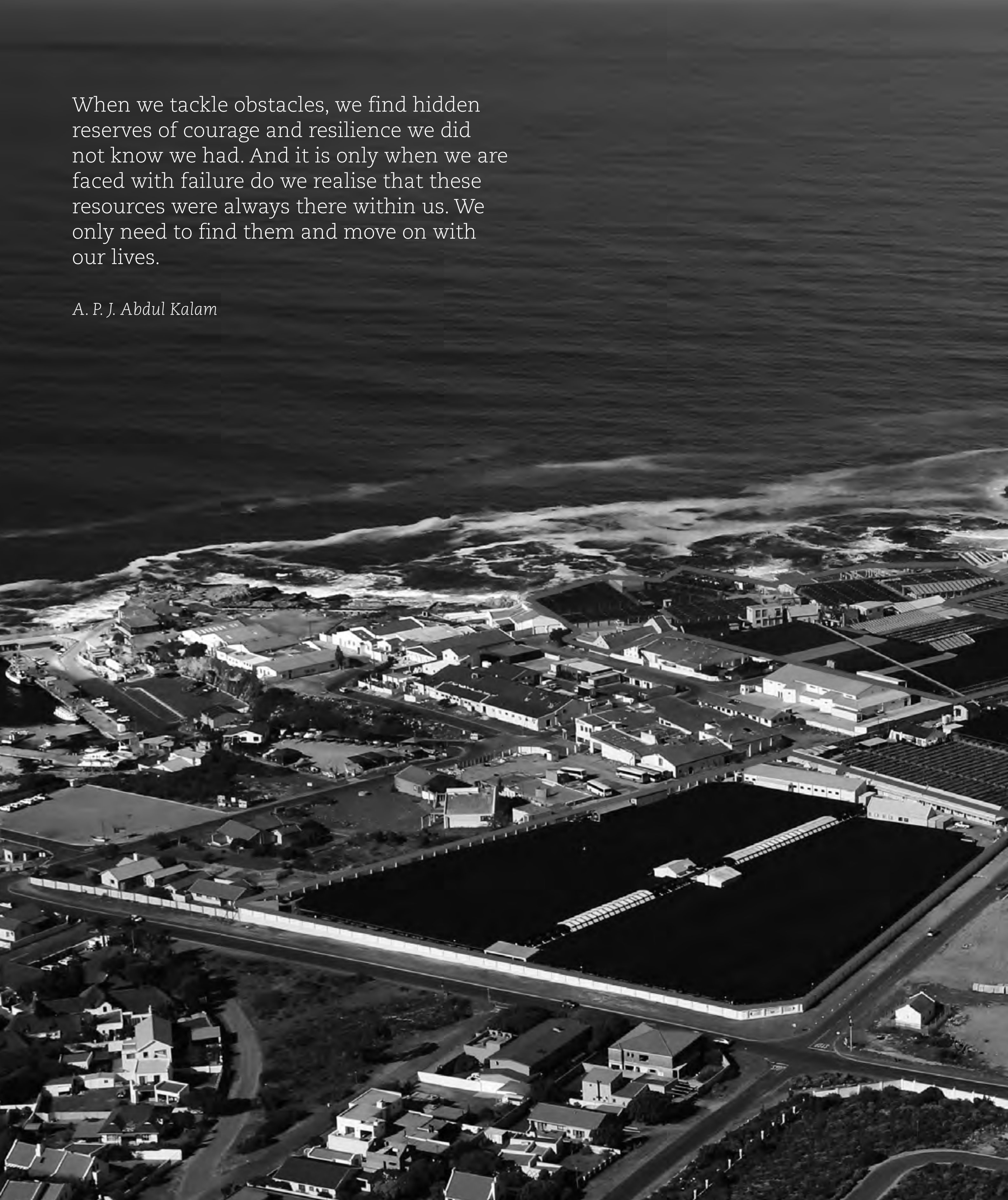
ABAGOLD

INTEGRATED REPORT 2018

re:silience

When we tackle obstacles, we find hidden reserves of courage and resilience we did not know we had. And it is only when we are faced with failure do we realise that these resources were always there within us. We only need to find them and move on with our lives.

A. P. J. Abdul Kalam



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SHAREHOLDERS' DIARY

Important reporting and meeting dates

REPORTS

30 JUNE 2018
Financial year-end

26 SEPT 2018
Annual financial statements approved

28 FEB 2019
Interim financial statements for the half-year to 31 December 2018 to be distributed by 28 February 2019

MEETINGS

08 DECEMBER 2018

ANNUAL GENERAL MEETING

Date	Saturday, 08 December 2018
Time	09h00
Venue	"The Heart of Abalone" shed, Seaview, Abagold New Harbour Hermanus

re:cover

CONTENTS

Resilience isn't a single skill. It's a variety of skills and coping mechanisms. To bounce back from bumps in the road as well as failures, you should focus on emphasising the positive.

Jean Chatzky

MANIFESTO AND VALUES

Manifesto

Abagold, the integrated and sustainable agribusiness with core compentency in and focus on Aquaculture and a diversified global footprint, delivering premium-quality products through innovation, branding and partnerships.

Our Values

Integrity
Through purpose and principle we ensure natural and safe products

Respect
For each employee, team member, shareholder, society and the planet

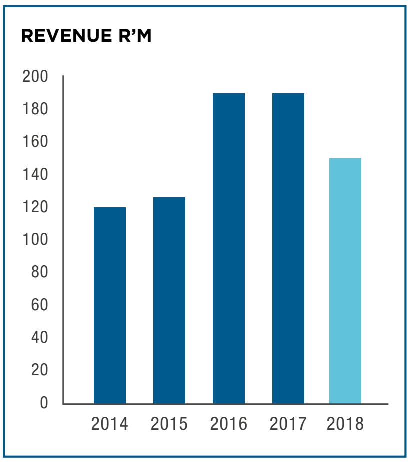
Quality
In everything we do and produce

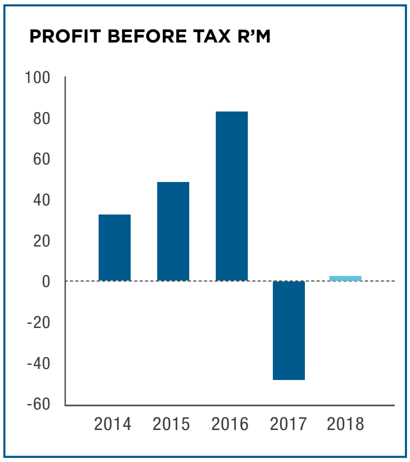
Innovation
Striving for continuous improvement

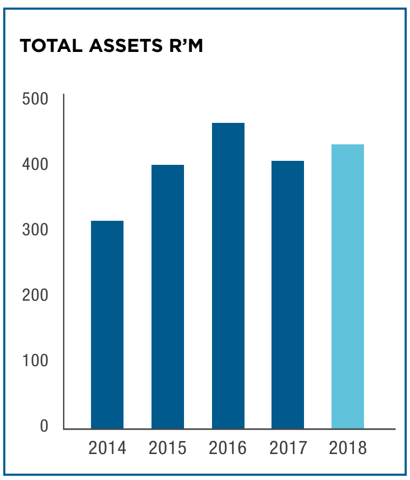
Responsibility
Towards all our stakeholders and the long-term sustainability of our Group, society and planet

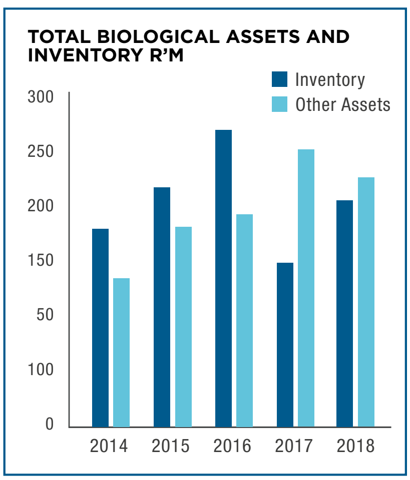
SALIENT FEATURES OF 2018

re:build









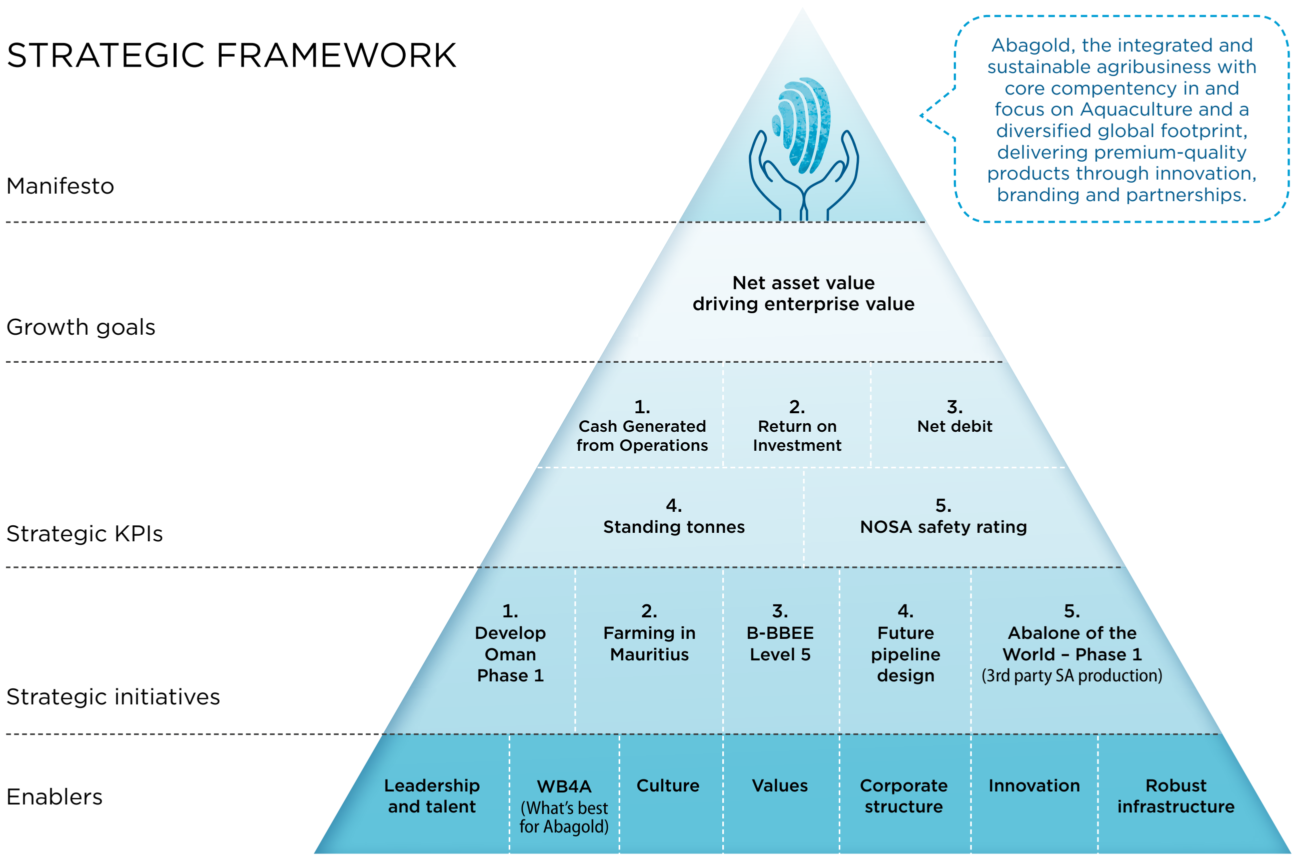
- The successful build of two Adverse Water Quality plants, which has significantly reduced the potential impact of another red tide event.
- Abagold achieved good customer retention despite price increases across the product range.
- Sales mix had a higher proportion of "live" product, which has a quicker cash conversion.
- Annual production of formulated feed from Specialised Aquatic Feed ("SAF") increased from 2 000 tonnes (2017) to 3 000 tonnes (2018).
- Abagold produced 9,5 million spat for the year and was able to adequately meet its own requirement as well as the supply of spat into the market.
- Abagold continued with its joint venture to develop the abalone farm in Oman.
- Abagold started a business activity in Mauritius with the aim of developing a sea bass fish farm.

ABAGOLD STRATEGY

The red tide event in 2017 had a significant impact on Abagold, affecting the profitability and cash flows of the business in the short to medium term. In response, the immediate recovery plan implemented by management has focused on the basics of farming as well as hatchery expansion, thereby securing a viable and sustainable pipeline as soon as possible.

In line with recent events and the need for further diversity, management completed a review of the Abagold strategy with the objective of alignment and agreement on priorities, and clarification of the medium- and long-term objectives. These objectives have been cascaded down into building blocks that will enable successful implementation of the strategy. The strategic framework is set out in the figure below:

STRATEGIC FRAMEWORK



CHAIRMAN AND MANAGING DIRECTOR'S REPORT

Overview of performance during the year to 30 June 2018

Abagold's efforts in fiscal year 2018 were largely dedicated to the recovery of our abalone pipeline that had been so severely decimated by the red tide event in 2017. The learnings from 2017 made it clear that further diversification, both geographically and in product offering, will be critical to the long-term sustainable success of Abagold. This commitment by the business to diversify is succinctly defined by our updated manifesto:

> "Abagold, the integrated and sustainable agribusiness with core compentency in and focus on Aquaculture and a diversified global footprint, delivering premium-quality products through innovation, branding and partnerships."

The knowledge that the business in Hermanus could potentially again be impacted by a red tide event, focused a tremendous effort and financial commitment on designing, developing and installing a multifaceted defence mechanism to protect our farms and future operations from such an event.

The strategic decision by management to anticipate the benefit of incremental spat production through significant early investment in the hatchery expansion, turned out to have been correct and enabled increased spat production in the fiscal year. As a result, the hatchery produced 9,53 million spat that were transferred to the farm to speed up repopulation of the farming operations. With this reallocation of resources, the targets for the year in relation to animals transferred into full-scale production were surpassed. It was even more critical, with this volume of spat available, that the business focused on ensuring that all the basics of farming were being executed as effectively as possible. This approach was introduced and recognised by all staff as a "Back to Basics" initiative. Such focus allowed the business to achieve significantly higher growth than originally planned and will provide us in 2018 and 2019 with more options to redesign and shape the pipelines for future market requirements.

In March 2018, the town of Hermanus experienced the first wave of civil unrest, linked to Zwelihle, the community from which Abagold draws most of our staff. These disruptive actions could easily have railroaded the excellent work achieved by everyone during the earlier part of the year, but, due to many managers and dedicated staff members taking risks to arrive at work and to ensure that the animals were constantly fed, tanks were cleaned, and product was packed and processed for the market, there was almost no noticeable impact from these actions on the performance of the Company.

As always, it is necessary to recognise the more than 450 people who work at Abagold every day, in sometimes tough and uncompromising circumstances, for their hard work and dedication, and we look forward to celebrating the achievement of full farms in due course. The real work and dedication of the Abagold team will be truly tested with the ongoing demand for improvement in efficiency and productivity that will allow the business to achieve the full farms with the right size and weight distribution by June 2020, three months earlier than originally planned.

The financial resources of the business were tested in the fiscal year, as the decision was taken to harvest only 75% of growth in order to repopulate the production pipeline as quickly as possible. This led to the market receiving less than 50% of the volume of product that was sent in 2017. This also contributed to Abagold needing to make use of the cash that had been retained in 2017 to fund this restocking and recovery effort. There were a few key strategic decisions that helped the business to show a small profit in the fiscal year, which included increasing the average selling price by 6,1% in the year as well as engaging with other South African abalone farmers to enable Abagold to purchase more than 50 tonnes of product from them that were processed and sold under the Abagold brand. The impact of lower margins and having to fund these third-party transactions contributed to a drain on the cash generated from operations in the year. The communication and fore-casting disciplines that were implemented last year rendered material benefits this year, as all customers were advised, in advance, of what sizes and volumes of product to expect in each month of the year. This allowed customers to plan better and align market demand with the supply curve.

We are thankful for the financial reserves that were created over the prior two years, as this will allow the business to sustain itself over the next eighteen months while the recovery of the pipeline volumes to previous levels is attained, whilst maintaining a level of supply to our loyal customers at the same time.

With all this in mind, the overall performance of the business can be evaluated under the following headings.

Financial performance: Total revenue earned for the year was R150 million, significantly off the R188 million for the prior period. Fair value adjustments to biological assets also had a material impact on the financial results. To facilitate an improved understanding of the Company's core operational performance during the year, an alternative statement of comprehensive income is presented on this page in more traditional form (i.e. before showing IFRS-required adjustments for the revaluation of biological assets from year-to-year) and reconciled to the reported results of the business.

On a consolidated basis, total revenue declined by 20% from the previous fiscal year.

The gross profit for the period of R67 million meant a 45% gross profit margin compared with the prior period of R123 million and 66% gross profit margin. The decline in the gross profit margin is largely due to the impact of buying in and selling at lower margins third-party product (50 tonnes) and to lower volumes of sales in the current period.

Net realised profit before taxation is the reported profit excluding the effect of any unrealised currency exchange gains or losses arising on the revaluation of biological assets from year-to-year. This net result reflects a profit of R6,9 million for 2018 compared with a profit of R101 million in 2017. The impact of the insurance proceeds received in 2017 has a base effect on the prior year results. Taking the unrealised currency exchange gains or losses and the biological asset revaluations into account as required in terms of International Financial Reporting Standards ("IFRS"), the net profit before tax is R2,5 million in 2018 compared with a R49 million loss in the prior year.

Alternative statement of comprehensive income:

	% Change	30 June 2018 R'000	30 June 2017 R'000
Revenue	(20)	149 990	187 687
Cost of sales	28	(82 686)	(64 479)
Gross profit	**(45)**	**67 304**	**123 208**
Gross profit %		**45%**	**66%**
Other income	(81)	7 569	39 888
Net realised forex (loss)/gain	(78)	1 906	8 729
Administrative expenses	(7)	(44 526)	(47 626)
Depreciation	(9)	(12 272)	(13 497)
Other operating expenses	30	(6 888)	(5 295)
Profit from operations	**(88)**	**13 093**	**105 407**
Finance charges	0	(3 390)	(3 381)
Equity accounted investment gain/(loss)	302	(2 776)	(690)
Realised profit before taxation	**(88)**	**6 927**	**101 336**
Production costs capitalised in stock	72	(24 378)	(14 197)
Unrealised fair value adjustment to stock	119	26 139	(134 265)
Net unrealised forex loss	209	(6 164)	(1 993)
Profit/(loss) before tax	**105**	**2 524**	**(49 119)**
Taxation	(99)	91	15 783
Net profit	**108**	**2 615**	**(33 336)**
Gross profit %		**45**	**66**
Realised profit %		**5**	**54**
NPBT %		**2**	**(26)**

Sales: The abalone sales volumes declined in the 2018 fiscal year due to lower supply, while the overall market was very buoyant and this allowed the team to increase the average US$ selling price/kg, even though the average size of the product sold in the period dropped by 27%. Sales are the combined result of total tonnage sold, US$ prices achieved and the Rand/US$ exchange rate realised on converting these sale proceeds to Rand. Abagold achieved sales of 325 tonnes of live equivalent abalone, a reduction of 60 tonnes from the prior year. The total sales revenue on abalone ended at R149 million, which is a decrease of 20% over last year.

Production performance and efficiency: Growth on the farms increased significantly from the poor 2017 growth, with an increase of 28,2% to 336 tonnes from 262 tonnes in 2017. This growth allowed the operations team to achieve 42 tonnes more standing stock than had been forecast, with the final stock at 451 tonnes. The cost of production was well below the budgeted amount, as the additional growth and volume were achieved. As was committed to in last year's report, there was significant investment in the expansion of the hatchery, and the results of this investment can be seen in the overall transfer of spat to the farms as well as the incremental growth achieved on the farms.

re:energise

I think there are things that we can all do to build resilience in ourselves, but also to build resilience in each other.

Sheryl Sandberg

Cost control: Cost control remains a key focus area and many initiatives are delivering encouraging results. Total cost per kilogram decreased to R350/kg, a reduction of 22% when compared with the prior year, and this area remains the greatest opportunity to improve efficiencies and sustain overall profitability. Significant capital expenditure and resources have been allocated to innovate and explore alternative processes that will result in future benefits in this area.

Cash generated from operations: The cash generated from operations was negatively impacted by the reduction in sales during the current period. However, the team continued to work diligently during 2018 to maintain the health of the business's working capital. Initiatives such as managing stock of finished goods, reducing debtors' days to below 30 days, as well as better payment terms negotiated with suppliers, were all continued in the current year. The cash generated from operations declined to an outflow of R32 million compared with an inflow of R99,4 million in the prior year, mainly due to a decline in the current year sales, larger third-party stock purchases and lower margins achieved, as well as a base effect of R37 million in insurance proceeds received in the prior year. In addition, the decision was made to carry forward 42 tonnes of stock (approximately R16 million) in order to realise better value in coming months from the added growth.

Debt and banking facilities: The net debt position increased to R55 million (2017: nil), which was largely the result of a decline in cash generated from operations and a significant investment in infrastructure to mitigate risk in the event of another red tide or other adverse water quality event. In the prior year, we had received R37 million in insurance proceeds, which was earmarked to build an Adverse Water Quality protection system, completed in the current year.

Subsidiary businesses

The business remains committed to a structured programme of diversification in order to ensure a stable revenue stream and spread our business risks. This will be achieved through continued investment in businesses like Specialised Aquatic Feed (Pty) Ltd, Oman Aquaculture Co LLC, Abagold Mauritius and Port Nolloth Sea Farm Ranching (Pty) Ltd, which are receiving the necessary financial commitment and focus to enable them to perform at expected levels in the years ahead. Management has committed to ensuring that the level of quality back-up knowledge and experience is in place at the primary operation in Hermanus so that focus on Abagold Hermanus is not lost.

Specialised Aquatic Feed ("SAF")

In July 2017, Abagold completed the strategic transaction to sell a 30% stake in SAF to Viking Aquaculture. This transaction will allow the further expansion and growth, for SAF, in the many areas that Viking is currently developing.

The SAF operation delivered a profit for the first time since start-up, and the performance in 2018 began to demonstrate what can be achieved with focused commitment and a well-disciplined management and sales team. The performance in 2018 led to a net profit before tax of R2,4 million, a turnaround of over R8 million from 2017. New premium markets have been identified, and progress to supply the aquaculture industry with a high-quality pellet has great potential. This diversification will be valuable for Abagold in the future.

Ranching

Abalone ranching is the placing of abalone spat in the ocean. In Abagold's case, this is happening in areas where the species does not occur or no longer occurs naturally, and where the planted baby abalone will grow and prosper for later harvesting. Abagold has a 20% shareholding in such an operation, Port Nolloth Sea Farm Ranching (Pty) Ltd ("PNSFR"), which is an experienced ranching operator on the northern Cape Coast with all the necessary government permits to ranch abalone at Kleinzee.

Abagold supplied spat stock from the Abagold Hatchery in Hermanus as our contribution to this joint venture, and, in 2018, we delivered 600 000 spat as per contract. This makes the total volume of spat placed in the ocean at Kleinzee more than 2,4 million juveniles in the five-year period since the start of the project. The target is to continue to place a further 50 000 juveniles per month over the next three years.

The growth performance of the abalone already planted as part of the ranching project is encouraging, and the survival and growth rates indicate significant long-term potential for all parties involved. Expected first commercial harvesting is scheduled for 2020.

Oman

In 2016, the Board of Abagold approved a capital investment in a pilot phase of an Abalone farming project in Oman. This investment was made in a joint venture with an Omani partner, Muscat Overseas Group ("MOG"), in a newly formed Omani entity, Oman Aquaculture Co LLC. The construction of the pilot phase, after some regulatory delays, will now commence in the first quarter of 2019, with expected production starting mid 2020 and the first sales from the operation in 2021. The initial investment in the pilot phase aims for a limited-volume operation. However the planned infrastructure will support further expansion towards the full implementation of a 600-tonne farm by 2022. Success in the pilot phase will be measured against key performance milestones, agreed with management and the joint venture partner.

Mauritius

In June 2018, the Board of Abagold approved a pilot phase project to farm 1 000 tonnes of Red Drum Sea Bass (*Sciaenops ocellatus*) in cages in the south-east of the island of Mauritius. The business has contracted Olivier Daguin, an expert in the production of this species, with specific experience of more than twelve years in Mauritius. This species is a high-value, high-demand product that has excellent selling opportunities on most continents of the world.

The operation will embark on the Environmental Impact Assessment ("EIA") process, which will include a very rigorous community engagement programme that is expected to take six to eight months to complete. The expected time frame for the operation to have the first cage in the sea is the 4th quarter of 2019. As an added benefit, this operation will be an outlet for significant tonnage of feed product from SAF.

Energy

Abagold's alternative energy projects were transferred to Mean Sea Level (Pty) Ltd ("MSL") in 2014, in exchange for a stake in that company. This gave the projects the necessary focus and ability to raise the additional funding required from existing and external sources, as well as access European Union grant funding. Progress on the Wave Energy Converter ("WEC") has been slow, although the recent entry of the Industrial Development Corporation as a major funder of the remaining portion of the pilot project is very encouraging. The team at MSL has also adapted its methodology and implementation and are having significantly more success at this time. There is great expectation to complete the wall of the WEC by December 2019. The Energy Recovery Turbine ("ERT"), completed in 2015, was transferred to Abagold in 2017, but, due to lower water volumes required by Abagold, the system will only start producing electricity again in August this year.

Abagold continues to investigate alternative energy options and, to this end, has engaged with a solar supplier to test the feasibility of solar with new tracking technology, and will continue to identify other potential sources of renewable energy for Abagold.

Future outlook

Hatchery

The hatchery performed excellently in 2018 with a new "stretch" target of 1,6 million spat per month. The expansion of the facility meant that the hatchery reached more than double its original capacity by December 2017. Further innovation and improvements have been implemented this year and the 9,5 million spat produced in 2018 is something to be proud of. The consistent production of increased volumes of high-quality spat to our farms is the essential basis for the recovery of our pipeline, while the expansion of operations on farms operated by others has led to a high demand for spat in the forthcoming twelve months. This division remains the platform for the rest of the operation to achieve growth targets, competitive feed conversion rates and cost efficiencies.

Production recovery

The Sea View, Sulamanzi, Amaza and Bergsig production pipelines were populated as quickly as transfer from the hatchery was possible, and the yield (growth net of sales/starting volume) achieved of 99% is very encouraging when compared with previous yields of less than 90%. It will still take six more months to get back to full capacity and a further twelve months to achieve the optimal size distribution. The operations team remains comfortable that the pipeline will be fully restored by July 2020. The production team is fully focused on some amazing innovation technology in tank cleaning and sorting systems that will significantly reduce costs and improve efficiency across all the farming units. Further productivity improvements in the formulated feeds, genetic selection programme and innovative husbandry practices can be expected.

Sales and marketing

The Board approved reduced harvesting and a sales plan that will continue to facilitate the full restoration of the pipeline in 2019. This process is a balance between maintaining and supporting sales partners whilst at the same time ensuring that the farm recovery happens as quickly and effectively as possible. The excellent progress achieved in 2018 has created a great launch pad for the operation, and sales partners are kept informed of all progress achieved. Demand remains strong and pricing in US$ will continue to improve, especially on dried and canned product. The slightly improved sales volume for 2019, with an additional 80 tonnes from other farming operations, has been included in the plans for the new year and will be managed accordingly.

In conclusion, the Abagold management team and Board believe that the business has reviewed and evaluated all components of the planned recovery and are satisfied with the progress made to date. Mitigation and prevention plans are now in place to avoid any re-occurrence of a red tide or an adverse water quality event impacting the business to the same extent as last year. The determined focus of this team is to restore the primary business to deliver exceptional results in future, while implementing approved diversity opportunities to reduce risk as well as constantly evaluating and investigating additional opportunities to ensure sustainability for the overall business. As Chairman and Managing Director, we would like to thank the executive team and all staff members of the Abagold and SAF businesses for their commitment and focus in another complicated year and look forward to a full recovery and outstanding results in the years ahead.

Dividend

Due to the demands of the recovery plan that was communicated last year and which is progressing as planned, the Board regrets to announce that there will be no dividend for the 2018 financial year. The management and Board of Abagold remain committed to enhance shareholder value with a credible, consistent and effective dividend policy, but also believe that all shareholders will understand the decision in this regard for the 2018 fiscal year.

Share trading

Since the conversion of Abagold to a public company in 2008, trade in its shares was facilitated by means of an "over the counter" ("OTC") trading platform which was developed and hosted by a third-party service provider, FNB Securities.

Following the introduction of the Financial Markets Act, Act 19 of 2012 ("Financial Markets Act"), the Financial Services Board ("FSB") took the view that such OTC share trading mechanisms fall within the definition of an "exchange" and have to be licensed as such in terms of the Financial Markets Act. FNB Securities elected not to seek an exchange licence, and, as a result, the Board of Abagold had to suspend trading in Abagold shares on the OTC platform of FNB Securities with effect from 19 September 2014.

Abagold itself will not apply for an "exchange" licence for trading in its shares due to the costs involved and the onerous administrative burden that would place on Abagold.

Prospective sellers or buyers of Abagold shares may send an email to Enver Manchest, the chief financial officer and company secretary of Abagold, at enver@abagold.co.za, setting out their full names and contact details where prospective sellers/buyers of Abagold shares may contact them. By sending this email to the company secretary of Abagold, the shareholder agrees that its names and contact details may be sent to any prospective counterparty.

It would then be up to the prospective purchasers and sellers to negotiate a transaction, including the purchase price payable. Once a prospective purchaser and seller have agreed on the sale of any Abagold shares, they should contact the company secretary at enver@abagold.co.za who will assist the parties in effecting the payment for, and transfer of, the relevant Abagold shares with its transfer secretaries, Link Market Services.

For questions relating to this interim procedure, please contact Enver Manchest (company secretary) on 028 313 0253.

Life doesn't get easier or more forgiving; we get stronger and more resilient.

Dr Steve Maraboli

Board of Directors

The Board appointed Thoko Mokgosi-Mwantembe as director and expresses its appreciation to her for her willingness to serve. In terms of our Memorandum of Incorporation, Thoko is required to be elected by the shareholders at our next Annual General Meeting, and the board proposes her election as non-executive director.

In line with our Memorandum of Incorporation, Sarah de Villiers retires as director by rotation at our upcoming Annual General Meeting, and being available she is proposed for re-election to the board. We thank Sarah for being willing to continue serving Abagold in this capacity.

Details of Thoko's and Sarah's qualifications appear in the accompanying integrated annual report.

Acknowledgements

Our experienced and diverse Board of Directors continues to serve with adherence and energy, and we thank them for this and their insightful guidance. We also thank our shareholders for their continued support.

The dedication of management and staff to the well-being of Abagold is exemplary, and we are thankful for their commitment and energy. This includes the important area of open and timely communication with the Board on key matters, enabling fruitful interaction with and focused oversight by, and input from, the Board. This was further highlighted by the way that management managed the communication of the recent Hermanus unrest events and highlighted the importance of this process. We look forward to working together, continuing to build a business of which shareholders and all other stakeholders can be proud.

Hennie van der Merwe	**Timothy Hedges**
Chairman	Managing Director

SUSTAINABILITY REPORT

Abagold received the Leading Employer Skills Development Award from the Agricultural Sector Education and Training Authority ("AgriSETA").

We strive to deliver sustainable value to stakeholders through three critical elements... People, Planet & Profit.

Our short-, medium- and long-term strategies are built on these elements, which, in turn, inform values, key performance indicators and measurements on both a Company-wide as well as on an individual level.

People

It is said that the strength of the team lies in the strength of the individual and that the strength of the individual is in the strength of the team, and that this is a true win-win strategy. This has certainly been true for Abagold over this past financial year. Recovery demands teamwork, resilience, collaboration and reliance. Abagold relies on its talented and committed employees to help realise its Vision, to share in the passion and the dream to rebuild Abagold Hermanus together, and to grow the entity to a diversified and successful business.

The 2018 long-service awards function recognised 37 employees with a total of 446 years' service at Abagold. It is this knowledge and expertise that enables the business to deliver world-class FSSC-quality ("Food Safety System Certification") product on a consistent basis.

Skills

Nelson Mandela said that education is the most powerful weapon with which one can change the world. This is a belief shared by Abagold. To achieve greatness demands an investment in skills, knowledge and expertise, and Abagold continues our commitment to investing in our people. This is truly an acknowledgement of our commitment to the development of people, from early childhood through to postgraduate qualifications. The R20 000 award was donated to the Early Childhood Development Fund, as it is Abagold's belief that this forms the foundation upon which all future development rests.

Abagold develops its employees from adult basic education through to postgraduate qualifications. It invests in creating a pool of talented employees who have the foundational

expertise from which to grow their careers. Along the individual career growth path, specific training and development are undertaken.

Abagold employs a significant number of interns, apprentices and graduate placements – in excess of what Abagold can employ – but it is our belief that their work experience and exposure at Abagold will enable them to more effectively secure future job opportunities, and that this creates a pool of resources not only for the industry, but for our country too.

One of the graduate placement students, Livhuwani Nethenzeni, was afforded the opportunity to join the SA *Agulhas* on a research expedition. She subsequently joined the Abagold team as a junior researcher.

Reinvesting in the community

In an era in which business globally is experiencing a shift away from viewing business organisations as purely business enterprises to that of seeing a business as a social enterprise, Abagold has experienced this first-hand in Hermanus. In 2018, Hermanus experienced significant social violence in Zwelihle – from which Abagold draws most of its employees – concerning various aspects of social delivery, the most predominant of which has been housing. The ecosystem in which the business operates has multiple layers of complexity that place increasing societal expectations and demands on the business.

Abagold continued to collaborate with, and challenge, local and provincial government in dealing with social demands, service delivery and effective partnering. As a leader in this community, Abagold will continue to advocate for improvements and will, where possible, support their introduction.

The Abagold Development Trust has continued to focus on education, from early childhood development to enabling eight financially challenged and previously disadvantaged, talented young individuals to obtain their undergraduate qualifications through bursaries. In addition, Abagold awarded 16 bursaries to employees to study further and also funded two postgraduate research studies.

Flexibility, collaborative leadership and living the Abagold Values of Integrity, Respect, Quality, Innovation and Responsibility have enabled the organisation to continue to operate in times of uncertainty and volatility.

Empowerment

For Abagold to succeed in a flourishing economy in South Africa, it must empower others, making sure that they in time become more successful than Abagold has been.

Over the past year, Abagold improved its broad-based black economic empowerment ("B-BBEE") Level 5 contributor status to Level 4, that is, to 100% compliant.

Abagold established an empowerment organisation, AquaWomen, in September 2017. The AquaWomen (Pty) Ltd project was brought into being in order to recognise the contributions of long-serving employees of Abagold Ltd and to reward them for their service and loyalty to Abagold. AquaWomen is owned by Abagold Ltd (45%), the Long-Serving Female Employee Trust (30%) and the Long-Serving Male Employee Trust (25%). AquaWomen manufactures abalone grow-out baskets and racks, and supplies both Abagold and other industry players with high-quality products.

Risk reduction

Abagold recognises that health, safety and environment management should embrace, in a holistic way, the interactions between the work environment, equipment, systems and procedures on the one hand, and the people in the organisation on the other. Effective risk management depends partly on the behaviour of individuals in the organisation. Safety management is a key focus for Abagold and significant efforts will be invested to ensure the safety of employees as well as the environment within which Abagold farms.

Planet

Abagold's commitment is to remain legally compliant with all laws and regulations relating to the harvesting, processing and handling of abalone. Abagold, as a land-based aquaculture farm operating on a flow-through basis, relies heavily on the pumping of large volumes of fresh seawater on a continuous basis to all our farms. Consequently, the demand on energy resources is high and accounts for one of the largest expenditures to the Company on an annual basis. Abagold's main source of energy is Eskom electricity, which is not only high in cost, but also in carbon emissions. As it is our objective to promote sustainable business with reduced impact on the environment and to comply with South African legislation pertaining to emissions, Abagold is actively exploring and investing in products and processes that will reduce our reliance on coal-derived energy. To this end, Abagold management is investigating various alternative energy solutions to our current and future demand, solutions that include solar panels which have been tested at our head office since 2017, wave energy through our involvement with Mean Sea Level, alternative fuel sources as found at Specialised Aquatic Feed ("SAF") where diesel has been replaced with low-burning, plant-based oil in its boiler, and improving the efficiencies of our equipment such as pumps, blowers, generators and heat pumps.

Water quality remains a top priority for Abagold, especially since the 2017 red tide. To this end, phytoplankton and marine biotoxin monitoring occurs continuously. By making use of satellite data and the Council for Scientific and Industrial Research's ("CSIR") Oceans and Coastal Information Management System ("OCIMS") data tool available online (https://ocims.dhcp.meraka.csir.co.za), a Harmful Algal Risk Assessment is also carried out daily during the red tide season (October to March). To mitigate against any future red tides or other Adverse Water Quality ("AWQ") conditions, the AWQ re-use plant has been completed and water quality studies are to commence to ensure correct protocols and best practices are employed when required. In-tank water quality parameters have also been the focus of research during the year, especially exploration of self-cleaning tanks. In line with legislation, effluent water quality is tested monthly and we are working towards further reducing any negative impact where possible. Abagold has for many years organised and participated in coastal clean-ups, especially in the areas influenced by our discharge points. All items collected during these clean-up events are recorded and form part of a global model of solid waste pollution along the world's coastlines through the Ocean Conservancy® Platform. It is planned to reduce solid waste within Abagold's effluent through the use of screens, best practices and recycling in order to ensure that environmental measures are complied with.

The Abagold Processing Factory maintained its standard of excellence as a food processing facility by being FSSC 22000-accredited in August 2017. Continuous monitoring of all Abagold products for compliance with South African and international food health and safety standards ensures that we can provide our customers with the quality assurance they require. Friends of the Sea accreditation is also scheduled for renewal, with the auditors already being appointed and the date for the audit inspection being finalised.

Learning isn't a way of reaching one's potential but rather a way of developing it.

Anders Ericsson

In line with the Processing Factory's FSSC 22000 accreditation, SAF also obtained its ISO 22000 certification in February 2018 for all extruded, dried and coated aquatic feed products, which has now opened the door to possibilities for exportation to other markets globally. Continuous research in feed formulation and production, both abalone and trout, has seen great advances for SAF and it is envisaged that research and development of all product lines will increase over the next couple of years.

Profit

Abagold's current-year performance is in line with the recovery plan post the 2017 red tide event. The business was able to achieve a 99% growth yield for the financial year, resulting in improved production efficiency.

Abagold was able to ensure good customer retention despite the challenges relating to the decline in average animal size. The business remains exposed to rand–dollar fluctuations and utilises hedging instruments to mitigate this risk in line with Group foreign exchange policy. The impact of carrying the biological assets at fair value less costs to sell continues to have a significant impact on the profitability reported by the Company.

The Abagold short-term focus remains to deliver on the recovery plan and return the farm to its full potential by July 2019. Our medium- and long-term focus also remains unchanged; to deliver solid shareholder returns through sustained profitability and cash generation.

To ensure that all sustainability criteria have been addressed in the development of this recovery plan, we have taken customer demand and retention, farm pipeline recovery, cost control, and sustainable cash flow into account.


ABAGOLD

re:evaluate

FIVE-YEAR REVIEW

	GROUP				
	2018 R'000	2017 R'000	2016 R'000	2015 R'000	2014 R'000
Statement of comprehensive income					
Revenue	**149 990**	187 687	187 845	125 467	118 821
(Loss)/earnings before interest and tax (EBIT)	**8 690**	(45 049)	88 248	52 665	35 692
Net finance (charge)/income	**(3 390)**	(3 381)	(4 666)	(1 406)	(1 885)
(Loss)/profit before taxation	**2 524**	(49 121)	82 223	49 563	33 807
Taxation	**91**	15 783	(22 597)	(15 813)	(8 971)
Net (loss)/profit for the year	**2 615**	(33 337)	59 626	33 750	24 836
Fair value (loss)/gain on biological assets and inventory due to exchange rate changes	**11 219**	(16 051)	40 510	20 702	12 314
Net (loss)/profit excluding value changes from exchange rates	**(8 604)**	(12 464)	19 116	13 048	12 522
Statement of financial position					
Total assets	**436 618**	393 524	453 337	391 165	307 810
Total current assets	**194 331**	137 799	145 520	132 286	115 400
Total non-current assets	**242 287**	255 725	307 817	258 879	192 410
Total biological assets and inventory ("stock")	**203 478**	146 443	264 028	213 255	176 014
Non-current portion of biological assets	**26 656**	48 915	132 756	91 844	65 831
Total current liabilities	**59 264**	41 313	19 993	31 881	15 147
Total liabilities	**182 021**	147 557	158 033	143 620	84 348
Total equity	**248 072**	245 967	295 304	247 545	223 462
Share capital and premium	**87 505**	87 505	87 505	87 505	87 505
Retained earnings	**160 567**	158 462	207 799	160 040	135 957
Statement of cash flow					
Cash generated from operations	**(32 237)**	99 426	51 460	16 296	37 209
Dividend paid	**–**	16 000	11 867	9 667	5 933
Purchases of property, plant and equipment	**24 659**	41 903	20 201	47 984	13 074
Financial ratios and exchange rates					
Solvency ratio	**2.4**	2.7	2.9	2.8	3.6
Current ratio	**3.3**	3.3	9.6	5.0	7.6
Acid test ratio	**0.3**	1.0	0.9	0.4	0.3
Return on equity	**1.1%**	(13.6%)	20.2%	14.2%	11.1%
Return on assets	**0.6%**	(8.5%)	13.2%	9.0%	8.1%
Operating (loss)/profit margin	**3.9%**	(24.4%)	46.3%	40.6%	30.0%
Financing cost cover (times)	**256.4%**	(1332.5%)	18.9	37.5	18.9
Average exchange rate for the year (R/USD)	**13.40**	13.89	14.69	11.48	10.24
Closing exchange rate (R/USD)	**13.75**	13.05	14.79	12.14	10.63
Earnings per share (cents)	**1.96**	(25.00)	44.72	25.31	18.63
Dividends per share (cents)*	**–**	–	15.90	7.25	7.25
Weight on the farm (tonnes)	**451**	338	565	549	495

** Dividends per share (cents) include dividends declared that pertain to the fiscal year only, i.e. not prior years.*

RISK COMMITTEE REPORT

Introduction

Abagold Ltd is committed to applying risk management principles which effectively manage uncertainty, and the related risks and opportunities, with the objective of achieving optimum shareholder value. Risk management is part of the culture whereby risks are identified, evaluated, managed and mitigated as far as reasonably possible by management in order to ensure sustainability and leverage competitive advantage. Risks identified by management are effectively monitored and reviewed quarterly by the risk committee ("RiskCom"), which is a committee of the Board of Directors of Abagold Ltd ("the Board") and is duly appointed by the Board. A revised risk management methodology was developed, approved and adopted during the past two years. This process remains a living process with continuous improvements and updates aligned with changes to the business and the environment in which it operates.

Responsibility for risk management

The Board delegates full responsibility to management, while retaining accountability for risk management. The directors have delegated specific responsibility through RiskCom to management. RiskCom, which operates within the terms of the risk committee charter ("the charter"), is responsible for assessing risk management processes and procedures adopted by management and ensuring compliance with the risk management principles. The role, functions and composition of RiskCom are included in its charter, with the work plan aligned to ensuring consistent review and evaluation.

Risk management process

Risk management is embedded in the Company's annual business planning cycle and fulfilled through timeously managing risks according to the Risk Committee Work Plan. In determining the strategic and operational plans for the year ahead, each business area is required to review and update the Risk Matrix pertaining to its respective areas of involvement. This includes a review

No matter how much falls on us, we keep plowing ahead. That's the only way to keep the roads clear.

Greg Kincaid

of the risks of the previous financial year and considering new or emerging risks. Facilitated workshops with all levels of management and, where required, presentations by industry experts or external consultants form part of the annual plan in order to ensure that a broad information base is utilised in reviewing and updating the Risk Matrix.

The risks are classified according to the following risk categories: Operational; Financial; Strategic; Safety, Health, Environment & Quality ("SHEQ"); and Reputational & Communication.

Each risk captured within the Risk Matrix is reviewed and a potential Risk Impact and Likelihood of Occurrence, prior to the implementation of any mitigation controls, are assigned. These ratings are assigned based on the following table:

Rating	Risk Impact (RI)		Likelihood of Occurrence (LO)
1	Minimal	Loss < R2.5m	Unlikely – 1
2	Moderate	R2.5m loss < R5.0m loss	Low – 2
3	Major	R5.0m loss < R10m loss	Moderate – 3
4	Catastrophic	Loss > R10m	High – 4

The Risk Index assigned to a risk takes cognisance of the impact on People, Planet & Profit and assigns a potential financial loss to the Company, to each item. The Likelihood of Occurrence Index rating reviews the probability of the risk materialising.

Once the risks have been captured and the pre-control ratings assigned, the mitigating controls are implemented, the risk is then reassessed, and a new post-control rating is assigned, based on the same table as above. The Risk Matrix remains a working document and management reviews and updates the document on a continuous basis in line with changes in the risk profile, environmental conditions, and the implementation of controls. The contents of the Risk Matrix, as well as the associated Risk Impact and the Likelihood of Occurrence, are evaluated by RiskCom on a quarterly basis.

There are a number of areas within the Risk Matrix that are currently receiving focus and attention on an ongoing basis, such as mortalities (adverse water conditions), business interruption, broad-based black economic empowerment ("B-BBEE") status of the business, and illness, but, as happened in the late stages of 2018, the business often has to review and evaluate new and unexpected risks, such as the recent Hermanus unrest situation that occurred in May and June of 2018.

The diligence of management's focus on these areas allows the business to maintain a high level of preparedness for all components of risks identified.


ABAGOLD

BOARD OF DIRECTORS

re:solve

1/ **HR VAN DER MERWE**
Chairman of the Board

2/ **TR HEDGES**
Managing director

3/ **W KEAST**
Non-executive director

4/ **YJ VISSER**
Non-executive director

5/ **JW WILKEN**
Non-executive director

6/ **S DE VILLIERS**
Non-executive director

7/ **CH VAN DYK**
Operations director

8/ **L-A LUBBE**
Human resources director

9/ **P DAVIES**
Non-executive director

10/ **T MOKGOSI-MWANTEMBE**
Non-executive director
(Appointed 14 February 2018)

EXECUTIVE MANAGEMENT TEAM

1/ **TR HEDGES**
Managing director

2/ **CH VAN DYK**
Operations director

3/ **L-A LUBBE**
Human resources director

4/ **W PIEK**
Marketing manager

5/ **C DE WET**
Engineering manager

6/ **E MANCHEST**
Chief financial officer

re:vise

CORPORATE GOVERNANCE

Sound corporate governance remains a dominant theme throughout Abagold's business. The governing structures responsible for directing and controlling the pursuit of Abagold's strategic objectives have remained unchanged in 2018.

Besides ensuring that all decision-making takes place against the backdrop of Abagold's stated values, good corporate governance and housekeeping must, of necessity, be based on a clear system of structure, control and execution. This includes creating a balance between the expectations of our stakeholders, in particular:

- Stakeholders who are affected by our business and/or our operations;
- Parties who could potentially influence our business; and
- Those who have an interest in what we do or how we do it.

The Board of Directors ("the Board") remains the focal point and custodian of corporate governance. Therefore, it is committed to collectively and individually ensuring that sound governance principles are fully integrated into all aspects of the business. The Board takes ownership of the accountabilities and responsibilities assigned to it in this regard, and is dedicated to the execution thereof.

Creating value for all our stakeholders is a priority. We acknowledge that this can only be achieved through sustaining a culture that is based on a foundation of sound governance and business ethics, which includes taking cognisance of the present and future needs of those who have an interest in Abagold as well as others that may be affected by what we do.

Compliance framework

King IV is a consolidation and advancement of the King III principles and the Abagold Board is of the opinion that we have adhered to our Board charter and that the Group has complied with the requirements of King IV and the Companies Act.

In line with King IV, the Board believes that it has executed its responsibilities in an ethical manner. Furthermore, it remains fully committed to compliance with the principles and practices of good corporate governance as set out in King IV, where this is practicable. By implementing these, the Board binds itself to the principles of fairness, accountability and transparency and fully understands its responsibility to all stakeholders of the Company.

Companies Act, Act 71 of 2008

Abagold Ltd is a public company duly incorporated in South Africa under the provisions of the Companies Act, Act 71 of 2008, as amended, and Regulations thereto (the Companies Act).

Continued awareness of, and compliance with, the requirements of the Companies Act in daily operations, corporate structuring, and governance remained the focus for 2018.

The Board of Directors

Abagold has a fully functional Board that leads and controls the Company. The Board is responsible for strategic direction, leading and overseeing the performance of management, and monitoring the management of risk while striving for sustainability.

The Board is guided by its formal terms of reference and remains responsible for ensuring that the necessary systems and processes are in place so that objectives are achieved on an ongoing basis. The Board also guides management in setting Group strategies and business plans, whilst being mindful of the long-term effect the same could have on the triple bottom line – stakeholders (people), financial results (profits) and the environment (planet).

Composition and size

At the date of this report, the Board consists of seven non-executive directors and three executive directors.

The chairman of the Board is an independent, non-executive director and the roles of the managing director and the chairman are separate. This meets the requirements of the Companies Act and the Memorandum of Incorporation ("MOI").

Directors are initially appointed by the Board, and re-elected by the shareholders at the first Annual General Meeting ("AGM") after their appointment. The company secretary is appointed by the Board. The terms of service of executive directors are coupled to their terms of service as employees, whilst the non-executive directors rotate on a three-year basis. All appointments to the Board are formal and transparent and are considered as a matter for the Board as a whole.

Roles and responsibilities

The responsibilities of the Board are defined in an approved charter which is reviewed on an annual basis. This charter is aligned with the Companies Act and King IV. It clearly defines the individual and collective accountability of Board members, as well as powers and responsibilities.

The effective discharge of the Board's duties is assured by having members with appropriate industry knowledge, appropriate qualifications and diverse experience. Besides this expertise, the Board exercises leadership, integrity and judgement based on fairness, accountability, responsibility and transparency so as to achieve sustainable prosperity for the Company.

The Board meets its responsibilities by providing strategic leadership, appointing competent management, delegating responsibilities in a structured manner, assessing business plans and budgets and monitoring their implementation and results, and overseeing risk management.

The Board is responsible for the appointment and induction of new directors. Non-executive directors are selected for their broader knowledge and experience and are expected to contribute effectively to decision-making and the formulation of strategies and policy.

Executive directors contribute their insight in day-to-day operations, enabling the Board to identify goals, provide direction and determine the feasibility of the strategies proposed. These executive directors are generally responsible for taking and implementing all operational decisions.

Company secretary

The secretary is an integral part of Abagold's corporate governance process and has a number of tasks that include:

- Responsibility for ensuring that the proceedings of all shareholders' meetings, Board meetings and meetings of Board committees are properly recorded. This includes circulating the minutes and agendas in a timely manner;
- Assisting the Board on good corporate governance principles and directors' duties, responsibilities and powers – collectively and individually;
- Responsibility for reporting to the Board any failure on the part of the Group and/or a director, in compliance with the MOI, any of the rules of the Company or the requirements outlined in the Companies Act;
- Overseeing the induction of new directors and responsibility for regular briefings and training of directors and prescribed officers regarding applicable laws and regulations; and
- Coordinating the process of assessing the performance of the Board and its committees.

The directors have unrestricted access to the advice and services of the secretary.

Board committees

In discharging its responsibilities, the Board has constituted various committees in order to achieve the highest standards of governance. The complete terms of reference of the Board committees can be viewed on our website: www.abagold.co.za.

The Board has established the following committees to assist it in discharging its duties and responsibilities:

- **The remuneration committee**, comprising three non-executive directors and two executive directors, advises the Board on the remuneration philosophies and terms of employment. All remuneration, share awards and benefits in kind are evaluated and approved by the committee. Its role includes ensuring that executive directors and senior management are remunerated fairly, responsibly and appropriately and that the remuneration scales and conditions of employment are market-related and serve to both attract and retain the required talent.

- **The nominations committee**, comprising three non-executive directors and two executive directors, is responsible for succession planning and makes recommendations to the Board regarding membership of the Board.

- **The audit committee**, comprising three non-executive directors who comply with the requirements of the Companies Act relating to audit committee members, reviews: the adequacy and effectiveness of the financial reporting process; the system of internal control; the appropriateness of accounting policies; interim and annual financial statements; external audit processes; the Company's process for monitoring compliance with laws and regulations; its own code of business conduct; and procedures implemented to safeguard the Company's assets. The committee approves the external auditor's fees for audit services and non-audit services. BDO Cape Inc. is being proposed to shareholders for reappointment as external auditor and the audit committee is satisfied that this firm is independent.

  An independent non-executive director is chairman of the committee. The committee has a formal mandate and its effectiveness is assessed by the Board in terms thereof.

  The committee meets four times per year, or more often if required. The external auditor, the managing director, the operations director and the chief financial officer attend these meetings by invitation, as required. Any other non-executive director may attend any meeting of the committee. The external auditor has unrestricted access to the committee and its chairman.

re:establish

The detailed report of the audit committee is found on page 38.

- **The risk committee**, comprising three non-executive directors, reviews: the adequacy and effectiveness of the management of financial, technological and operational risks; the Company's process for monitoring compliance with laws and regulations; its own code of business conduct; and procedures implemented to safeguard the Company's assets. An independent non-executive director is chairman of the committee. The committee has a formal mandate and its effectiveness is assessed by the Board in terms thereof.

  The committee meets four times per year, or more often if required. The managing director, the operations director, the risk manager and the chief financial officer attend these meetings by invitation, as required. Any other non-executive director may attend any meeting of the committee.

- **The social and ethics committee**, comprising two non-executive directors and two executive directors, assists the Board in all matters relating to organisational ethics, responsible corporate citizenship, transformation, health and safety, sustainable development, and stakeholder relationships. The committee fulfils the functions and responsibilities assigned to it in terms of the Companies Act Regulations and such other functions as may be assigned to it by the Board from time to time in order to assist the Board in ensuring that the Group remains a responsible corporate citizen.

Meetings and quorums

The MOI requires three directors to form a quorum for Board meetings. A majority of committee members, preferably with significant representation of the non-executive directors, is required to attend all committee meetings.

The Board meets on a quarterly basis or more frequently if circumstances require it. All its committees also meet at least four times a year.

The table below depicts the attendance of the members serving on the Board and its committees during the year:

Materiality and approvals framework

Issues of a material or strategic nature which can impact on the reputation and performance of the Company are referred to the Board. Other issues, as mandated and delegated by the Board, are dealt with at senior management level.

The minutes of all the committee meetings are circulated to the members of the Board. Issues that require the attention of the Board are highlighted and included as agenda items for the next Board meeting.

Remuneration principles

The Company's policy that guides the remuneration of all directors and senior management is aimed at:

- Retaining the services of existing directors and senior managers;
- Attracting potential directors and senior managers; and
- Providing directors and senior management with remuneration that is just and fair.

	Board	Audit committee	Risk committee	Remuneration committee	Nominations committee	Social and ethics committee
Number of meetings held	**4**	**4**	**4**	**4**	**4**	**2**
Attendance by directors:						
HR van der Merwe *(chairman of the Board)*	4	–	–	4@	4@	–
TR Hedges *(managing director)*	4	4*	4*	4	4	2
SL de Villiers	4	–	–	4	4	2@
P du P Hugo	4	2**	2**	–	–	1
WB Keast***	4	–	–	–	–	–
L-A Lubbe	4	–	–	4	4	2
CH van Dyk	4	4*	4*	–	–	–
YJ Visser	4	4	4@	4	4	–
JW Wilken	4	3@	3	4	4	–
P Davies	4	3	4	–	–	–
T Mokgosi-Mwantembe#	2	–	–	–	–	–

* Attended by invitation
** Retired on 9 December 2017
*** Attended in person or by sending an observer
# Appointed effective 14 February 2018
@ Chairman of the committee

We seek to attract, develop and retain high-performing employees, and motivate them to perform in alignment with business objectives. We aim to recognise and reward performance and innovation, recognising those who deliver outstanding work and embrace our core values. The reward framework focuses on five key elements that, when integrated, effectively attract, retain and motivate employees to achieve business results. These are:

- Compensation;
- Performance and recognition;
- Benefits;
- Work/life balance; and
- Development and career opportunities.

The following statements define our overall policy for each element.

Compensation: We aim to attract and retain employees by benchmarking average base pay against the median (50th percentile) of our selected comparator groups and for our relevant geographic area. Over time, we aspire and aim to pay above-median rewards when performance consistently exceeds agreed objectives, through the use of non-guaranteed incentive pay.

Performance and recognition: In 2012 we started implementing a Performance Management system that aligns individual objectives to those of the organisation. We also have a well-established short-term incentive programme, aligned to achieving our animal growth targets across all farms.

Benefits: Abagold aims to provide benefits comparative to, and benchmarked against, the median of our elected comparator groups. We realise that this will take us a number of years to achieve and this will be incorporated into our annual cost-of-employment budgets.

Work/life balance: We will recruit and retain valuable employees by fostering an organisation culture that is respectful of work/life balance, diversity and inclusion. We will develop and promote relevant policies and interventions to achieve this.

Development and career opportunities: We promote a culture of continuous learning and development by providing all employees with learning and development opportunities, for the purposes of:

- Enabling employees to acquire the necessary knowledge and skills to perform their jobs effectively, thus creating an informed employee who is able to contribute effectively and thereby making their role more rewarding; and
- Creating internal capability to fill vacant positions, thus providing employees with opportunities for career and personal growth and development.

In accordance with these objectives, the remuneration and nominations committees review and evaluate, on an annual basis, the contribution of each director and members of senior management, and determine their annual salary adjustments. For this purpose such committees consider salary surveys compiled by independent organisations and will also refer to the PwC Executive Directors Remuneration Trends Report.

The remuneration of the non-executive directors consists of a fixed annual amount for services as a director, an additional amount for duties on committees, and reimbursement for travelling and other costs. The remuneration of executive directors consists of remuneration (which includes incentives) as employees. Executive directors receive no additional remuneration in their capacity as directors.

Duties of directors

The Companies Act places certain duties on directors and determines that they should apply the necessary care and skills in fulfilling their duties. To ensure that this is achieved, best practice principles as contained in the King IV Report are applied where appropriate.

The directors are responsible for ensuring that the operations of the business are known to them to a degree sufficient to enable them to fulfil their fiduciary duties, and the company secretary is responsible for ensuring that directors are kept abreast of all relevant legislation and changes to legislation.
After evaluating their performance in line with their respective charters, the directors are of the opinion that the Board and its committees have discharged all their responsibilities.

Directors' interests

Mechanisms are in place to recognise, respond to and manage any potential conflict of interest. Directors sign, at least once a year, a declaration of their interests that may conflict with those of the Company, and stating that they are not aware of any undeclared conflicts of interest that may exist due to their interest in, or association with, any other company. In addition, directors disclose interests in contracts and/or matters that are of significance to the Company's business and do not participate in the Board voting process on such matters.

All information acquired by directors in the performance of their duties, which is not disclosed publically, is treated as confidential. Directors may not disclose or use, or appear to use, such information for personal advantage or for the advantage of third parties.

All directors of the Company are required to comply with the Abagold Code of Conduct regarding insider information, closed share trading periods, transactions, and disclosures of transactions.

Risk management and internal control

The Board relies on systems of internal control and accounting information, the objective of which is to provide a reasonable assurance that assets are being safeguarded and that the risk of errors, fraud or losses is effectively being kept to the minimum. These control measures, which are contained in written policy documents and procedures, include the delegation of responsibilities and powers within a clearly defined framework, effective accounting procedures, and the separation of duties and monitoring.

The audit and risk committees monitor the appropriateness of, and compliance with, internal control and advise the Board in this regard. During the year under review, no material deterioration in the functioning of these control measures was reported.

Share trading

The Company has adopted a code of conduct for insider trading. During closed periods, directors and designated employees are prohibited from dealing in the Company's shares. Directors and designated employees may only deal in the Company's shares outside the closed period, with the authorisation of the chairman or the managing director. The closed period lasts from the end of a financial reporting period until the publication of the financial results for that period. Additional closed periods may be declared from time to time if circumstances warrant such action.

In view of the Financial Services Board's directive in the Government Gazette of 11 July 2014, shareholders of unlisted companies like Abagold Ltd are not able to trade in the companies' shares on an over-the-counter ("OTC") platform. The Board, however, wishes to continue facilitating trade in Abagold shares in a manner that would not contravene the provisions of the Financial Markets Act. Accordingly, the Board has introduced an alternative procedure in terms of which Abagold will endeavour to put prospective purchasers and sellers into contact with one another for them to reach agreement on the sale and purchase (including the price) of any Abagold shares.

There is continued uncertainty in the market regarding the eventual outcome of OTC trading and/or the success of alternate exchanges that have been/may be licensed. However, we continue to liaise with our advisors and providers of alternative exchanges, including regarding the possibility and timing of Abagold's listing on the Johannesburg Stock Exchange. Shareholders will be updated as this matter progresses.

Persistence and resilience only come from having been given the chance to work though difficult problems.

Gever Tulley

Ethics

Abagold subscribes to sound principles of ethics and good business practice and the directors believe that the ethical standards and the criteria for compliance with these standards are being met. A formal documented code of ethics is in place and is the source of reference for questions of an ethical nature.

Going concern

The annual financial statements are compiled in accordance with International Financial Reporting Standards ("IFRS") and these standards are implemented with consistency.

The Board considers these financial statements, as well as the forthcoming year's business plan, budgets and the liquidity position, in the context of anticipated trading and economic conditions in order to form its opinion on the Company's ability to trade as a going concern.

The Board's opinion pertaining to the appropriateness, validity and disclosure of the annual financial statements and explanations are set out in the Directors' approval and declaration of responsibility on page 36 of the Integrated Report.

re:count

re:invest

Consolidated annual financial statements

for the year ended 30 June 2018

CONTENTS

Notice in terms of section 29 of the Companies Act, Act 71 of 2008 (the "Act")

These consolidated annual financial statements have been audited by BDO Cape Inc. in compliance with the Companies Act of South Africa and have been prepared under the supervision of E. Manchest, CA(SA), the Chief Financial Officer of Abagold Limited.

Directors' approval and declaration of responsibilities

To the shareholders of Abagold Limited

The directors are responsible for the preparation and fair presentation of the consolidated annual financial statements comprising the statement of financial position at 30 June 2018 and the statements of comprehensive income, changes in equity, and cash flows for the year then ended for Abagold Limited and its subsidiaries ("the Group"), and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the directors' report, the audit and risk committees' reports, and secretarial certification.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management, as well as the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the ability of the Company to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of financial statements

The consolidated financial statements of Abagold Limited, as identified in the first paragraph, were approved by the Board of Directors on 26 September 2018, and signed on its behalf by:

HR van der Merwe Chairman	**TR Hedges** Managing Director

Hermanus
26 September 2018

Secretarial certification

In accordance with section 88(2)(e) of the Companies Act, Act 71 of 2008, as amended ("the Act"), for the year ended 30 June 2018, it is hereby certified that the Company has lodged with the Companies and Intellectual Property Commission all such returns that are required of a public company in terms of the Act and that such returns are true, correct and up to date.

E Manchest
Company secretary

Hermanus
26 September 2018

Audit committee's report

The audit committee ("the committee") submits this report as required by section 94(7)(f) of the Companies Act, Act 71 of 2008, as amended (hereafter referred to as "the Companies Act").

The Board of Directors ("the Board"), within its discretion and the provisions of the applicable set of legislative requirements, delegated some of its responsibilities to the committee. During the year under review, these responsibilities were clearly defined and agreed upon between all parties concerned, after which such responsibilities were recorded in an approved charter. The charter governed the execution of the committee's mandate relevant to the reporting period.

As per the responsibilities assigned by the Board, the committee fulfils an independent role and is accountable to both the Board and the Group's shareholders. It is an integral part of the Group's governance structures and risk management protocols. Its continued focus remains on assisting the Board with executing its responsibilities pertaining to risk management and, at the same time, embedding best practices across all levels of the organisation.

This report includes both sets of accountabilities relevant to the functional responsibilities of the committee as outlined in the Companies Act and King IV. The charter, which outlines the committee's role and mandate, is available on our website at www.abagold.co.za.

1. Roles and responsibilities of the audit committee

The committee has discharged the functions outlined in its charter and ascribed to it in terms of the Companies Act and King IV, as follows:

- Reviewed the interim, preliminary and abridged results as well as the year-end financial statements, culminating in a recommendation to the Board for approval. In the course of its review, the committee:
  - took the necessary steps to ensure that the financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act;
  - considered and, when appropriate, made recommendations on internal financial controls;
  - ensured that a process is in place to be informed of any reportable irregularities (as per the Auditing Professions Act, 2005) identified and reported by the external auditor; and
  - received and dealt appropriately with any concerns or complaints, whether from within or outside the Group, or on its own initiative, relating to the accounting practices, the content of the financial statements, and the internal financial controls of the Group or any related matter. During the financial year under review, no such material concerns or complaints were raised;
- Reviewed the external audit reports on the Group's annual financial statements;
- Verified the independence of the external auditors, BDO Cape Inc., and recommended BDO as the auditors for the year under review, noting that Mr Bernard van der Walt (registered in accordance with the Auditing Professions Act, 2005) was appointed as lead auditor;
- Determined and approved the audit fees and the terms of engagement of the external auditors;
- Determined, subject to the provisions of the Companies Act, the nature and extent of allowable non-audit services and approved the contract terms for the provision of non-audit services rendered by the external auditors;
- Pre-approved any proposed agreement with the external auditors for the provision of non-audit services to the Group;
- Oversaw the integrated reporting process. The committee, as a result, at its meeting held on 24 September 2018, recommended the integrated report for approval by the Board; and
- Considered the Group's information pertaining to its non-financial performance as disclosed in the integrated report and assessed its consistency with operational and other information known to committee members, and for consistency with the annual financial statements. The committee is satisfied that the sustainability information presented, is reliable and consistent with the financial results.

2. Members of the audit committee

The committee comprises non-executive directors, who were elected at the previous annual general meeting in terms of section 94(2) of the Companies Act. All members are required to act objectively and independently, as described in the Companies Act and the King IV report on good corporate governance.

The external auditors, in their capacity as auditors to the Company, attended and reported to the committee at the meeting relating to the annual financial statements.

Executive directors and relevant senior managers attended meetings on invitation.

Only the official members of the committee are allowed to exercise their respective voting rights and partake in decision-making exercises as prescribed in the charter.

3. Meeting attendance

The following table illustrates the attendance of audit committee meetings relevant to the reporting period:

Name of member	21 Sept 2017	7 Dec 2017	13 Feb 2018	13 June 2018
Mr P Davies	Present	Present	Present	Absent
Mr YJ Visser	Present	Present	Present	Present
Mr JW Wilken	Present	Absent*	Present	Present

** The interim chairman for the audit committee meeting on 7 December was Mr YJ Visser.*

4. Confidential meetings

Agendas are prepared and circulated prior to meetings to improve effectiveness and provide for confidential meetings between the committee members and the external auditors.

5. Conclusion

The committee is satisfied that it has considered and discharged its responsibilities in accordance with its mandate and terms of reference during the year under review.

JW Wilken
Chairman of the audit committee

Hermanus
26 September 2018

Directors' report

The directors are pleased to submit their annual report as part of the annual consolidated financial statements for the year ended 30 June 2018.

Nature of the Company's business

During the year under review, the Company continued its business of farming, processing, marketing and selling abalone. In addition, Specialised Aquatic Feeds (Pty) Ltd, a subsidiary of Abagold, continued its business of producing, marketing and selling feed for abalone and other animals.

Reporting period

The Company's year-end is 30 June.

Financial results

The operating results and the state of affairs of the Company are set out fully in the attached statement of financial position, statement of comprehensive income, and notes thereto.

Share capital

Full details of the authorised and issued share capital appear in note 10 to the financial statements.

Dividends

During the year, the Company did not declare a dividend (2017: R16 million relating to 2016).

Directors

The directors of the Company at the date of this report and any changes during the year are set out below:

HR van der Merwe	(non-executive and chairman of the Board)
TR Hedges	(managing director)
CH van Dyk	(executive)
L-A Lubbe	(executive)
P du P Hugo	(non-executive, retired 9 December 2017)
P Davies	(non-executive)
YJ Visser	(non-executive)
JW Wilken	(non-executive)
W Keast	(non-executive)
S de Villiers	(non-executive)
T Mokgosi-Mwantembe	(non-executive, appointed 14 February 2018)

Remuneration of directors and prescribed officers

The remuneration of directors and prescribed officers is set out in note 24 to the financial statements.

Committees of the Board
The Board of directors may, as required from time to time, delegate responsibilities to committees of the Board. During the year the following committees assisted the Board:

- audit committee;
- risk committee;
- remuneration committee;
- nominations committee; and
- social and ethics committee

These committees are chaired by non-executive directors. Membership to these committees and meeting frequency is set out on page 29.

Events after the reporting period
Other than the specific events disclosed in note 32 to the financial statements, the directors are not aware of any other material fact, circumstance or event which occurred between the accounting date and the date of this report which might influence an assessment of the Company's financial position or the results of its operations.

Investment in subsidiaries

	2018	2017
Specialised Aquatic Feeds (Pty) Ltd	70%	100%
Abagold Mauritius Limited	100%	–

Investments

	2018	2017
Oman Aquaculture Co LLC	50%	50%
Mean Sea Level (Pty) Ltd	27.16%	29.58%
Port Nolloth Sea Farm Ranching (Pty) Ltd	20%	20%
AquaWomen (Pty) Ltd	45%	100%

Details of the Company's equity accounted investments are set out in note 6.

Auditors
BDO Cape Inc. was appointed as auditor in accordance with section 91(3) of the Companies Act of South Africa at the Board meeting held on 18 January 2018 and is being proposed for re-appointment by shareholders at this year's annual general meeting.

Independent auditor's report

to the shareholders of Abagold Limited

Opinion

We have audited the consolidated financial statements of Abagold Limited set out on pages 44 to 84, which comprise the statements of financial position as at 30 June 2018, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Abagold Limited as at 30 June 2018, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the directors' approval and declaration of responsibilities statement, the secretarial certification, audit committee's report and the directors' report as required by the Companies Act of South Africa. The other information does not include the consolidated financial statements and our auditor's report there on.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion.
- Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements
In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that BDO Cape Inc. has been the auditor of Abagold Limited for a period of 1 year.

BDO Cape Inc.

BDO Cape Incorporated
Registered Auditors
Practice number: 970879

Bernard van der Walt
Partner
Registered Auditor
Chartered Accountant (SA)

6th Floor, BDO House
123 Hertzog Boulevard, Foreshore
Cape Town, 8001
4 October 2018

Consolidated statement of financial position

at 30 June 2018

	Notes	2018 R'000	2017 R'000
ASSETS			
Non-current assets		**242 287**	255 725
Property, plant and equipment	2	**201 563**	191 529
Biological assets	3	**26 656**	48 915
Trademarks	4	**159**	188
Goodwill	5	**7 979**	7 979
Equity accounted investments	6	**5 930**	7 114
Current assets		**194 331**	137 799
Current portion of biological assets	3	**147 662**	81 135
Inventories	7	**29 160**	16 393
Loan to subsidiary		**–**	–
Trade and other receivables	8	**17 283**	15 508
Derivative financial instruments	9	**–**	635
Cash and cash equivalents	16	**226**	24 128
Total assets		**436 618**	**393 524**
EQUITY AND LIABILITIES			
Equity		**254 597**	245 967
Share capital	10	**7**	7
Share premium		**87 498**	87 498
Retained earnings		**160 567**	158 462
Foreign currency translation reserve		**65**	–
Non-controlling interest		**6 460**	–
Total equity		**254 597**	**245 967**
Non-current liabilities		**122 757**	106 245
Deferred income tax	12	**73 974**	76 024
Deferred income grant	13	**11 482**	9 097
Long-term borrowings	14	**34 168**	18 530
Trade and other payables	15	**3 133**	2 594
Current liabilities		**59 264**	41 312
Current portion of deferred income grant	13	**908**	347
Current portion of long term borrowings	14	**2 781**	5 644
Current tax liabilities		**–**	1 596
Trade and other payables	15	**31 177**	33 259
Derivative financial instruments	9	**6 164**	466
Cash and cash equivalents	16	**18 234**	–
Total liabilities		**182 021**	**147 557**
Total equity and liabilities		**436 618**	**393 524**

Consolidated statement of comprehensive income

for the year ended 30 June 2018

	Notes	2018 R'000	2017 R'000
Revenue	20	**149 990**	187 687
Other income	21	**7 569**	39 888
Fair value losses in financial instruments	22	**(4 258)**	6 736
Fair value gains on biological assets	3	**119 925**	29 533
Cost of sales		**(142 861)**	(185 815)
Production costs	23	**(22 934)**	(23 233)
Employee benefit expenses	24	**(55 923)**	(49 847)
Depreciation and amortisation		**(12 272)**	(13 497)
Other operating expenses		**(30 545)**	(36 501)
Profit/(loss) from operations	25	**8 690**	(45 049)
Finance costs	26	**(3 390)**	(3 381)
Share of loss of equity accounted investments	6	**(2 776)**	(690)
Profit/(loss) before income tax		**2 524**	(49 120)
Income tax (expense)/income	12.1	**91**	15 783
Profit/(loss) for the year		**2 615**	(33 337)
Other comprehensive expense		**65**	–
Total comprehensive income/(loss) for the year		**2 680**	(33 337)
Total comprehensive income/(loss) for the year is attributable to:			
Owners of Abagold Limited		**2 680**	(33 337)
Non-controlling interests		**510**	–
		2 180	(33 337)
Basic earnings per share (cents)	27	**1.96**	(25.00)
Diluted earnings per share (cents)	27	**1.96**	(25.00)

Consolidated statement of changes in shareholders' equity for the year ended 30 June 2018

	Share capital R'000	Share premium R'000	FCTR[1] R'000	Retained earnings R'000	Non-controlling interest R'000	Total equity R'000
Balance at 1 July 2016	**7**	**87 498**	**–**	**207 799**	**–**	**295 304**
Total comprehensive income for the year	–	–	–	(33 337)	–	(33 337)
Dividend paid	–	–	–	(16 000)	–	(16 000)
Balance at 30 June 2017	**7**	**87 498**	**–**	**158 462**	**–**	**245 967**
Total comprehensive income for the year	–	–	65	2 105	510	2 680
Non-controlling interest	–	–	–	–	5 950	5 950
Balance at 30 June 2018	**7**	**87 498**	**65**	**160 567**	**6 460**	**254 597**

[1] FCTR = foreign currency translation reserve

Consolidated statement of cash flow

for the year ended 30 June 2018

	Notes	2018 R'000	2017 R'000
Cash flow from operating activities		**(39 184)**	**92 710**
Cash received from clients	29.1	**155 783**	224 153
Cash paid to suppliers and employees		**(188 020)**	(124 727)
Cash (used in)/generated from operations	29.2	**(32 237)**	99 426
Finance costs	26	**(3 390)**	(3 381)
Tax paid		**(3 557)**	(3 335)
Cash flow from investment activities		**(25 378)**	**(45 887)**
Purchases of property, plant and equipment	2	**(24 659)**	(41 903)
Proceeds from disposal of property, plant and equipment		**891**	236
Loan granted to subsidiary		**–**	–
Investment in equity accounted entities	6	**(1 592)**	(4 205)
Purchases of trademarks	4	**(18)**	(15)
Cash flow from financing activities		**22 426**	**(21 185)**
Increase/(decrease) in long-term borrowings	14	**12 775**	(10 859)
Share issue		**5 950**	
Grant received		**3 700**	5 674
Dividends paid to shareholders		**–**	(16 000)
Net cash flow for the year		**(42 136)**	**25 638**
Cash and cash equivalents – beginning of the year		**24 128**	(1 510)
Cash and cash equivalents – end of the year	16	**(18 008)**	**24 128**

Notes to the consolidated financial statements

for the year ended 30 June 2018

1. ACCOUNTING POLICIES

Abagold Limited (the "Company") is a company domiciled in South Africa. These financial statements are the financial statements as at 30 June 2018 for the Group, comprising Abagold Limited and its subsidiaries.

Where reference is made to the "Group" in the accounting policies, it should be interpreted as referring to the Company where the context requires, and unless otherwise noted. The accounting policies adopted herein by the Company are in line with those of the Group.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 BASIS OF PREPARATION

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of South Africa.

The financial statements are presented in South African Rand ("Rand"), which is the Group's functional currency. They are prepared on the basis that the Group and its subsidiaries are going concerns, using the historical-cost basis of measurement except for derivative financial instruments (refer to note 1.3) and biological assets (refer to note 1.8). Minor adjustments have been made to certain comparative figures to allow for more meaningful disclosure. These adjustments have no material impact on the reported results.

1.2 NON-DERIVATIVE FINANCIAL INSTRUMENTS

Non-derivative financial instruments are initially recognised at fair value plus directly attributable transaction costs, except for financial instruments that are classified as being carried at fair value through profit or loss. Subsequent to initial recognition, these instruments are measured based on classification according to their nature.

Financial instruments are classified at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Trade and other receivables

Trade and other receivables are categorised as loans and receivables. These financial assets originated by the Group providing goods, services or money directly to a debtor and are subsequent to initial recognition measured at amortised cost using the effective-interest method less any accumulated impairment losses.

Cash and cash equivalents

Cash and cash equivalents are categorised in the statement of financial position as loans and receivables and, subsequent to initial recognition, are measured at amortised cost.

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held on call with banks, and investments in money market instruments, net of bank overdrafts, all of which are available for use by the Group unless otherwise stated.

Interest-bearing loans and borrowings

Loans are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any amount exceeding the difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective-interest basis. Where the difference between the fair value and the proceeds received is considered to be an equity contribution (i.e. as with shareholders' loans), the difference is taken directly to equity (net of deferred tax) at initial recognition.

1.2 NON-DERIVATIVE FINANCIAL INSTRUMENTS (CONTIUNED)

Loans are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Trade and other payables

Subsequent to initial recognition, trade and other payables are measured at amortised cost.

1.3 DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risk arising from operational activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Subsequent to initial recognition, derivatives are measured at fair value. The gain or loss arising from a change in fair value on remeasurement is recognised in profit or loss in the period in which the change arises.

The fair value of forward exchange contracts is their quoted market price at the reporting date.

1.4 DERECOGNITION

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

1.5 HEDGE OF MONETARY ASSETS AND LIABILITIES

Where a derivative financial instrument is used to hedge the foreign exchange exposure and interest rate risk exposure of a recognised asset or liability, no hedge accounting is applied and gains or losses on the hedging instrument are recognised in profit or loss.

1.6 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

The financial statements are presented in South African Rand, which is the Group's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in profit or loss.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

1.7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible assets held by the Group for use in the production or supply of goods or services or for administrative purposes and are expected to be used during more than one period. Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Land is initially recorded at cost and adjusted for any impairment in value. It is not depreciated, as it is deemed to have an unlimited useful life.

Depreciation is calculated using the straight-line method, from the date that assets are available for use, at rates considered appropriate to reduce book values to estimated residual values over the useful lives of the assets, as follows:

- Land and buildings = 10–20 years
- Computer equipment = 5–10 years
- Equipment = 5–20 years
- Furniture and fittings = 5–10 years
- Vehicles = 5–10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in profit or loss.

1.8 BIOLOGICAL ASSETS

Biological assets consist of abalone livestock and are stated at fair value. Fair value is determined based on the "best and highest use" market prices of abalone of similar size and breed less estimated point-of-sale costs at the point of harvest, with any resultant gain or loss recognised in profit or loss. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to the market. The exchange rate and expected sales prices are significant factors in determining the fair value of biological assets.

1.9 INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the consideration transferred over the fair value of the identifiable net assets acquired. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Acquisition costs are expensed as incurred.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units, or groups of cash-generating units, that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

1.9 INTANGIBLE ASSETS (CONTIUNED)

Other intangible assets

Intangible assets (other than goodwill) are initially recognised at cost if acquired externally, or at fair value if acquired as part of a business combination. The cost of intangible assets acquired in a business combination is fair-valued as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Amortisation of intangible assets with a finite useful life is recognised in profit or loss on a straight-line basis over the estimated useful life of intangible assets. Intangible assets with indefinite lives are assessed annually for impairment and tested whenever there is an indication that the intangible asset may be impaired. The amortisation period, amortisation method, and residual value for an intangible asset with a finite useful life are reassessed annually. Changes in the expected useful life, or the expected pattern of consumption for future economic benefits embodied in the asset, is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset. There are no intangible assets that have indefinite useful lives other than goodwill.

Intangible assets are comprised of trademarks, and, currently, all trademarks' useful lives are ten years

1.10 INVENTORY

Inventory consists of harvested and processed (canned or dried) abalone and is stated at the lower of cost and net realisable value. The cost of abalone finished goods and work in progress is determined in accordance with IAS41 as the fair value of the biological asset at point of harvest plus direct costs to completion. Net realisable value is the estimated selling price in the ordinary course of business, less the applicable costs of completion and selling expenses.

Inventory also includes raw materials used in the processing of abalone and general inventory items used by operational and support divisions. These inventory items are valued at the lower of cost or net realisable value.

1.11 IMPAIRMENT OF ASSETS

Non-financial assets

The carrying amounts of the Group's non-financial assets other than deferred tax assets, biological assets and inventory (see accounting policy note for deferred tax, biological assets and inventory) are reviewed at each reporting date to determine whether there is any indication of impairment exists. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, the recoverable amount is estimated at each reporting date. Whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount, an impairment loss is recognised in profit or loss. As goodwill is not capable of generating cash flows independently of other assets, in assessing the recoverable amount of goodwill the goodwill is allocated to cash-generating units on a reasonable and consistent basis. The recoverable amount of the cash-generating unit (including an allocation of goodwill and corporate assets) is assessed with reference to the future cash flows of the cash-generating unit. Where an impairment loss is recognised for a cash-generating unit, the impairment loss is applied first to the goodwill allocated to the cash-generating unit (if any) and then to other assets on a pro rata basis comprising the cash-generating unit, provided that each identifiable asset is not reduced to below its recoverable amount.

1.11 IMPAIRMENT OF ASSETS (CONTINUED)

Recoverable amount

The recoverable amount of an asset is the greater of its fair value less cost to sell and its value in use. Recoverable amounts are estimated for individual assets or, if an asset does not generate largely independent cash flows, for a cash-generating unit. A cash-generating unit is the smallest collection of assets capable of generating cash flows independent of other assets or cash-generating units.

The fair value less cost to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction, less the costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset or cash-generating unit and from its disposal at the end of its useful life. The estimated future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Reversal of impairment losses

The recoverable amount of an asset is the greater of its fair value less cost to sell and its value in use. Recoverable amounts are estimated for individual assets or, if an asset does not generate largely independent cash flows, for a cash-generating unit. A cash-generating unit is the smallest collection of assets capable of generating cash flows independently of other assets or cash-generating units.

The fair value less cost to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction, less the costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset or cash-generating unit and from its disposal at the end of its useful life. The estimated future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Financial assets

At each reporting date, an assessment is made as to whether objective evidence exists that a financial asset, or a group of financial assets, is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events has a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

1.12 SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

1.13 CURRENT AND DEFERRED INCOME TAX

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated in accordance with tax laws enacted, or substantively enacted, at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided in full, using the balance-sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted, or substantively enacted, by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax is provided on temporary differences arising on the investment in a subsidiary, except where the Group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Dividends Withholding Tax is a tax levied on the beneficial owner of the shares instead of the Group. The tax is withheld by the Group and paid over to the South African Revenue Service (SARS) on the beneficiaries' behalf. The resultant tax expense and liability have been transferred to the shareholder and are no longer accounted for as part of the tax charge of the Group.

1.14 EMPLOYEE BENEFITS

Pension obligations

The Group only has defined-contribution plans. A defined-contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Other post-retirement benefits

The Group has no liabilities with regard to post-retirement medical benefits.

Annual leave

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated annual leave as a result of services rendered by employees up to reporting date.

Profit sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit sharing. The Group recognises a provision for such expenditure where a contractual obligation exists or where there is a past practice that has created a constructive obligation.

1.15 EQUITY COMPENSATION BENEFITS

he Group has granted share appreciation rights in the form of "phantom shares" to its executive management team. In accordance with IFRS 2, the Group has recognised an employee benefits expense in profit and loss, representing the fair value of the share appreciation rights granted to the Group's employees. A corresponding credit to liabilities has been raised for this cash-settled plan.

The Group remeasures the fair value of the recognised liability at each reporting date and at the date of settlement, with the corresponding change in the fair value recognised in profit or loss for the period.

1.16 PROVISIONS

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

1.17 RELATED PARTIES

Individuals or entities are related parties if one party has the ability, directly or indirectly, to control, or jointly control, the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel are defined as executive management of Abagold Limited.

1.18 REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of abalone to customers in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Group recognises revenue: when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction, and the specifications of each arrangement.

Interest income

Interest income for financial assets that are not classified as at fair value through profit and loss is recognised using the effective-interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income from financial assets that are classified as at fair value through profit or loss is included in investment income.

Dividend income

Dividend income is recognised when the right to receive payment is established. Dividend income is included in investment income.

1.19 GOVERNMENT GRANTS

Government grants are recognised when there is reasonable assurance that the entity will comply with the conditions attaching to them and that the grants will be received by the Group.

Government grants related to costs are recognised in profit or loss on a systematic basis over the periods in which the entity recognises, as an expense, the related costs for which the grants are intended to compensate.

Government grants related to the purchase of depreciable assets are recognised as a liability (deferred revenue) and credited to profit or loss on a straight-line method over the useful lives of the assets.

1.20 LEASES

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

1.21 DIVIDEND DISTRIBUTIONS

Dividend distributions to the Group's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by its Board of Directors.

1.22 EARNINGS PER SHARE

The Group presents basic and diluted earnings per share (EPS) data in relation to its ordinary shares.

Basic EPS is calculated by dividing profit or loss attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. This provides a measure of the interests of each ordinary share of the Company in the performance of the entity over the reporting period. Headline earnings are calculated by adjusting the earnings used for EPS for any exceptional items.

Diluted EPS takes into account the effect of all dilutive potential ordinary shares outstanding during the period. Headline EPS is based on earnings attributable to shareholders, excluding capital items and the tax effects thereon, and is calculated using the same number of shares as the basic and diluted EPS calculations.

1.23 CONTINGENCIES

A contingent liability is either a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

These contingent liabilities are not recognised in the statement of financial position but are disclosed in the notes to the financial statements.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. These contingent assets are not recognised in the statement of financial position but are disclosed in the notes to the financial statements if the inflow of financial benefits is probable.

1.24 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

1.24.1 Judgements and estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates, which may be material to the financial statements. Significant judgements include:

Expected manner of realisation of deferred tax

Deferred tax is provided based on the expected manner of recovery, i.e. sale or use. This manner of recovery affects the rate used to determine the deferred tax asset or liability.

Assets' useful lives, residual values and impairment

Property, plant and equipment are depreciated over their useful lives, taking into account the residual values and possible impairment where appropriate. The actual useful lives of assets and residual values are assessed annually. In reassessing assets' useful lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Whether an asset is impaired is subject to management's view of changes in circumstances which could indicate that the carrying value may not be recoverable.

Impairment of goodwill

Goodwill is subjected annually to an impairment test. The impairment test is performed by calculating a value-in-use for the cash generating unit to which the goodwill is allocated. The calculation of value-in-use requires assumptions to be made regarding future cash flows and appropriate outcomes.

Biological assets

In order to measure and value biological assets, management uses a growth-formula and drip- and purge-loss factors to determine the weight of the animals at the reporting date. These formulas are based on empirical evidence and confirmed industry norms.

1.24.2 Measurement of fair value

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer. Significant unobservable inputs and valuation adjustments are reviewed regularly. If third-party information, such as market prices, is used to measure fair values, then such evidence is assessed to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the audit and risk committees.

1.24.2 Measurement of fair value (continued)

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entity in the same level of the fair value hierarchy as the lowest-level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes relating to biological assets (note 3), share-based payments (note 13) and financial instruments (note 21).

1.25 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

A number of new standards, amendments to standards, and interpretations are effective for annual periods beginning after 1 July 2018 and have not been applied in preparing these financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early. These will be adopted in the period that they become mandatory, unless otherwise indicated:

Effective for the financial year commencing 1 July 2018

- ***IFRS 15 Revenue from Contracts with Customers***
  No significant impact expected
- ***IFRS 9 Financial Instruments***
  No significant impact expected.

Effective for the financial year commencing 1 July 2019

- ***IFRS 16 Leases***
  No significant impact expected.

2. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings R'000	Equipment R'000	Furniture and fittings R'000	Computer equipment R'000	Vehicles R'000	Assets under construction R'000	Total R'000
Book value at 30 June 2016	88 986	69 274	353	3 212	1 439	–	163 264
Cost at 30 June 2016	110 744	113 738	516	3 998	1 890	–	230 885
Accumulated depreciation and impairment	(21 758)	(44 464)	(162)	(786)	(451)	–	(67 621)
Reallocate between categories	378	–	–	(378)	–	–	–
Cost	442	–	–	(442)	–	–	–
Accumulated depreciation	(64)	–	–	64	–	–	–
Additions	2 598	3 381	15	68	5	35 837	41 903
Sale	(108)	(1)	0	(7)	(71)	–	(187)
Depreciation	(709)	(3 608)	(3)	(7)	(207)	–	(4 534)
Depreciation allocated to feed	601	3 607	3	–	136	–	4 348
Production costs	(4 211)	(8 894)	(21)	(190)	(137)	–	(13 452)
Completed and transferred	3 298	5 830	48	721	542	(10 440)	–
Book value at 30 June 2017	90 940	69 590	396	3 427	1 778	25 398	191 529
Cost at 30 June 2017	116 372	119 341	576	4 338	2 230	25 398	268 254
Accumulated depreciation and impairment	(25 432)	(49 751)	(179)	(911)	(452)	–	(76 724)
Additions	240	648	–	3	–	23 769	24 659
Disposal	–	(321)	–	–	(199)	–	(521)
Cost	–	(322)	–	–	(260)	–	(582)
Accumulated depreciation	–	1	–	–	61	–	61
Depreciation	(4 663)	(9 126)	(26)	(161)	(129)	–	(14 105)
Completed and transferred	11 528	21 740	37	637	–	(33 943)	–
Book value at 30 June 2018	98 045	82 531	408	3 906	1 450	15 224	201 563
Cost at 30 June 2018	128 140	141 407	613	4 978	1 969	15 224	292 331
Accumulated depreciation and impairment	(30 095)	(58 876)	(205)	(1 072)	(520)	–	(90 768)

2. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the current year we did not scrap any fully depreciated assets (2017: R251 000) fully depreciated assets were scrapped. Assets under construction at the end of the current year of R15 million (2017: R25 million) relate mainly to equipment that was installed for the new "Adverse Water Quality" system.

All the above assets are owned by the Group and are not leased.

Land and buildings include the following two properties which are owned by the Group, at cost:

Erf	Name	Size	Purchase date	Cost
Erf 11068, Hermanus	Bergsig farm	2,4 ha	April 2002	1 377
Erf 11166, Hermanus	Sulamanzi farm	6,9 ha	July 2010	9 610
Total				**10 987**

Refer to note 17 for encumbrances on property, plant and equipment.

The detailed fixed assets register is available for viewing at the Company's office.

3. BIOLOGICAL ASSETS

The Group owns biological assets in the form of abalone livestock. At 30 June 2018 there were 451 tonnes (2017: 338 tonnes) of live abalone on the farms. Biological assets are measured at the best estimate of fair value less anticipated marketing and other related selling costs.

(a) Reconciliation

	2018 R'000	2017 R'000
Opening carrying amount	130 050	237 557
Net fair value adjustment for growth and mortalities	108 310	35 919
Fair value adjustment due to changes in US Dollar sales prices	396	9 665
Fair value adjustment due to exchange rate changes	11 219	(16 051)
Port Nolloth spats	–	(947)
Transfer to inventories	(75 658)	(136 093)
Closing carrying amount	174 317	130 050

Biological assets typically have a production cycle of more than one year and are classified as non-current assets. A portion of biological assets is projected to be harvested for sale within the next financial year and is classified as current assets. This division between non-current and current assets is made based on the expected harvest dates of the different-aged animals and is set out below:

	2018 R'000	2017 R'000
At 30 June:		
– Non-current biological assets	26 656	81 136
– Current portion of biological assets	147 661	48 915
	174 317	130 050

Notes to the consolidated financial statements
for the year ended 30 June 2018 continued

3. BIOLOGICAL ASSETS (CONTINUED)

(i) Fair value hierarchy
The fair value measurements for abalone biological assets of R174 million (2017: R130 million) have been categorised as Level 3 fair values based on the inputs to the valuation techniques used.

(ii) Level 3 fair values
The following valuation techniques and significant unobservable inputs are used in measuring fair value of abalone biological assets:

The fair value of biological assets is determined using the market comparison technique and is based on market export prices of abalone in a format representing the highest and best use of a similar size and breed, i.e. the export prices of live, canned and dried abalone are used when valuing biological assets per size category. In the previous fiscal years, the fair value of biological assets was determined using export prices for live abalone only. The dried and canned format export prices have been included in this fiscal year, as not all size categories will ultimately be sold as live abalone. Market prices are denominated in US Dollars. Biological assets are continuously counted and weighed in predetermined cycles and at reporting dates a formula is used to project the present weight of the abalone at each reporting date. The present weight is calculated by extrapolating the average weight of each of the baskets on the farms at a growth rate which is equal to its life-to-date growth rate. The abalone are then classified into weight classes for valuation purposes and valued using relevant selling prices for each weight class, adjusted for drip and purge losses, and cost to sell.

(b) Measurement of fair values
Smaller abalone (less than 8 grams each) are valued at between R1.86 and R5.19 each, which is the market price for selling small abalone (known as “spats”) between farms in South Africa. These values are extrapolated for valuing each weight class of abalone up to 30 grams, as no active export market exists for these sizes. Abalone in the weight classes from 30 grams to 350 grams are valued using the highest and best use market US dollar selling price per kilogram (active market price) for each weight class. As there is no active live market for larger abalone, and in order to be conservative, the value for abalone in the weight classes greater than 350 grams is capped at the value used for 350 gram abalone.

The drip (9%) and purge (5%) loss used in the valuation model is based on results from empirical tests and industry benchmarking.

At 30 June 2018, if the US Dollar price of live abalone increased by 10% with all other variables held constant, the value of biological assets and the profit before income tax for the year would have been R13 million (2017: R13 million) higher. Conversely, if the US Dollar price decreased by 10%, the value of biological assets and profit would be less with the same amounts. This variation in profit would be due to the fair value adjustment of biological assets through profit or loss.

Spats are priced in Rand and not Dollars, and are thus not included in the exchange rate sensitivity analysis above. At 30 June 2018, the value of spat included in biological assets was R45 million (2017: R30 million).

Although the Company is exposed to risks arising from changes in the price of abalone, it does not anticipate that abalone prices will decline significantly in the foreseeable future. The Company reviews its outlook for the price of abalone regularly when considering the need for active risk management.

3. BIOLOGICAL ASSETS (CONTINUED)

The Company is also exposed to risks arising from changes in the Rand-US Dollar exchange rate. At 30 June 2018, if the Rand had weakened 10% against the US Dollar with all other variables held constant, the value of biological assets and profit before tax for the year would have been R13 million (2017: R13 million) higher. Conversely, if the Rand strengthened 10%, the value of biological assets and profit would be less with the same amounts. This variation in profit would be due to the fair value adjustment of biological assets through profit or loss.

(c) Risk management strategy related to aquacultural activities

The Group is exposed to the following risks related to aquacultural activities:

(i) Exchange rate risks

The Company is subject to changes in the exchange rate, as abalone sales prices are denominated in US Dollar and biological assets are measured at fair value, which is also based on the US Dollar market price. The Group's currency risk management is described in note 19.7.

(ii) Mechanical risks

Reliance on plant and equipment to sustain a living environment for the abalone exposes the Company to certain risks. This risk is managed by allowing for redundancy of key equipment and generators and shortage of electricity supply. Critical assets are monitored with sophisticated alarm systems. Livestock mortality and assets insurance is in place.

(iii) Disease risks

The Company subscribes to the highest biosecurity measures. Abagold is part of a Health Monitoring Programme which includes detailed surveillance of the condition of abalone populations. Short-term insurance cover, as part of an overall management strategy, is utilised to protect the Company against the replacement cost of re-stocking the farms in the event of mortalities caused by natural perils, forced de-stocking, disease or mechanical failure. Abagold has successfully implemented physical measures to mitigate the risk and negative conseqences of a red tide event reoccurrence.

4. TRADEMARKS

	2018 R'000	2017 R'000
Reconciliation		
Opening carrying value	188	219
Cost	462	448
Accumulated amorisation and impairment	(275)	(229)
Additions	18	15
Impairments	–	–
Amortisation	(47)	(46)
Closing carrying value	159	188
Cost	480	463
Accumulated amorisation and impairment	(321)	(275)

5. GOODWILL

	2018 R'000	2017 R'000
Recoverable amount	7 979	7 979

Goodwill arose with the purchase of the operations of Abamax Abalone Farm (Pty) Ltd, the assets of which were subsequently acquired by the Company. For purposes of impairment testing, the goodwill is allocated to these assets.

Goodwill is tested annually for impairment. The recoverable amount of this cash-generating unit has been determined based on its value-in-use calculation, using a discounted cash flow method.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of the future trends in the relevant industry and were based on historical data from both internal and external sources.

In present	2018 %	2017 %
Discount rate	17.0	16.5
Terminal value growth rate	3.0	3.0

The discount rate that was used is the weighted average cost of capital, on the basis of a long-term debt to equity ratio size of the Company, with a possible debt:equity ratio of 20:80.

The cash flow projections used included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual free cash flow growth rate, consistent with the assumption that a market participant would make.

Had the discount rate used in the discounted cash flow calculation above been 1% greater, there would still be no impairment of the goodwill.

6. EQUITY ACCOUNTED INVESTMENTS

6.1 INVESTMENT IN OMAN AQUACULTURE CO LLC

During the 2015 fiscal year, Abagold entered into a share purchase agreement with Muscat Overseas Co LLC whereby Abagold obtained 50% interest in a newly formed joint venture company, Oman Aquaculture Co LLC. The joint venture was originally set up to run a pilot project to determine whether Omani abalone could be bred in captivity. Following the success of the pilot phase, the first phase of the project continues with capital commitments to spend R7 million by the end of 30 June 2019.

6.1 INVESTMENT IN OMAN AQUACULTURE CO LLC (CONTINUED)

The initial phase included a feasibility study and a pilot project. The first phase of commercial development has included an enviromental impact assessment, full farm design and project management costs to date. Both parties have incurred certain costs related to the initial phase, of which Abagold's cumulative contribution up until 30 June 2018 was R5,9 million.

	2018 R'000	2017 R'000
Investment in Oman Aquaculture Co LLC at cost	5 948	4 657

The following table summarises the financial information of Oman Aquaculture Co LLC as included in its own financial statements. Although the company's reporting currency is Omani Rial, the amount has been converted to Rand using the closing exchange rate at 30 June.

	2018 R'000	2017 R'000
Fixed assets	639	198
Current assets (consisting of cash and cash equivalents)	2 584	3 045
Assets (100%)	3 222	3 243
Group's share of assets (50%)	**1 611**	**1 621**
Trade and other payables	(51)	(693)
Group's share of trade and other payables (50%)	**(26)**	**(346)**
Group's share of net assets (50%)	**1 586**	**1 275**
Net loss (100%)	(1 116)	(1 768)
Group's share of net loss (50%)	**(558)**	**(884)**
Prior year equity-accounted loss (50%)	(3 805)	(2 921)
Group's share of accumulated net loss (50%)	(4 363)	(3 805)
Remaining net investment	**1 586**	**852**

6.2 INVESTMENT IN MEAN SEA LEVEL (PTY) LTD

At the end of the 2016 fiscal year, Abagold owned 31.95% in Mean Sea Level (Pty) Ltd ("MSL"). MSL pursues renewable energy projects and its first two projects included the construction of a Energy Recovery Turbine (ERT) which generates electricity from Abagold's return-water to the ocean, and a pilot Wave Energy project. During the 2015 fiscal year, Abagold had signed a guarantee over a R4,6m loan from the IDC to MSL for the construction of the ERT. In addition to this, Abagold had entered into a Power Purchase Agreement with MSL to purchase electricity generated by the ERT at a fixed rate below the Eskom rate. In the 2017 fiscal year, Abagold paid for and took ownership of the ERT, and MSL has settled the outstanding loan with the IDC and released Abagold from the guarantee. The Power Purchase Agreement has accordingly fallen away. In the 2016 fiscal year, MSL entered into a finance lease agreement with ABSA for an excavator and Abagold agreed to stand surety. This agreement is still in effect. Abagold invested a further R1,95 million in MSL during the 2017 fiscal year, and R300 000 in terms of a rights issue in 2018. MSL had additional rights issues in 2018 which Abagold declined to participate in. This has resulted in a dilution of Abagold's shareholding at the 2018 year-end in MSL to 27.16%.

6.2 INVESTMENT IN MEAN SEA LEVEL (PTY) LTD (CONTINUED)

	2018 R'000	2017 R'000
Investment in Mean Sea Level (Pty) Ltd:		
Cost	2 675	2 375
Current year share of loss	(2 675)	–
Carrying value	–	2 375

The following table summarises the financial information of MSL as included in its own financial statements:

	2018 R'000	2017 R'000
Non-current assets	17 239	28 823
Current assets	2 346	2 771
Assets (100%)	19 585	31 594
Group's share of assets (27.16%)	**5 793**	**9 346**
Long-term liabilities	(3 768)	(4 380)
Current liabilities	(214)	(668)
Liabilities (100%)	(3 982)	(5 048)
Group's share of liabilities (27.16%)	**(1 178)**	**(1 493)**
Net assets (100%)	15 603	26 546
Share of net assets (27.16%)	**4 615**	**7 852**
Net profit (100%)	(19 240)	654
Group's share of net (loss)/profit (27.16%)	**(5 226)**	**193**
Prior year equity-accounted (loss)/profit	59	(134)
Group's share of accumulated net (loss)/profit	**(2 675)**	**59**
Group's share of accumulated net loss	**(2 495)**	**–**
Remaining net investment	**–**	**2 434**

The unrecognised portion of the loss is R2,5 million and will be carried forward for recovery against future profits.

6.3 INVESTMENT IN PORT NOLLOTH SEA FARM

During the 2015 fiscal year, Abagold finalised a 20% share in Port Nolloth Sea Farm Ranching (Pty) Ltd ("PNSFR"), an initiative whereby abalone is ranched in the sea. As part of its shareholder obligations, Abagold has agreed to supply PNSFR with spat at no charge for a period of seven years. Abagold will have the right of first refusal on all abalone harvested in five years' time.

	2018 R'000	2017 R'000
Investment in Port Nolloth Sea Farm Ranching (Pty) Ltd	3 828	3 828

The investment is calculated using the net realisable value of the spat multiplied by the number of spat supplied by Abagold to PNSFR. PNSFR is still in the start-up phase, thus there is no significant income generated nor expenses incurred to date, and thus no equity accounted adjustments.

6.4 INVESTMENT IN AQUAWOMEN (PTY) LTD

Abagold owns 45% of Aquawomen (Pty) Ltd, in which Aquawomen Trust, representing the long-serving black staff of Abagold, owns the majority stake. Aquawomen is an initiative to create viable black businesses around the Abagold supply chain. Aquawomen manufactures and repairs baskets and racks.

	2018 R'000	2017 R'000
Investment in Aquawomen (Pty) Ltd	455	–

The following table summarises the financial information of Aquawomen as included in its own financial statements:

Non-current assets	1 226	–
Current assets	220	–
Current liabilities	–	–
Long-term liabilities	–	–
Net assets (100%)	1 446	–
Share of net assets (45%)	**651**	**–**
Income	1 372	–
Expenditure	(361)	–
Net profit (100%)	1 011	–
Share of net profit (45%)	**455**	**–**

Total investments

Opening balance	7 114	3 599
Investment – current year	1 447	4 206
Share of net loss – current year	(2 776)	(691)
Total net investments	**5 930**	**7 114**

7. INVENTORIES

Inventories consist of abalone and non-abalone inventory. Abalone inventory is harvested abalone which is being processed or is in a final dried or canned form, ready for sale. Non-abalone inventory includes raw materials, general inventory and feed inventory.

	2018 R'000	2017 R'000
Reconciliation abalone inventory		
Opening carrying amount	10 730	21 942
Transfer from biological assets	75 658	136 093
Purchases	32 622	8 532
Adjustments	10 188	(156)
Abalone sales	(106 086)	(155 681)
Closing carrying amount	23 113	10 730

The carrying amount includes work in progress of R7,6 million (2017: R1,9 million), which represents harvested abalone being processed but not yet in a final product ready for sale at the reporting date.

Inventory is valued at the lower of cost or net realisable value. Cost is determined using the fair value of biological assets at point of harvest. The net realisable value of inventory is dependent on current USD market prices of abalone and consequently also on the Rand-US Dollar exchange rate.

	2018 R'000	2017 R'000
Non-abalone inventory		
Raw materials	3 796	2 906
General	1 788	2 204
Finished goods – feed	463	553
Closing carrying amount	6 047	5 663
Total inventory	**29 160**	**16 393**

8. TRADE AND OTHER RECEIVABLES

	2018 R'000	2017 R'000
Trade receivables	11 922	6 478
Prepaid expenses	463	1 250
Loans receivable	34	167
Sundry receivables	243	79
Trade payables with debit balance	–	102
Value-added tax	4 621	7 432
	17 283	15 508

The carrying amounts of trade and other receivables are denominated in the following currencies:

	2018 R'000	2017 R'000
South African Rand	10 822	12 086
US Dollar	6 461	3 422
	17 283	15 508

8. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade and other receivables are assessed individually for any indication that the counterparty might not be able to honour its commitments.

No impairment was recognised on trade receivables for the year ended 30 June 2018 (2017: nil).

Nominal value less impairment provision of trade receivables approximate fair value.

Trade receivables that are less than one month past due are not considered impaired unless there is objective evidence that the Group will not be able to collect the outstanding debt. As at 30 June 2018, R33k of trade receivables (2017: no portion) was past due or impaired. The aging analysis of trade receivables is as follows:

	2018 R'000	2017 R'000
Up to 1 month	11 091	4 799
1–2 months	653	925
More than 2 months	179	754
	11 992	6 478

9. DERIVATIVE FINANCIAL INSTRUMENTS

The derivative financial instruments at 30 June comprise:		
– Forward foreign exchange contracts – assets	–	635
– Forward foreign exchange contracts – liabilities	(6 164)	(466)
	(6 164)	169
Reconciliation of derivative financial instruments:		
Opening balance	169	2 162
– Contracts entered into	(6 164)	169
– Contracts expired	(169)	(2 162)
Closing balance	(6 164)	169

The forward foreign exchange contracts do not qualify for hedge accounting.

The notional principal amount of the outstanding forward foreign exchange contracts at 30 June was USD4,6 million (2017: USD 3,7 million) with forward rates ranging from R12.00/USD to R13.79/USD (2017: R12.88/USD to R14.37/USD).

The derivatives are classified as a current asset or liability, as the forward exchange contracts expire within the next 12 months.

10. SHARE CAPITAL

	2018 R'000	2017 R'000
Authorised		
200 000 000 ordinary shares of 0.005c each	10	10
3 000 000 old redeemable preference shares of 1c each	30	30
1 000 000 new redeemable preference shares of 0.1c each	1	1
	41	41

10. SHARE CAPITAL (CONTINUED)

	2018 R'000	2017 R'000
Issued		
133 333 334 (2016: 133 333 334) ordinary shares of 0.005c each	7	7
	7	7

There has been no change to the authorised or issued share capital during the year.

The Group did not declare a dividend this year (2017: R16 million).

Unissued

Unissued shares are under the directors' control until the next annual general meeting.

11. SHARE INCENTIVE PLAN

The Company has granted incentive plans in the form of "LTIP share units" to members of its executive management team. These plans entitle the participants to receive cash payments calculated as the difference (if any) between the formula (or deemed) value per share of the Company at the dates of the grants ("award value") and such formula value per unit on the maturation dates of the rights, three years later. The scheme is not linked to the actual share price of the Company.

The total provision was determined as nil (2017: Rnil), and is classified as "cash settled" under liabilities.

The details of the "LTIP share units" on which the participation rights are based as well as the award values and maturation dates are set out below.

	Number of shares on which the right is based	
	2018	2017
Movement in rights to share-based payments (average award value is in brackets):		
Balance at the beginning of the year	1 467	2 044
Exercised during the year	–	(577)
Termination of old phantom shares	(1 467)	–
Issue of new LTIP shares unit	1 397	–
Balance at the end of the year	1 397	1 467

Rights to share-based payments on 30 June are unconditional on the following dates:

1 July 2018 (old phantom shares terminated)	–	1 467
1 July 2021 (new Long-Term Incentive Plan)	1 397	–

The "award values" indicated above bear no resemblance to any market value of Abagold's physical shares and are merely a calculated value to be used for the purposes of this plan. Note that the difference in award values indicated above is due to a change in the formula used to determine the award value for the new plan. This value is calculated such that it incentivises those elements that the Board considers necessary to build longer-term value in the Group.

Refer to note 24 for the expense recognised in the statement of comprehensive income as employee benefits expense.

12. TAXATION

12.1 INCOME TAX EXPENSE

	2018 R'000	2017 R'000
Current tax – current year	–	4 932
Current tax – prior year	1 960	–
Deferred tax – current year	1 166	(20 733)
Deferred tax – prior year (over)/underprovision	(3 218)	18
Total tax income	(91)	(15 783)

12.2 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or the different taxable entities where there is an intention to settle the balances on a net basis. The offset amounts are as follows:

	2018 R'000	2017 R'000
Deferred tax liability		
– Property, plant and equipment	44 055	44 550
– Trademarks	45	53
– Prepaid expenses	118	350
– Biological assets	48 809	36 414
Deferred tax asset		
– Accumulated tax loss	(11 586)	(3 272)
– Loss in equity accounted investments	(1 826)	(574)
– Government grants	(3 469)	–
– Provision for doubtful debts	(7)	–
– Provision for leave pay	(798)	(597)
– Operating lease liability	(877)	(726)
– Short-term share incentive liability	(490)	(174)
Net deferred tax liability	73 974	76 024

The movement in net deferred tax liability during the year is as follows:

	Property, plant and equipment R'000	Biological assets R'000	Accumulated loss R'000	Other R'000	Total R'000
Balance at 1 July 2016	38 493	66 516	(5 435)	(2 817)	96 757
Charged/(credited) to profit or loss	6 057	(30 102)	2 163	1 149	(20 733)
Balance at 30 June 2017	44 550	36 414	(3 272)	(1 669)	76 024
Charged/(credited) to profit or loss	(495)	12 395	(8 314)	(5 636)	(2 050)
Balance at 30 June 2018	44 055	48 809	(11 586)	(7 305)	73 974

Notes to the consolidated financial statements
for the year ended 30 June 2018 continued

12.3 TAX RATE RECONCILIATION

The income tax on the profit before tax differs from the theoretical amount that would arise using the statutory rate of 28% (2017: 28%) as follows:

	2018 %	2017 %
South African normal tax rate	28.00	28.00
Adjusted for:		
– Non-taxable income	7.97	(0.21)
– Other permanent differences	0.01	4.30
– Current tax prior year correction	77.67	–
– Tax rate differential	10.23	–
– Prior period under provision – deferred tax	(127.47)	0.04
Actual effective tax rate	(3.59)	32.13

12.4 TAX LOSSES

	2018 R'000	2017 R'000
Estimated tax losses and capital development costs available for set-off against future taxable income	42 302	11 686

13. DEFERRED INCOME GRANT

	2018 R'000	2017 R'000
Current portion	908	347
Long-term portion	11 482	9 097
	12 930	9 444

During the 2014 fiscal year, R5,7 million was received as a government grant under the Aquaculture Development and Enhancement Programme ("ADEP"). This grant related to the Sulamanzi farm expansion costs for the period 1 September 2012 to 30 June 2013. A further ADEP grant of R5,6 million was received in the 2017 fiscal year and relates to both the Sulamanzi farm expansions cost and the feed factory development costs. In the current year, the final amount of R3,7 million relating to the Sulamanzi farm expansion was received.

The grant is recognised in the statement of comprehensive income over the average useful lives of the related assets, which is 17 years.

14. LONG-TERM BORROWINGS

	2018 R'000	2017 R'000
ABSA Agri Loan	28 754	17 198
ABSA Feed Loan	4 195	6 976
Viking – shareholder loan	4 000	–
Total long-term borrowings	36 949	24 174

14. LONG-TERM BORROWINGS (CONTINUED)

Long-term borrowings are divided into a current and non-current portion on the statement of financial position as follows:

	2018 R'000	2017 R'000
Non-current portion of long-term borrowings	34 168	18 530
Current portion of long-term borrowings	2 781	5 644
Total long-term borowings	36 949	24 174

The long-term borrowings from ABSA consist of the Agri Loan in the form of an access bond over erf 11166, and a Feed Loan in the form of a finance lease. The Agri Loan has been used to finance the expansion of the Sulamanzi farm, which was completed in the 2016 fiscal year. The Agri Loan facility is R35 million and is repayable in monthly instalments at 0.5% below the prime interest rate over a period of 20 years. The Feed Loan has been used to finance the construction of the new feed production plant, which was sold to Sepcialised Aquatic Feed (Pty) Ltd in 2017. The Feed Loan is R4,1 million and is repayable in monthly instalments over a term of 5.5 years at an interest rate of 1% below the prime interest rate.

15. TRADE AND OTHER PAYABLES

	2018 R'000	2017 R'000
Trade and other payables comprise the following items:		
Trade payables	15 341	27 145
Accrual for leave	2 838	2 324
Other accruals	4 172	–
Other personnel accruals	2 964	3 819
Operating lease liability	3 133	2 594
Other payables	5 220	(613)
Loans payables to Aquawomen	642	584
	34 310	35 854

The carrying amount of trade and other payables approximates its fair value due to the short-term nature.

Trade and other payables are divided into a current and non-current portion on the statements of financial position as follows:

Non-current trade and other payables	3 133	2 595
Current portion of trade and other payables	31 177	33 259
	34 310	35 854

16. CASH AND CASH EQUIVALENTS

	2018 R'000	2017 R'000
ABSA overdraft	(1 824)	(1 589)
Bank balance	(16 342)	25 813
Cash on hand	6	14
Balance on credit cards	(75)	(110)
	(18 234)	24 128

Positive bank balances earn interest at market-related money market rates, which was 5.5% on average for the year.

The balance on the bank overdraft is payable on demand and accrues interest at the prime rate. The credit cards are payable on demand and accrue annual interest at 16%.

Total approved banking facility includes a general banking facility of R31 million (2016: R31 million), an Agri Loan of R34 million (2017: R35 million) and a loan for the feed plant construction of R4,1 million (2017: R13,9 million). The facility also includes limits for entering into forward exchange contracts and credit cards. The next facility review date is 20 October 2018.

17. SECURITIES

The following items are secured to the Group's bankers, ABSA, at the reporting date:

First and second general notarial bond over biological assets and inventory for R10 million and R20 million; registered cession of insurance policy over biological assets and inventory; first and second covering mortgage bond for R2,5 million and R7,5 million over erf 7994; registered cession of reversionary rights in combined insurance policy.

A covering mortgage bond has been registered in the current year for R35 million over erf 11166, which serves as security for the R35 million Agri Loan which has financed the Sulamanzi expansion.

A cession of loan account limited to R2 million in favour of Specialised Aquatic Feeds (Pty) Ltd.

18. DEFINED-CONTRIBUTION PLAN

The Company provides retirement benefits for its full-time employees by way of contributions to a third-party-administered provident fund. All full-time employees are eligible to join the fund. Contributions to the fund are paid on a fixed scale. Substantially all the Company's full-time employees are members of this plan.

An amount of R3,3 million (2017: R3 million) was recognised during the year as an expense in relation to the provident fund's contributions.

19. FINANCIAL INSTRUMENTS

19.1 FAIR VALUE ESTIMATION

For financial instruments that are measured in the statement of financial position at fair value, disclosure is required of fair value measurements by level of the following fair value measurement hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

19.1 FAIR VALUE ESTIMATION (CONTINUED)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest-level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgement by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table presents the Company's financial assets and liabilities that are measured at fair value at 30 June 2018:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Assets				
Financial assets at fair value through profit or loss				
– Foreign exchange contract assets	–	–	–	–
Total assets	–	–	–	–
Liabilities				
Financial liabilities at fair value through profit or loss				
– Foreign exchange contract liabilities	–	6 164	–	6 164
Total liabilities	–	6 164	–	6 164

The following table presents the Company's financial assets and liabilities that are measured at fair value at 30 June 2017:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Assets				
Financial assets at fair value through profit or loss				
– Foreign exchange contract assets	–	635	–	635
Total assets	–	635	–	635
Liabilities				
Financial liabilities at fair value through profit or loss				
– Foreign exchange contract liabilities	–	(466)	–	466
Total liabilities	–	(466)	–	466

Financial instruments that trade in markets that are not considered to be active but are valued (using valuation techniques) based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include investment-grade corporate bonds, listed equities and over-the-counter derivatives. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Notes to the consolidated financial statements
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19.1 FAIR VALUE ESTIMATION (CONTINUED)
If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. The Company does not have any Level 3 instruments for the year ended 30 June 2018 and 2017.

Specific valuation techniques used to value financial instruments include:
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.

19.2 FINANCIAL RISK MANAGEMENT
Financial instruments are subject to the relevant risks in the table below:

	Credit risk	Liquidity risk	Interest rate	Exchange rate
Financial assets:				
Foreign exchange contract asset	✔		✔	✔
Trade and other receivables	✔			✔
Financial liabilities:				
Foreign exchange contract liability		✔		✔
Trade and other payables		✔		
Borrowings		✔	✔	
Bank overdraft		✔	✔	

19.3 CREDIT RISK MANAGEMENT
Credit risk arises from financial instruments with banks and trade and other receivables (refer to note 8 excluding prepayments and value-added tax) which expose the Company to credit risk.

The Company uses derivative financial instruments in the form of foreign exchange contracts. Only financial institutions with a minimum independent credit rating of "A" are used for these purposes.

Substantially all foreign trade receivables relate to clients in the Far East (Hong Kong, Singapore, China, Japan and Malaysia). Credit risk is reduced by performing credit checks on all clients prior to engaging in trade and by enforcing strict payment terms. At year-end there was a provision for bad debts of R33k.

19.4 LIQUIDITY RISK MANAGEMENT

The Company's cash and cash equivalents are monitored and measured against budget on a weekly basis and it is expected that the Group will be able to settle its trade and other payables as they become due. The credit terms with trade and other payables are 30 days from statement date.

The contractual periods of the Company's liabilities at year-end are as follows:

	Contractual cash flows (undiscounted)			
	0–1 year R'000	1–2 years R'000	2–5 years R'000	Total R'000
At 30 June 2018:				
Trade and other payables	31 177	3 133	–	34 310
Derivative financial instruments	6 164	–	–	6 164
Borrowings	2 781	1 364	32 804	36 949
Bank overdraft	18 234	–	–	18 234
	58 357	4 498	32 804	95 658
At 30 June 2017:				
Trade and other payables	33 259	2 595	–	35 854
Derivative financial instruments	466	–	–	466
Borrowings	5 644	18 204	326	24 174
Bank overdraft	(1 589)	–	–	(1 589)
	37 780	20 799	326	58 905

19.5 INTEREST RATE RISK

The Company's cash and cash equivalents are exposed to changes in market interest rates. No portion of this debt has a fixed interest rate.

At 30 June 2018, if interest rates were 1 percentage point higher, with all other variables held constant, the loss before income tax for the year would have been R194 000 less (2017: R333 700), arising as a result of the overdraft and loan positions at the end of 2018. Conversely, if interest rates were 1 percentage point lower, it would have an opposite effect on the loss with the same amounts.

19.6 CURRENCY RISK MANAGEMENT

Exposure to currency risk arises in the normal course of the Company's business of exporting abalone for which the selling price is denominated in US Dollars. This risk is relevant to the following:

19.6.1 Foreign trade receivables

At 30 June 2018, if the Rand had weakened 10% against the US Dollar with all other variables held constant, the loss before income tax for the year would have been R0,47 million (2017: R0,34 million) greater. Conversely, if the Rand had strengthened 10%, the loss would have been less with the same amounts. This variation in the loss would be due to the fair value adjustment of foreign currency-denominated trade receivables. The lower foreign exchange rate sensitivity in the loss is attributable to a decrease in these trade receivables at year-end.

19.6.2 Biological assets

Please refer to note 3.

19.6 CURRENCY RISK MANAGEMENT (CONTINUED)

19.6.3 Forward foreign exchange contracts

The Company uses derivative financial instruments to reduce exposure to fluctuating foreign exchange rates. To this effect, the Company has entered into certain forward exchange contracts, which do not relate to specific items in the statement of financial position but were entered into to cover future foreign currency sales transactions. The contracts will be utilised against US Dollar receipts from foreign customers in the forthcoming financial year.

Whilst these financial instruments are subject to the risk of market rates changing subsequent to acquisition, such changes would generally be offset by opposite effects on the items being hedged. Open foreign exchange contracts at year-end are revalued using market rates for contracts with similar maturity dates, with the adjustment to fair value affecting profit for the year. At 30 June 2018, if the Rand had weakened 10% against the US Dollar with all other variables held constant, profit before income tax for the year would have been R6,2 million (2017: R16 900) less. Conversely, if the Rand had strengthened 10%, profit would have been higher with the same amounts.

Refer to note 9 on derivative financial instruments for details of the forward foreign exchange contracts.

19.7 CAPITAL RISK MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of total equity, less amounts accumulated in equity related to cash flow hedges. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Company's target is to achieve a return on capital above 16%; in 2018, the return was zero (2017: -13%). In comparison, the weighted average interest expense on interest-bearing borrowings was 9.5% (2017: 9.6%).

The Company monitors capital using a debt to equity ratio. For this purpose, debt is defined as interest-bearing debt, and equity comprises all components of equity. The Company's net debt to equity ratio at the end of the reporting period was 18% (2017: 0%).

To date, the Company has not purchased its own shares on the market.

There were no changes in the Company's approach to capital management during the year.

20. REVENUE

	2018 R'000	2017 R'000
Revenue comprises of the following sales of abalone products and related services:		
– Canned abalone	63 496	95 046
– Dried abalone	11 428	30 161
– Live abalone	31 162	33 522
– Live baby abalone (spats)	1 846	3 962
– Animal feed	42 058	24 993
– Live packing of abalone	–	4
	149 990	187 687

21. OTHER INCOME

The following items are included in Other Income:

	2018 R'000	2017 R'000
– Shared infrastructure	1 103	1 458
– Insurance claim and rebates received	117	37 634
– Peacan nuts	3 969	–
– ADEP grant	772	375
– Profit on disposal of fixed assets	370	67
– Other	1 238	354
	7 569	39 888

22. FAIR VALUE GAINS AND LOSSES IN FINANCIAL INSTRUMENTS

The following items are included in fair value gains and losses in financial instruments:

– Realised foreign exchange gains	1 906	18 395
– Realised foreign exchange losses	–	(9 666)
– Unrealised foreign exchange gains	–	9 345
– Unrealised foreign exchange losses	(6 164)	(11 338)
Net fair value (losses)/gains on financial instruments	(4 258)	6 736

23. PRODUCTION COSTS

Production costs comprise the following:

– Utilities (electricity and water)	19 175	19 087
– Feed	1 005	863
– Consumables	1 901	2 245
– Chemicals	853	1 038
Total production costs	22 934	23 233

24. EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses comprise the following items:

– Wages and salaries	41 802	33 001
– Directors' remuneration	6 874	12 308
– Adjustment to share-based payment accrual	–	(1 190)
– Adjustment to accrual for short-term incentive	3 619	2 203
– Provident fund contributions	2 656	2 542
– Protective clothing	469	542
– Staff tea and welfare	287	263
– Recruitment costs	215	178
Total employee benefit expense	55 923	49 847

Notes to the consolidated financial statements

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24. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

The remuneration paid to directors of the Company is detailed in the table below:

	2018 (R'000)					
	Basic salaries	Company contributions	Performance related 2017	Performance related 2018	Fees for meetings	Total
Executive director:						
TR Hedges	2 513	24	–	–	–	2 536
CH van Dyk	1 214	14	–	–	–	1 228
L-A Lubbe	988	12	–	–	–	999
Prescribed officer:						
J Bakker*	438	5	–	–	–	443
E Manchest**	610	7	–	–	–	617
Non-executive directors:						
HR van der Merwe	–	–	–	–	320	320
Dr P du P Hugo***	–	–	–	–	62	62
P Davies	–	–	–	–	114	114
YJ Visser	–	–	–	–	135	135
JW Wilken	–	–	–	–	149	149
W Keast†	–	–	–	–	95	95
SL de Villiers†	–	–	–	–	126	126
T Mokgosi-Mwantembe#	–	–	–	–	49	49
Total	**5 763**	**61**	**–**	**–**	**1 050**	**6 874**

** Resigned on 30 November 2017, ** Appointed on 1 January 2018, *** Retired on 31 December 2017, # Appointed on 14 Februaury 2018, † Fees paid to the investment company.*

	2017 (R'000)					
	salaries	Basic contributions	Company related 2016	Performance related 2017	Performance meetings	Fees for Total
Executive director:						
TR Hedges	2 299	49	1 288	1 672	–	5 308
CH van Dyk	1 113	26	651	738	–	2 528
L-A Lubbe	871	23	691	661	–	2 247
Prescribed officer:						
J Bakker	858	13	159	190	–	1 220
Non-executive directors:						
HR van der Merwe	–	–	–	–	288	288
Dr P du P Hugo	–	–	–	–	120	120
Dr P du P Kruger***	–	–	–	–	51	51
GM Negota**	–	–	–	–	89	89
YJ Visser	–	–	–	–	102	102
JW Wilken	–	–	–	–	120	120
W Keast	–	–	–	–	89	89
SL de Villiers	–	–	–	–	97	97
P Davies*	–	–	–	–	50	50
Total	**5 141**	**111**	**2 789**	**3 261**	**1 006**	**12 308**

** Appointed on 1 January 2017, ** Deceased on 7 May 2017, *** Retired on 31 December 2016*

Please refer to note 12 for details relating to the vesting of rights to executive directors in terms of the share-based payments plans.

25. PROFIT/(LOSS) FROM OPERATIONS

Profit/(loss) from operations is stated after the items below were taken into account:

	2018 R'000	2017 R'000
Auditor's remuneration for audit services	452	452
Amortisation and write-offs of trademarks	47	46
Depreciation	14 105	13 452
Maintenance	5 374	4 730
Rentals	695	704
Operating lease charges	1 353	578
Professional fees	6 950	3 712
Legal fees	719	847

26. FINANCE COSTS

Finance costs comprise interest paid on the following interest-bearing debt:

	2018 R'000	2017 R'000
Bank overdraft	1 811	200
Agri loan	1 050	2 375
Feed loan	529	806
Total finance costs	3 390	3 381

27. EARNINGS PER SHARE – BASIC

Basic earnings per share are calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

Profit attributable to ordinary shareholders (Rand)	2 615	(33 337)
Weighted number of ordinary shares issued	133 333	133 333
Basic earnings per share (cents)	1.96	(25.00)

There are no potential dilutive instruments as at 30 June 2018 (2017: none).

28. EARNINGS PER SHARE – HEADLINE

Profit/(loss) attributable to ordinary shareholders	2 615	(33 337)
Adjusted for:		
Net loss on sale of property, plant and equipment	(266)	(48)
Gross amount	(370)	(67)
Taxation	104	19
Net insurance claim and rebates received	–	(27 096)
Gross amount	–	(37 634)
Taxation	–	10 538
Headline earnings	2 348	(60 481)
Headline earnings per share (cents)	1.76	(45.36)

Notes to the consolidated financial statements
for the year ended 30 June 2018 continued

29. NOTES TO THE STATEMENTS OF CASH FLOWS

29.1 CASH RECEIVED FROM CLIENTS

	2018 R'000	2017 R'000
Revenue	149 990	187 687
Other income	7 569	39 888
Plus: Receivables at the beginning of the year	15 508	12 086
Less: Receivables at the end of the year	(17 283)	(15 508)
	155 783	224 153

29.2 CASH GENERATED FROM OPERATIONS

	2018 R'000	2017 R'000
Profit/(loss) before tax	2 524	(49 121)
Adjustments for non-cash items	(22 130)	122 299
– Trademark amortisation and write-offs	47	46
– Amortisation of deferred income grant	(754)	(375)
– Depreciation	14 105	13 452
– Loss on sale of property, plant and equipment	(370)	(67)
– Fair value gains on biological assets	(119 925)	(29 533)
– Transfers from biological assets to inventories	75 658	136 093
– Share of loss in equity accounted investments	2 776	690
– Unrealised gain on revaluation of foreign exchange contracts	–	(635)
– Unrealised loss on revaluation of foreign exchange contracts	6 164	466
– Reversal of prior year gain on foreign exchange contracts	635	2 162
– Reversal of prior year loss on foreign exchange contracts	(466)	–
Separately disclosed items in statement of cash flow	3 390	3 381
– Finance costs	3 390	3 381
Changes in working capital:	(16 086)	22 867
– (Increase)/decrease in inventory	(12 767)	11 024
– Increase in receivables	(1 775)	(3 422)
– (Decrease)/increase in trade payables	(1 544)	15 265
Cash (used in)/generated from operations	(32 302)	99 426

29.3 NET DEBT

	2018 R'000	2017 R'000
Cash and cash equivalents	(18 008)	24 128
Borrowings – repayable within one year	(2 781)	(5 644)
Borrowings – repayable after one year	(34 168)	(18 530)
Net debt	(54 957)	(46)

Reconciliation of Net debt	Shareholder loan	Cash and cash equivalents	Overdraft	Feed Loan	Agri Loan	Net debt
Opening balance 1 July 2016	–	344	(1 854)	(25 276)	(9 757)	(36 543)
Cash movement	–	25 483	355	19 106	(5 066)	39 878
Interest charge	–	–	(200)	(806)	(2 375)	(3 381)
Closing balance 30 June 2017	–	25 827	(1 699)	(6 976)	(17 198)	(46)
Cash movements	(4 000)	(25 601)	(14 724)	3 310	(10 506)	(51 521)
Interest charge	–	–	(1 811)	(529)	(1 050)	(3 390)
Closing balance 30 June 2018	(4 000)	226	(18 240)	(4 195)	(28 754)	(54 957)

30. RELATED PARTIES

30.1 IDENTITY OF RELATED PARTIES

- Mr TR Hedges is a director of Specialised Aquatic Feeds (Pty) Ltd, Mean Sea Level (Pty) Ltd and Abagold Ltd.
- Mr CH van Dyk is a director of Specialised Aquatic Fees (Pty) Ltd and Abagold Ltd.
- Abagold owns 45% of the shares in an associate, Aquawomen (Pty) Ltd, as documented in note 6.
- Lou-Anne Lubbe is a director of Aquawomen (Pty) Ltd and Abagold Ltd.
- The executive management team is considered to be key management. Executive management comprises of seven (2017: six) employees, including three executive directors, Mr TR Hedges, Mr CH van Dyk and Mrs L-A Lubbe.

30.2 MATERIAL RELATED-PARTY TRANSACTIONS AND BALANCES

30.2.1 Transactions with joint ventures

Refer to note 6 for transactions with joint ventures.

30.2.2 Transactions with key management

Remuneration paid to the executive management team for employee services is shown below:

	2018 R'000	2017 R'000
Basic salaries	7 729	6 886
Share-based payments	–	4 245
Company contributions	61	154
Performance-related	–	4 202
	7 790	15 487

30.2.3 Material related-party balance

Loans receivable include the following amount to a related party:

Abagold Development Trust	–	167

During the year, the loan to Abagold Development Trust was written off as a donation.

30.2 MATERIAL RELATED-PARTY TRANSACTIONS AND BALANCES (CONTINUED)

30.2.4 Securities issued to directors

At the reporting date, the following number of securities in the Company were issued to directors or to any person related to them:

	Number of shares ('000)		
Director	**Direct**	**Indirect**	**Total**
TR Hedges	443	–	443
CH van Dyk	42	–	42
L-A Lubbe	100	–	100
YJ Visser	–	121	121

31. COMMITMENTS

31.1 CAPITAL COMMITMENTS

	2018 R'000	2017 R'000
Authorised by the directors		
– Contracted for	307	–
– Not contracted for	11 593	1 946

The proposed capital expenditure will be financed using existing bank facilities, borrowings and cash generated from operations.

31.2 OPERATING LEASE COMMITMENTS

The Company rents certain of its farming land (the farms Sea View) and the future minimum lease payments are as follows:

	2018 R'000	2017 R'000
– Within one year	844	781
– After one year, but not longer than five years	4 107	4 951
– After five years	17 964	17 964
	22 915	23 696

In 2014, the lease was renewed for a further term of 9 years and 11 months and the agreement includes an option to renew the lease for a further 9 years and 11 months. The lease payments above include the optional renewal term.

32. EVENTS AFTER THE REPORTING DATE

There are no material events after the reporting date.

33. CONTINGENT LIABILITY

There are no contingent liabilities, other than those detailed in note 6.2.

34. OPERATING SEGMENTS

Basis for segmentation

The Group has the following two divisions, which are reportable segments. These divisions offer different products, and are managed separately because they require different technology and have different customer markets and strategies.

The following summary describes the operations of each reporting segment.

Reportable segments	Operations
Abagold Ltd	Breeding, farming, processing, marketing and selling abalone
Specialised Aquatic Feeds (Pty) Ltd	Producing abalone and non-abalone feeds
Abagold Mauritius Limited	Fish farming in Mauritius

The Group's chief executive and chief financial officer review the internal management reports of each division on a monthly basis.

There are varying levels of integration between the Abagold Ltd (Abagold) and Specialised Aquatic Feeds (Pty) Ltd (SAF) segments. This integration includes transfers of abalone feed and shared support services. Intersegment pricing is determined on an arm's length basis.

Information about reportable segments

Information related to each reportable segment is set out below. Segment profit (loss) is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to the other entities that operate in the same industries.

34. OPERATING SEGMENTS (CONTINUED)

	2018			2017	
	ABAGOLD R'000	SAF R'000	Mauritius R'000	ABAGOLD R'000	SAF R'000
External revenue	107 932	42 058	–	156 243	24 993
Inter-segment revenue	–	12 836	–	6 452	11 169
Segment revenue	**107 932**	**54 895**	**–**	**162 694**	**36 161**
Segment profit (loss) before tax	4 924	2 362	(1 986)	(36 492)	(5 959)
Interest expense	(3 274)	(116)	–	(3 268)	(113)
Depreciation and amortisation	(12 272)	(1 879)	–	(13 497)	–
Share of profit (loss) of equity-accounted investees	(2 776)	–	–	(690)	–
Other material non-cash items:					
Changes in biological assets	119 925	–	–	29 533	–
Segment assets	**438 346**	**29 169**	**–**	**413 063**	**31 072**
Equity accounted investees	12 450	–	–	10 859	–
Capital expenditure	23 772	887	–	41 888	–
Segment liabilities	**170 769**	**18 543**	**1 849**	**144 791**	**23 275**

Reconciliation of information on reportable segments to IFRS measures

	2018 R'000	2017 R'000
Revenues		
Total revenue for reporting segments	144 093	198 855
Elimination of inter-segment revenue	5 897	(11 169)
Consolidated revenue	149 990	187 687
Profit before tax		
Total profit before tax for reportable segments	5 300	(42 480)
Elimination of inter-segment profit	0	(5 951)
Share of profit/(loss) of equity-accounted investees	(2 776)	(690)
Consolidated profit before tax	2 524	(49 121)
Assets		
Total assets for reportable segments	467 515	444 135
Elimination of inter-segment transactions	(36 827)	(57 725)
Equity-accounted investees	5 930	7 114
Consolidated total assets	436 618	393 524
Liabilities		
Total liabilities for reportable segments	191 161	168 066
Elimination of inter-segment transactions	(9 140)	(20 509)
Consolidated total liabilities	182 021	147 557
Other material items		
Interest expense	(3 390)	(3 381)
Capital expenditure	(24 659)	(41 888)
Depreciation and amortisation	(14 151)	(13 497)
Biological asset movements	119 925	29 533

Shareholder and administrative information

Analysis of shareholders at 30 June 2018

	Number of shareholders		% Holding	
Size of holdings	**2018**	**2017**	**2018**	**2017**
Less than or equal to 1%	39	56	7.51%	8.60%
More than 1% but less than or equal to 5%	5	7	13.20%	13.50%
More than 5% but less than or equal to 10%	5	3	40.43%	27.80%
More than 10% but less than 20%	3	4	38.86%	50.10%

The following shareholders hold in excess of 5% of the issued share capital:

Entity	Holding
Agulhas Nominees (Pty) Ltd	15.8%
Evolution One	15.0%
Old Mutual Life Assurance Company	13.8%
Sea Yields Investments (Pty) Ltd	10.0%
KGMF Trust	9.7%
Johan van Dyk Familie Trust	8.0%
Bonne Esperance Trust	7.7%

Corporate information

Abagold Limited
Reg no: 1995/070041/06

Company secretary
Enver Manchest

Registered office
Cnr Church and Stil Streets
Hermanus, 7200
PO Box 1291, Hermanus, 7200
Tel +27 (0) 28 313 0253
Fax +27 (0) 28 312 2194
Email info@abagold.co.za

Auditors
BDO Cape Inc.
Cape Town

Bankers
ABSA Bank Limited

Transfer secretary
Link Market Services
11 Diagonal Street
Johannesburg, 2001
Tel +27 (0) 11 630 0823
Fax +27 (0) 11 834 4398

Notice of annual general meeting of shareholders

ABAGOLD LIMITED
(Registration number: 1995/070041/06)

Notice is hereby given that the 2018 annual general meeting ("the meeting") of the shareholders of Abagold Limited ("the Company") will be held at 09h00 on Saturday, 8 December 2018, at the "Heart of Abalone" shed, Seaview, Abagold, New Harbour, Hermanus.

The following resolutions by shareholders, in which the Companies Act, Act 71 of 2008, is referred to as "the Act", will be proposed and considered at the meeting and, if approved, will be adopted with or without amendment.

Special resolution 1: Non-executive directors' remuneration
Resolved that the non-executive directors' annual remuneration, in their capacity only as directors of the Company, from 1 January 2019 be paid in accordance with the following, together with such amount of Value-Added Tax ("VAT") as may be attributable thereto:

For services as:	
Basic remuneration as director, excluding chairman of the Board	R104 863
Basic remuneration as chairman of the Board	R314 591
Chairman of a committee of the Board	R26 216
Member of a committee of the Board	R10 486

Reason and effect
The reason for and the effect of special resolution number 1 is to grant the Company authority to pay remuneration to its non-executive directors for their services as directors, as well as VAT thereon, in line with the requirements of King III, King IV and the Act.

Special resolution 2: Financial assistance to related or interrelated entities
Resolved that the directors, in terms of and subject to the provisions of section 45 of the Act, be authorised to cause the Company to provide any financial assistance to any company or corporation which is related or interrelated to the Company.

Reason and effect
The reason for and effect of this special resolution number 2 is to grant the directors of the Company the authority to cause the Company to provide financial assistance, in the normal course of business, to any company or corporation which is related or interrelated to the Company.

Ordinary resolution 1: Consideration of the annual financial statements
Resolved that the meeting has considered the consolidated annual financial statements for the year ended 30 June 2018.

Ordinary resolution 2: Reappointment of the independent auditor and designated auditor
Resolved that, as recommended by the Board and the audit committee, BDO Cape Inc., be reappointed as independent registered auditor of the Group and that shareholders note the nomination of Mr Bernard van der Walt of the said firm as the designated registered auditor to hold office for the ensuing year.

Ordinary resolution 3: Re-election of director retiring by rotation
Resolved that the following director, who retires by rotation, and being eligible and having made herself available for re-election as director of the Company, is re-elected as director:

3.1 Mrs SL de Villiers

The directors unanimously recommend the election in terms of resolution 3.1 by the shareholders of the Company.

Ordinary resolution 4: Re-election of director appointed by the Board
Resolved that the following director, who was appointed by the Board, is re-elected as director:

4.1 Mrs T Mokgosi-Mwantembe

The directors unanimously recommend the election in terms of resolution 4.1 by the shareholders of the Company.

Ordinary resolution 5: Election of members of the audit committee
Resolved that the following independent non-executive directors be elected, each by way of a separate resolution, as members of the audit committee of the Company for the period from 8 December 2018 until the conclusion of the next annual general meeting.

5.1 Mr P Davies
5.2 Mr YJ Visser
5.3 Mr JW Wilken

Voting and proxies
An ordinary shareholder entitled to attend and vote at the annual general meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. A proxy need not be a shareholder of the Company. For the convenience of registered ordinary shareholders of the Company, a proxy form is enclosed herewith.

Any person present and entitled to vote at the meeting, as member or as proxy or as a representative of a body corporate, shall on a show of hands have one vote irrespective of the number of shares held or represented. On a poll, he/she/it will have a number of votes equal to the number of ordinary shares held or represented.

Any ordinary resolution is passed by a majority of votes present and voting at the meeting.

Forms of proxy are requested to be lodged with the company secretary (using the return options set out on the back of the proxy form), for ease of administration, by no later than 16h00 on Thursday, 6 December 2018. Any forms of proxy not lodged by this time and date may be handed to the chairman of the annual general meeting immediately prior to the commencement of voting at the meeting. A shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend and, to the exclusion of the proxy, vote in person at the annual general meeting.

BY ORDER OF THE BOARD

E Manchest
Company secretary
26 September 2018

ABAGOLD

ABAGOLD LIMITED
(Registration number: 1995/070041/06)

PROXY FORM

Proxy form for use at the annual general meeting ("the meeting") of Abagold Limited ("the Company") to be held on 8 December 2018 at 09h00 by ordinary shareholders who are unable to, or who do not wish to, attend the meeting in person, but wish to be represented thereat.

I, the undersigned ______________________________

Please print full names

of address: ______________________________

being the registered holder of ______________________________ ordinary shares in the capital of the Company do hereby appoint

______________________________ or failing him/her

______________________________ or failing him/her

the chairman of the meeting as my proxy to act for me and on my behalf at the above-mentioned meeting for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed for adoption thereat, and at any adjournment of that meeting, and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares registered in my name, in accordance with the following instructions:

No.	Business	In favour of	Against	Abstain
	Special resolutions			
1	Approval of non-executive directors' remuneration from 1 January 2019			
2	To enable the provision of financial assistance to related or interrelated entities			
	Ordinary resolutions			
1	Consideration of consolidated annual financial statements for the year ended 30 June 2018			
2	Reappointment of independent auditor			
3	Re-election of director retiring by rotation:			
	3.1 Mrs SL de Villiers			
4	Re-election of director appointed by the Board:			
	4.1 Mrs T Mokgosi-Mwantembe			
5	Election of members of the audit committee, each by separate vote:			
	5.1 Mr P Davies			
	5.2 Mr YJ Visser			
	5.3 Mr JW Wilken			

See qualifications of non-executive directors on the following page.
(Indicate instruction to Proxy by way of a cross in the appropriate space provided above)
Unless otherwise instructed, my Proxy may vote as he/she thinks fit.

Signed at: ______________________________ this ____________ day of ____________________ 2018

Signature: ______________________________

TABLE OF QUALIFICATIONS

Mrs T Mokgosi-Mwantembe	Teachers diploma, BSc. MSc. in Medicinal Chemistry Executive courses: Harvard, IMD (Switzerland)
Mrs SL de Villiers	B. Bus Sc. (UCT); CFA
Mr JW Wilken	B. Compt. (Hons.), CA (SA), MBL
Mr P Davies	BSc. Eng (Mech.) (UKZN), Honorary Fellowship of the Institution of Chemical Engineers
Mr YJ Visser	B.LC LLB (Pret.)

NOTES

1. A member entitled to attend and vote is entitled to appoint a proxy to attend, speak and on a poll vote in his/her stead, and such proxy need not also be a member of the Company.
2. Should a proxy not be specified, the chairman of the meeting will act as the proxy.
3. An ordinary shareholder's instructions to the proxy must be indicated by inserting the relevant number of votes exercisable by him/her in the appropriate space provided above.
4. If any ordinary shareholder does not indicate on this instrument that his proxy is to vote in favour of or against any resolution or to abstain from voting, or give contradictory instructions, or should any further resolution(s) or any amendment(s) which may be properly put before the meeting be proposed, the proxy shall be entitled to vote as he/she thinks fit.
5. Documentary evidence establishing the authority of a person signing the proxy form in a representative capacity must be attached to this proxy form, unless previously recorded by the Company or waived by the chairman of the meeting.
6. This proxy form is requested to be completed and returned so as to reach the registered office of the Company, for ease of administration, by no later than 16h00 on Thursday, 6 December 2018, and may be returned in any manner set out below. Any forms of proxy not lodged by this time and date may be handed to the chairman of the annual general meeting immediately prior to the commencement of voting at the meeting.
7. The completion and lodging of this proxy form does not preclude the relevant shareholder from attending the meeting and speaking and voting in person thereat to the exclusion of any appointed proxy.
8. Any person present and entitled to vote at the meeting, as a member or as a proxy or as a representative of a body corporate, shall on a show of hands have only one vote, irrespective of the number of shares held or represented. On a poll, he/she/it will have a number of votes equal to the number of ordinary shares held or represented.
9. An ordinary resolution is passed by a majority of votes present and voting at the meeting.
10. This form of proxy expires after the conclusion of the meeting, but may still be used at any adjournment of the meeting.
11. NEW DIRECTORS: The proxy may vote with regard to the appointment of new directors not indicated in the preceding form of proxy as the proxy deems fit. Persons nominated for appointment as directors must have consented in writing to their nomination and must not be disqualified by virtue of the provisions of paragraph 5.1.5 of the Company's Memorandum of Incorporation.

Return options:

EITHER Deliver to:
The Company Secretary
Cnr of Church and Stil Streets
Hermanus
7200

OR Post to:
The Company Secretary
PO Box 1291
Hermanus
7200

OR Fax to:
The Company Secretary
028 312 2194

To be received, preferably, by no later than 16h00 on Thursday, 6 December 2018.

Notes

Notes

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Abagold Limited
New Harbour, Hermanus 7200
www.abagold.com