an orderly manner, whereas, the liquidation method assumes that the assets are sold within a shorter time frame and / or under duress.

(C) Market Approach

The market approach includes consideration of the financial condition and the historical and expected operating performance of the company being valued relative to those of publicly traded companies or to companies acquired in a single transaction that i) operate in the same or similar lines of business, ii) are potentially subject to corresponding economic, environmental and political factors and iii) could reasonably be considered investment alternatives.

Guideline Public Company Method

The Guideline Public Company method can be defined as 'a method within the market approach whereby market multiples are derived from market prices of stocks of companies that are engaged in the same or similar lines of business, and that are actively traded on a free and open market'. It should be taken into account that the current market sentiment may affect the price of a stock. In addition, it should be considered that a (small) non-listed company has a higher risk profile in comparison to a large publicly traded competitor (for example, by lack of liquidity of the shares and the greater dependence on customers, suppliers and management).

Guideline Transaction Method

The Guideline Transaction method, can be defined as 'a method within the market approach whereby pricing multiples are derived from transactions of significant interests in companies engaged in the same or similar lines of business'. For valuations based on this method it is important to know the specific background (financial buyer, strategic buyer, minority / majority interest, additional conditions, etc.) of the transaction in order to assess whether the price can be an indication of the value of the company. The Guideline Transaction method, although similar to the Guideline Public Company method in its use of price multiples, focuses on the transactions involving the sales of entire companies, rather than sales of minority interests of publicly traded stock. Since the transactions comprise sales of entire companies, any derived value for the subject company using this method results in a control value.

Appendix 2 – Sources of Information



In undertaking the valuation, we have relied on the following information:

- Projected Financial Statements of Eco Equity (Pvt) Ltd for the financial years ended 31 December 2020 to December 2026;
- Projected Cash flows up to Year 2026.
- Information concerning the macro and microeconomic environment in which Eco Equity is operating; and
- Sales and Data Forecasts of Eco Equity
- Publicly available financial information on other related companies operating in Eco Equity industry segment;

In performing the valuation, we have relied upon and assumed, without independent verification, the accuracy and completeness of all the information that has been furnished to us by Eco Equity, or which is publicly available. We have also made assumptions, including that the Company remains in its current form.

Our valuation is based on economic, market and other conditions prevailing on, and other information available to us as at 30 June 2020. Developments after this date may affect our estimate and we do not have any obligation to update, revise or reaffirm the views expressed in this Report. Specifically, our valuation ranges are liable to material change reflecting changes in economic or market conditions, or the business of, or prospects for, Eco Equity between the date of this Report and the date of consideration by shareholders and /or directors of Eco Equity.

This valuation is provided solely for the benefit of the Directors and/ or Shareholders of Eco Equity and not for the benefit of, and it shall not confer rights or remedies upon any other person, other than the shareholders and/or directors of Eco Equity. In addition, this Report may also be used for the benefit of the shareholders of Eco Equity, subject to the shareholders of Eco Equity acting on recommendations from the report.

In providing this Report, Baker Tilly has relied upon the directors' commercial assessment of a number of matters which includes Eco Equity business prospects,

the markets in which it operates and the assumptions underlying the projected financial information which was provided by Eco Equity, and for which the directors of Eco Equity are solely responsible.

Baker Tilly Tax Department Input

Management has elected to take full advantage of tax benefits and will therefore claim special initial allowances on investment in PPE

The calculation of Tax is therefore as follows

Profit as per accounts	(1 216 829)	4 552 269	23 411 139	33 882 527	33 882 527	33 882 527	34 699 193
Add Disallowable expenses							
Depreciation	160 343	473 596	776 409	864 512	864 512	864 512	864 512
Deduct							
Special Initial Allowances	870 600	1 154 600	3 777 350	3 777 350	2 906 750	2 622 750	-
Assessed loss		1 927 086					
Taxable income	(1 927 086)	1 944 180	20 410 198	30 969 689	31 840 289	32 124 289	35 563 706
Tax payable at 24.72%		480 601	5 045 401	7 655 707	7 870 919	7 941 124	8 791 348
Balance b/d		-	168 210	1 765 890	2 679 497	2 754 822	2 779 393
Tax Payable	-	480 601	5 045 401	7 655 707	7 870 919	7 941 124	8 791 348
Tax Paid in Cash	-	312 391	3 447 721	6 742 100	7 795 595	7 916 553	8 493 770
Balance c/d	-	168 210	1 765 890	2 679 497	2 754 822	2 779 393	3 076 972

Appendix 3 – Valuation Analyst Representation



This report has been prepared in accordance with:

- ✓ APES 225 Valuation Services (“APES 225”) issued by the Accounting Professional & Ethical Standards Board. We refer you to Annexure A which contains the three types of valuation services contemplated by APES 225. We confirm that you have engaged us to conduct a Valuation Engagement, as defined.
- ✓ Other relevant standards e.g. AASB 2 Share-based Payment, AASB 3 Business Combinations, AASB 136 Impairment of Assets, AASB 13 Fair Value Measurement.

Should we have become aware during the course of performing the Valuation Engagement of a limitation or restriction that could have a material impact on the estimate of value, then the engagement would have become a Limited Scope Valuation Engagement, as defined.

The scope limitations or restrictions may include the following:

- Availability of up to date financial data and indices (Including micro-economic and macro-economic).
- Availability of forecast data for internal use
- Availability of information relating to government policy and other statutory instruments.

Eco Equity was responsible for providing us with the information for use in the engagement and any other information which indirectly related to the engagement. We relied on the accuracy and completeness of information and material supplied by you. Our procedures included limited verification of this information.

APES 225 contemplates the following three types of valuation services:

- i) Valuation Engagement means an engagement to perform a valuation and provide a valuation report where the valuer is free to employ the valuation approaches, valuation methods, and valuation procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the engagement available to the valuer at that time.

Where a valuer has entered into a valuation engagement but during the course of performing the valuation engagement the valuer becomes aware of a limitation or restriction that, if it had been known at the time the engagement was entered into, would have made the engagement a limited scope valuation engagement then the valuation engagement will become a limited scope valuation engagement.

- ii) Limited Scope Valuation Engagement means an engagement to perform a valuation and provide a valuation report where the scope of work is limited or restricted. The scope of work is limited or restricted where the valuer is not free, as the valuer would be but for the limitation or restriction, to employ the valuation approaches, valuation methods and valuation procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the engagement available to the valuer at that time, and it is reasonable to expect that the effect of the limitation or restriction on the estimate of value is material.

A limitation or restriction may be imposed by a client or it may arise from other sources or circumstances. A limitation or restriction may be present and known at the outset of the engagement or may arise or become known during the course of a valuation engagement. A limited scope valuation engagement may also be referred to as a “restricted scope valuation engagement” or an “indicative valuation engagement”.



- iii) Calculation Engagement means an engagement to perform a valuation and provide a valuation report where the valuer and the client agree on the valuation approaches, valuation methods and valuation procedures the member will employ.

A calculation engagement generally does not include all of the valuation procedures required for a valuation engagement or a limited scope valuation engagement.

Appendix 4 – Benchmark Transactions



WACC benchmarks

General Cannabis WACC Benchmarks		
Name	Ticker	WACC
Copart, Inc.	NASDAQGS:CPRT	8.0%
SP Plus Corporation	NASDAQGS:SP	8.0%
ARC Document Solutions, Inc.	NYSE:ARC	8.5%
Stericycle, Inc.	NASDAQGS:SRCL	8.5%
Industrials	SECTOR:IND.US	9.0%
Casella Waste Systems, Inc.	NASDAQGS:CWST	9.0%
Clean Harbors, Inc.	NYSE:CLH	9.0%
CECO Environmental Corp.	NASDAQGS:CECE	9.0%
American Cannabis Company, Inc.	OTCPK:AMMJ	9.5%
AMREP Corporation	NYSE:AXR	9.5%
General Cannabis Corp	OTCPK:CANN	10.0%
Team, Inc.	NYSE:TISI	10.5%

Definition of WACC

The Weighted Average Cost of Capital or WACC is a discount rate used to find the present value a company's future cash flows that is applied in various Discounted Cash Flow (DCF) analyses. Broadly speaking, a company's assets are financed by either debt or equity. The WACC is the average of these sources of financing, each of which is weighted by its respective use.

WACC can also be described as the weighted average rate of return a firm theoretically pays to its debt and equity providers to compensate for the risk they undertake by investing their capital.

Finbox estimates WACC using the **Capital Asset Pricing Model (CAPM)**.

How to calculate the WACC:

$$\text{Total Capital} = \text{Debt} + \text{Equity}$$

$$\text{WACC} = (\text{Equity} / \text{Total Capital}) * \text{CoE} + (\text{Debt} / \text{Total Capital}) * \text{CoD} * (1 - \text{Tax Rate})$$

CoD = Cost of Debt

CoE = Cost of Equity

Beta benchmarks

General Cannabis Beta (5 Year) Benchmarks		
Name	Ticker	Beta (5 Year)
American Cannabis Company, Inc.	OTCPK:AMMJ	0.37
General Cannabis Corp	OTCPK:CANN	0.61
AMREP Corporation	NYSE:AXR	0.82
Casella Waste Systems, Inc.	NASDAQGS:CWST	1.02
Copart, Inc.	NASDAQGS:CPRT	1.13
Stericycle, Inc.	NASDAQGS:SRCL	1.14
CECO Environmental Corp.	NASDAQGS:CECE	1.18
Industrials	SECTOR:IND.US	1.26
SP Plus Corporation	NASDAQGS:SP	1.28
Team, Inc.	NYSE:TISI	1.52
Clean Harbors, Inc.	NYSE:CLH	1.52
ARC Document Solutions, Inc.	NYSE:ARC	1.64

Learn more about importing data in your spreadsheet: [Spreadsheet Integrations](#).

Definition of Beta (5 Year)

Beta measures the risk or volatility of a company's share price in comparison to the market as a whole. For example, a company with a beta of 1.1 will theoretically see its stock price increase by 1.1% for every 1% increase in the market. Put differently, if you're expecting the overall market to return 8%, a stock with a beta of 1.5 should return 12%.

Beta is an important metric used in the **Capital Asset Pricing Model (CAPM)** to effectively calculate a company's cost of equity that in turn, is applied in numerous valuation models.

A company's beta can be calculated from market observations. However, since leverage (debt) can have a significant impact on a company's stock price, one needs to unlever the beta to remove these effects. The unlevered beta can then be analyzed against the unlevered betas of comparable companies that operate in a similar industry. This allows an analyst to select the appropriate beta that represents the true risk of operating in that industry. This process is illustrated below.

Aswath Damodaran, a professor at NYU Stern, also publishes **Industry Betas**.

Source: <https://finbox.com/NYSE>

Appendix 5 – Benchmark Listed Guideline Companies



APPENDIX: COMP TABLE

	Share Price	Equity Value	Enterprise Value	EBITDA			EPS			EV/EBITDA			P/E		
	(C\$mm)	(C\$mm)	(C\$mm)	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
	(C\$mm)	(C\$mm)	(C\$mm)	(C\$mm)	(C\$mm)	(C\$mm)	(C\$mm)	(C\$mm)	(C\$mm)	(x)	(x)	(x)	(x)	(x)	(x)
Large Cap LPs															
Canopy Growth Corporation	C\$24.21	\$8,493	\$7,273	-\$287	-\$63	\$211	-\$1.83	-\$0.58	-\$0.19	nmf	nmf	34.5x	nmf	nmf	nmf
Aurora Cannabis Inc.	C\$19.27	\$2,128	\$2,458	-\$74	\$22	\$123	-\$2.74	-\$1.21	-\$0.25	nmf	109.9x	20.0x	nmf	nmf	nmf
Tilray, Inc.	US\$9.85	\$1,724	\$2,159	-\$70	\$7	\$103	-\$3.10	-\$1.36	n.a.	nmf	nmf	21.0x	nmf	nmf	nmf
Aphria Inc.	C\$5.81	\$1,663	\$1,660	\$47	\$95	\$131	-\$0.09	-\$0.01	\$0.05	35.7x	17.6x	12.7x	nmf	nmf	114.4x
Cronos Group Inc.	C\$9.03	\$3,209	\$1,330	-\$166	-\$96	-\$3	\$0.00	-\$0.19	\$0.04	nmf	nmf	nmf	nmf	nmf	207.6x
OrganiGram Holdings Inc.	C\$2.42	\$425	\$471	\$9	\$45	\$51	-\$0.09	\$0.11	\$0.23	51.3x	10.4x	9.2x	nmf	21.5x	10.5x
HEXO Corp.	C\$0.85	\$347	\$369	-\$22	\$10	\$20	-\$0.12	-\$0.02	n.a.	Nmf	36.2x	18.6x	nmf	nmf	nmf
Average										43.5x	43.5x	19.3x	nmf	21.5x	110.8x
Mid Cap LPs															
Village Farms International, Inc.	C\$7.29	\$418	\$456	\$16	\$51	\$82	\$0.29	\$0.99	\$1.17	28.7x	8.9x	5.5x	25.1x	7.4x	6.2x
Sundial Growers Inc.	US\$0.85	\$130	\$296	-\$25	\$0	n.a.	-\$0.94	-\$0.49	n.a.	nmf	nmf	nmf	nmf	nmf	nmf
The Supreme Cannabis Company, Inc.	C\$0.35	\$124	\$247	-\$20	\$12	n.a.	-\$0.24	-\$0.04	n.a.	nmf	19.9x	nmf	nmf	nmf	nmf
Zenabis Global Inc.	C\$0.15	\$56	\$189	\$0	\$68	n.a.	n.a.	n.a.	n.a.	nmf	2.8x	nmf	nmf	nmf	nmf
The Flowlr Corporation	C\$0.59	\$74	\$188	-\$8	\$17	\$47	-\$0.13	\$0.01	\$0.09	nmf	11.0x	4.0x	nmf	118.0x	6.6x
WeedMD Inc.	C\$0.51	\$107	\$138	\$25	\$51	n.a.	n.a.	\$0.11	n.a.	5.6x	2.7x	nmf	nmf	4.6x	nmf
The Green Organic Dutchman Holdings Ltd.	C\$0.44	\$148	\$171	-\$28	-\$4	\$28	-\$0.30	-\$0.06	\$0.01	nmf	nmf	6.1x	nmf	nmf	43.5x
Average										17.1x	9.0x	5.2x	25.1x	43.3x	18.8x
Small Cap LPs															
Emerald Health Therapeutics, Inc.	C\$0.28	\$45	\$70	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	nmf	nmf	nmf	nmf	nmf	nmf
Delta 9 Cannabis Inc.	C\$0.50	\$45	\$70	\$7	\$9	\$11	\$0.02	\$0.01	\$0.03	10.1x	7.6x	6.2x	25.0x	50.0x	16.7x
VIVO Cannabis Inc.	C\$0.25	\$74	\$71	-\$7	\$15	\$40	-\$0.09	n.a.	\$0.06	nmf	4.7x	1.8x	nmf	nmf	4.2x
Decibel Cannabis Company Inc.	C\$0.11	\$37	\$65	\$0	\$18	\$22	-\$0.02	\$0.01	\$0.03	nmf	3.7x	3.0x	nmf	10.5x	3.5x
Harvest One Cannabis Inc.	C\$0.12	\$26	\$32	-\$12	n.a.	n.a.	-\$0.06	n.a.	n.a.	nmf	nmf	nmf	nmf	nmf	nmf
Average										10.1x	5.3x	3.7x	25.0x	30.3x	8.1x
Extraction Companies															
The Valens Company	C\$2.65	\$343	\$301	\$57	\$82	\$95	\$0.24	\$0.37	\$0.42	5.3x	3.6x	3.1x	11.3x	7.2x	6.3x
MediPharm Labs Corp.	C\$1.80	\$243	\$213	\$17	\$53	\$73	-\$0.06	\$0.13	\$0.23	12.4x	4.0x	2.9x	nmf	13.6x	8.0x
Neptune Wellness Solutions Inc.	C\$4.12	\$400	\$385	\$1	\$47	\$62	-\$0.40	\$0.08	\$0.31	nmf	8.2x	6.2x	nmf	54.9x	13.4x
Radiant Technologies Inc.	C\$0.17	\$51	\$61	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	nmf	nmf	nmf	nmf	nmf	nmf
Average										8.8x	5.3x	4.1x	11.3x	25.2x	9.2x
Average All										21.3x	16.7x	10.3x	20.4x	32.0x	36.7x
Median All										12.4x	8.2x	6.2x	25.0x	13.6x	9.2x

Source: Company Filings, S&P Capital IQ As of May 29, 2020; shares outstanding based on most recent quarterly financials and adjusted for share issuance transactions and other significant publicly disclosed transactions.

Appendix 6 – Discount Rate



Equity Risk Premium Calculator					
ERP = R_m (5.74%) - R_f (0.69%) = 5.05%					
Information					
Risk-Free Rate	0.69%				
Expected Market Return	5.74%				
Equity Risk Premium	5.05%				
* Additional Information					
Market Price	3,050.33 USD				
PV(Market Cash Flows)	3,050.19				
IRR	5.74%				
Settings					
Ry Horizon	10 Years				
Market Index					
S&P 500	3,050.33 USD -2.59%				
Implied Market Return Calculation					
	E2020-12-31	E2021-12-31	E2022-12-31	E2023-12-31	E2024-12-31
CASH FLOW					
Sales	1,472	1,522	1,566	1,603	1,641
Net Margin	20.06%	20.06%	20.06%	20.06%	20.06%
Net Income	148	153	158	161	167
Payout Ratio	96.69%	96.69%	96.69%	96.69%	96.69%
Cash Returned	143	148	153	156	161
PRESENT VALUE					
Discount Rate	5.74%	5.74%	5.74%	5.74%	5.74%
Present Value	2,360	2,308	2,246	2,174	2,102

General Cannabis WACC Benchmarks		
Name	Ticker	WACC
Copart, Inc.	NASDAQGS:CPRT	8.0%
SP Plus Corporation	NASDAQGS:SP	8.0%
ARC Document Solutions, Inc.	NYSE:ARC	8.5%
Stericycle, Inc.	NASDAQGS:SRCL	8.5%
Industrials	SECTOR:IND.US	9.0%
Casella Waste Systems, Inc.	NASDAQGS:CWST	9.0%
Clean Harbors, Inc.	NYSE:CLH	9.0%
CECO Environmental Corp.	NASDAQGS:CECE	9.0%
American Cannabis Company, Inc.	OTCPK:AMMJ	9.5%
AMREP Corporation	NYSE:AXR	9.5%
General Cannabis Corp	OTCPK:CANN	10.0%
Team, Inc.	NYSE:TISI	10.5%

WACC	
Debt/Equity Ratio (20m : 2,75m)	7,273
Cost of Equity	7,53%
Global Risk Free Rate	0,69%
Equity Beta	1,0096
Market Risk Premium	5,74%
Company Specific Risk	30,00%
Cost of Debt (Kd)	16,00%
After-tax Cost of Debt(Kd)	12,04%
Tax Rate	24,72%
WACC	11%



Appendix 7 – Discount for Lack of Control

The value of a minority holding in an entity may not reflect the proportionate amount of 100% of the equity. Minority holdings will generally require the application of a discount to incorporate the difference in degree of control of power of the ownership interest being valued.

The International Valuation Standards Council defines a Discount for Lack of Control (DLOC) as “*an amount or percentage deducted from a pro-rata share of the value of 100% of an equity interest in a business, to reflect the absence of some or all of the powers of control*”.

Examples of actions that a control owner can take that a minority owner may not be able to include:

- determine compensation for directors and employees;
- determine dividend policy;
- undertake merger and acquisition activity; and
- determine the strategic direction of business.

In practice, the discount for DLOC can range from 5% to 50%. The implied premiums for control from various studies include:

DLOC	Description
19% - 35%	M&A data - Jarrell and Poulsen published by the U.S. Federal Trade Commission’s Bureau of Economics.
16% - 30%	M&A data – Jensen and Ruback published by the U.S. Federal Trade Commission’s Bureau of Economics.
23 - 25%	M&A data – Andrae, Mitchell and Stafford published by the U.S. Federal Trade Commission’s Bureau of Economics.
21% - 42%	A 2014 study of 605 Australian takeovers from FY01 to FY14 by Halligan & Co indicated a median takeover premium of 30%, ranging between 21% and 42% across various specific industries.
20.2%	The Fact Set Mergerstat/BVR Control Premium Study captured worldwide data of more than 9,800 transactions quantifying control premia, implied minority discounts, and public company valuation multiples. It analysed the range of median control premiums of 20 target nations from 1998 to 2015, based on transactions by country, average net sales and median net sales. The average premium was 20.2%.

Appendix 8 – Discount for Lack of Marketability



A discount for lack of marketability (DLOM) may also be considered as compared to the liquidity of selling a 100% interest. A DLOM has regard to the relative ease and speed with which an asset can be converted to cash. The ability to easily and quickly convert an asset to cash is attractive to investors. Assets without these characteristics will generally sell at a discount to similar assets that do have these characteristics.

There have been several studies undertaken on DLOM. According to the Business Valuation Discounts and Premiums, Shannon Pratt, the empirical data suggests that primary drivers of the size of DLOM are as follows:

Primary drivers	Description
Size of distributions	The higher and more certain the distribution (dividends) the lower the discount and vice versa. Studies indicated that the DLOM when there are no distributions is quite high, with a median of around 45% in the pre-IPO studies and an average discount of 35% in the partnership spectrum study.
Prospects for liquidity (length of holding period or timing of exit)	The shorter the expected holding period and the more certain the prospective transaction the lower the discount. This is very important for entities that do not make distributions since the ultimate payoff is the only return that can be expected. Studies have indicated that average discounts on pre-IPO transactions have ranged from approximately 30% to 50%. Where exit transactions are less certain, it would be expected that the discount would be higher.
Pool of potential buyers	The larger the pool of potential buyers for the interest itself the lower the DLOM and vice versa.
Risk factors	Whilst risk factors would be embedded in the earnings multiple adopted, interests in companies with high risk factors attached to them are more difficult to sell. Studies have shown that higher levels of earnings and stability of earnings are factors associated with lower discount rates while losses and / or high earnings volatility are associated with higher discounts.

Appendix 9 – Disclaimer and General Assumptions



DISCLAIMER

The report has been prepared at the request of Eco Equity for the purpose indicated in the covering letter and should not be used for any other purpose.

In completing this engagement, we have necessarily relied on information and material supplied by Eco Equity. Our procedures and enquiries did not include verification of work, nor constitute an audit or review in accordance with generally acceptable auditing standards for accounting or review services, respectively. Our report is issued on the understanding that you have drawn our attention to all matters of which you are aware which may have an impact on our report up to the date of signature.

We reserve the right to revise our opinion in light of any information existing at the report date which becomes known to us after the date of the report. We have no responsibility to update the report for events and circumstances occurring after the date of the report.

We will not be responsible for any error in our report caused by, or arising out of, or in any way connected with any omission of information or any misrepresentation, misleading or deceptive information or materials supplied to us.

Furthermore, recognising that Baker Tilly Capital Zimbabwe may rely on information provided by Eco Equity, Eco Equity has agreed to make no claim against Baker Tilly Capital Zimbabwe to recover any loss or damage which Eco Equity, or any associates may suffer as a result of that reliance and also has agreed to indemnify Baker Tilly Capital Zimbabwe against any claim arising out of this engagement, except where the claim has arisen as a result of any proven wilful misconduct or negligence by Baker Tilly Capital Zimbabwe

GENERAL ASSUMPTIONS

In undertaking the valuation analysis, we have also assumed the following:-

- The Company will remain as going-concern and there will be no significant changes in the principal activities, key management personal, operating policies, accounting and business policies presently adopted by the Company.
- The profit and cash flow forecast have been prepared based on prevailing economic conditions and information available as at 31 December 2026 and does not encompass any assessment of any potential future changes in the economic conditions that may affect the Company's operations.
- There will be no significant changes to the prevailing economic, political and market conditions in Zimbabwe and elsewhere that will have direct and indirect effects on the activities and performance of the Company and the business of the Company's customers and suppliers.
- There will be no material changes to the present legislation and Government regulations and other operation regulations or restrictions affecting the Company's activities or the market in which it operates. The Company will continue to hold the requisite licence required for it to carry out its businesses.
- All income and expenditure of the Company (except for non-cash items) used in compiling the profit forecast and projections are incorporated in the cash flow forecast and projections on the basis that the forecast and projected results will be achieved.
- Other than as set out above, there will be no significant changes in the credit period granted or received by the Company.
- The corporate tax rate of the Company will remain at 24.72% with no significant changes in the bases of taxation and there will be no significant changes in the structure which would adversely affect the cash flows of the Company.
- There will be no material adverse effect from service disruptions, equipment or network breakdown or other similar occurrences, wars, epidemic, terrorist



attacks and other natural risks, both domestic and foreign, which will adversely affect the operations, income and expenditure of the Company.

- The rate of inflation will not fluctuate significantly from their projected levels.
- There will be no substantial impairment to the carrying value of the Company's property, plant and equipment and other assets.
- There will be no significant changes in wages, supplies, administration, overhead expenses and other costs other than those forecast and projected.
- There will be no significant changes to the existing management personnel as well as the operating policies of the Company.
- There will be no termination of any significant agreements or contracts (if any) from which the legal rights accruing to the Company, in respect of the principal activities are derived.
- There will be adequate supply of manpower and other relevant resources to the Company for its business activities.
- There will be no major legal proceedings against the Company which will adversely affect the activities or performance of the Company or give rise to any contingent liability which will materially affects the financial position or business of the Company.
- The Capex estimated by the Management will be sufficient to support the business activities and there will be no material acquisition or disposal of property, plant and equipment other than those planned.

In the event that actual events are different from any of the assumptions above or different assumptions were applied, the analysis result may vary from that set out in this report.



Capital Zimbabwe

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