ABAGOLD

INTEGRATED REPORT 2019

SHAREHOLDERS' DIARY

Important reporting and meeting dates

REPORTS

30 JUNE 2019

Financial year-end

17 SEPT 2019

Annual financial statements approved

28 FEB 2020

Interim financial statements for the half-year to 31 December 2019 to be distributed by 28 February 2020

MEETINGS

07 DECEMBER 2019

ANNUAL GENERAL MEETING

DATE	Saturday, 07 December 2019
TIME	09h00
VENUE	"The Heart of Abalone" shed, Seaview Farm New Harbour Hermanus

CONTENTS

MANIFESTO AND VALUES

Manifesto

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

Our Values

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

Integrity
Through purpose and principle we ensure natural and safe products

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

Quality
In everything we do and produce

Innovation
Striving for continuous improvement

For decades, businesses have faced a multitude of disruptions. It certainly appears that these have, over the past few years, become more frequent, severe and rapid. We read in IT publications about change happening at "warp speed"; this certainly also has been the case at Abagold over the past two to three years.

An additional challenge to us has been the geo-political upheaval which impacts our markets and our business directly.

Special skills are demanded in order to navigate this upheaval. These skills, difficult as they may be to master, have not changed in their essentials: paying attention to what customers are saying and buying, investigating new entrants into our established markets and outside, improving our products, trying out new ones, and recruiting and training people who support us in all of this.

On this journey, our manifesto is our compass, and living the Abagold values is our toolbox and journey map, defining responses to successfully navigate these disruptive times.

Our values are not merely words. We live them, we measure our managers on how well they live them, and they are the foundation upon which we build our high-performance organisation.

Respect has always been the genesis for us, with each letter of this word defining what is meant by respect. *Reciprocal* – enduring and sustaining respect is reciprocal and mutual. Respect is between human beings; it is also between human beings and the environment. *Empathy* requires us to look at things from other people's perspective, and appreciate what they may perceive. It does not mean that we must agree with everything they perceive, think or approve of, but we must give them the relevant respect in the process of evaluating their actions and ideas. It requires us to acknowledge their right to hold such views, positions or actions. *Sensitivity* requires us to be conscious of culture, traditions, religion and ethnicity. *Processes and Procedures* – all the processes and procedures that have been developed over 25 years of learning need to be respected. If we truly respect the history of these values, we have a duty to protect and improve our processes and procedures, ensuring that, through their application, customer expectations are met and exceeded. *Empowerment* is the process of allowing all to participate pro-actively within the boundaries defined over time by the organisation. *Correction* – accepting that there will be failures is a given, but learning from such experiences is crucial. And, finally, *Trust* – trust is not a "feeling" word in this context, but is rather a conscious act, and demands of us to also be trustworthy, as individuals, teams and as a business.

Integrity is not merely doing the right thing when no one is watching. It demands that we all embrace ethical leadership with active management and supervision, along with confident, accurate and professional reporting.

Einstein is quoted as saying that, "The definition of insanity is doing the same thing over and over again and expecting a different result". The antidote to this is innovation.

Responsibility towards our stakeholders and the long-term sustainability of our organisation, society and planet. It is the essence of triple bottom line focus, i.e. people, planet, profit.

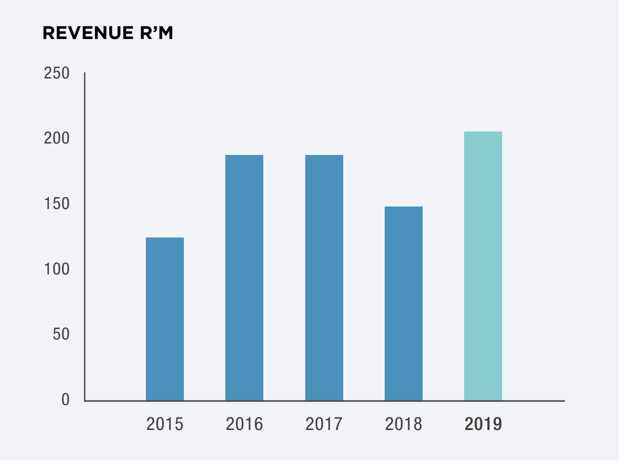
Quality in everything we do and produce. Achieving and maintaining our commitment to FSSC (Food Safety System Certification) and ISO (International Organisation for Standardisation) accreditations underpin the processes that are in place to ensure that we deliver quality in a consistent manner.

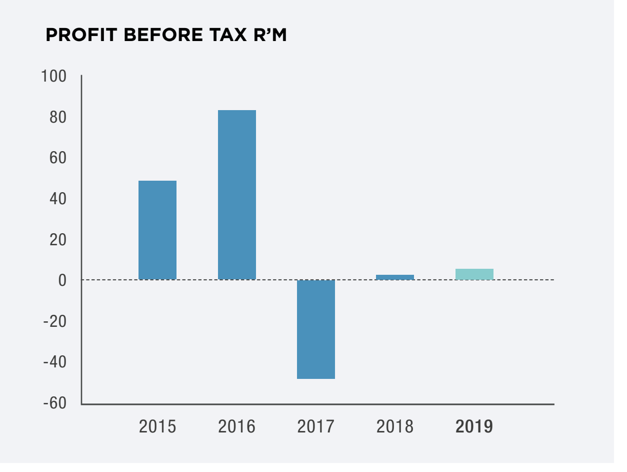
Innovation – Einstein said, "The definition of insanity is doing the same thing over and over again and expecting a different result". The antidote to this is innovation. Since its inception, the Abagold Innovation Hub has delivered a combination of process improvements in the way that we farm, and technology improvements in our production and feeding processes. There are many more initiatives at various stages of development, and all of these will help ensure sustainability in an increasingly competitive environment.

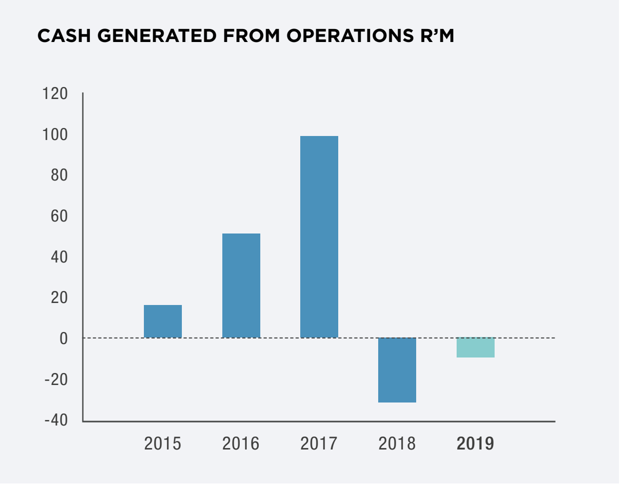
Our shared values guide *how* we do *what* we do. They are the heartbeat of our culture, for very employee, team and leader, in striving to deliver stakeholder and shareholder value.

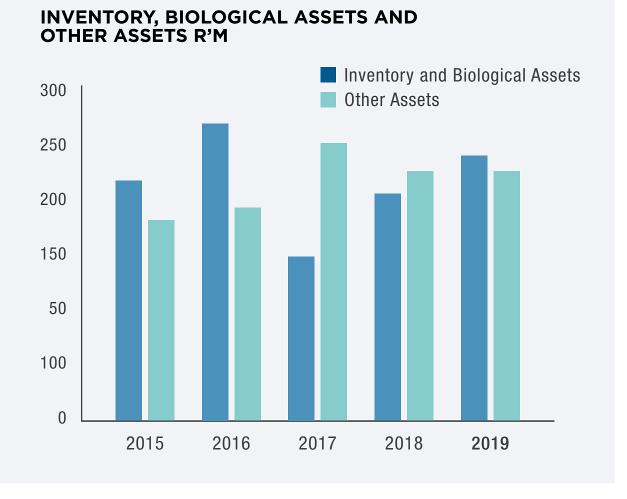
SALIENT FEATURES OF 2019

- Abagold produced 12 million spat for the year and was able to adequately meet its own requirement as well as supply spat into the market.
- The successful operational use of the two Adverse Water Quality plants has eliminated the occurrence of mortalities during the 2019 red tide event.
- There have been significant improvements in the product quality of formulated feed from Specialised Aquatic Feed ("SAF"), as well as in the diversification of products.
- Production costs per kg have decreased by 11% as the farm recovers to full production while containing its cost base.
- We have successfully piloted an automated sorting machine, which will be fully implemented in FY20 and will result in improved production efficiency on the farm.
- Abagold continued with its joint venture to develop the abalone farm in Oman and started construction in March 2019.







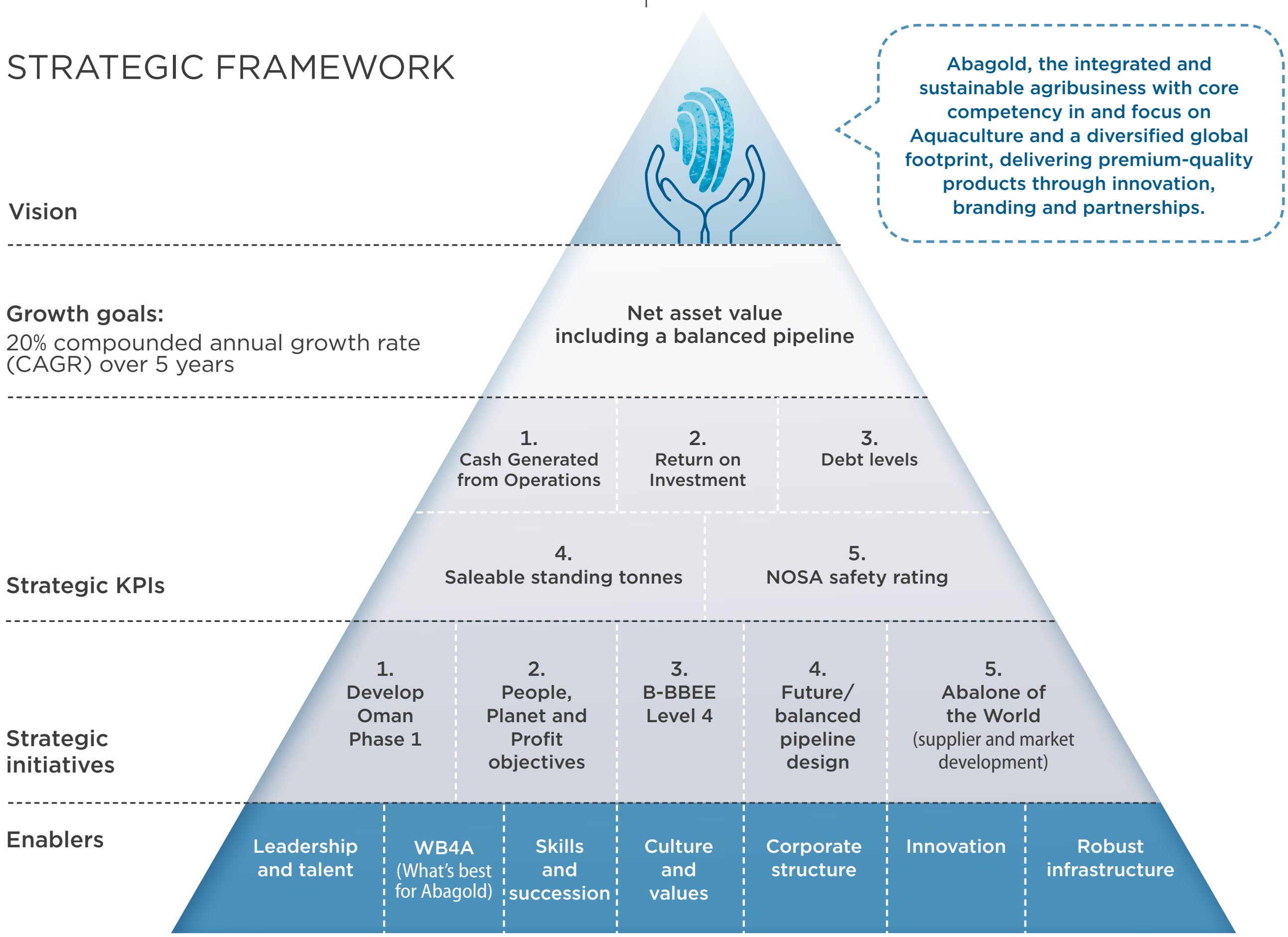


ABAGOLD STRATEGY

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 focussed on the basics of farming as well as the hatchery expansion, thereby restoring a viable and sustainable pipeline as soon as possible.

In line with recent events and the need for further diversification, the 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 the building blocks that will enable a successful implementation of the strategy. The strategic framework is set out in the figure below:

STRATEGIC FRAMEWORK



CHAIRMAN AND MANAGING DIRECTOR'S REPORT

Hatchery team winners of the chairman's award.

INNOVATION

Overview of performance during the year to 30 June 2019

Abagold's performance in financial year 2019 reflects our ongoing commitment to create a stable base, in the form of sustainable production of abalone in Hermanus, which will enable the business to invest the necessary resources in the diversification plan launched in 2018. Abagold's commitment to grow and diversify remains succinctly defined in our manifesto:

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

The global increase in harmful algae blooms, leading to many documented red tide type events, highlighted the importance for Abagold to be able to protect its operations against such extreme conditions. The focussed effort on, and financial commitment to, designing, developing and installing the multi-faceted defence mechanism to protect the farm was thoroughly put to the test in this past financial period, as an algae bloom was present in Walker Bay during an unprecedented eleven-week period. While we are glad to report that there was no increase in mortalities as a result, the event did lead to condition loss and reduced growth in the animals and significant delays in operational activities like sorting, feeding, handling, harvesting, live exports and processing. The Abagold team is now focussed on enabling these normal operational activities to continue without major interruption even during such events. Valuable knowledge, insight and experience were gained from the 2019 event, which are being and will continue to be put to effective use in protecting the Abagold biological assets in the future. The dedication of the Abagold staff once again came to the fore in how the event was managed by the team.

Although the farm has been fully stocked physically for over eight months, the abalone on the farm remain relatively young and not optimally saleable as yet, so the approach of the operations team has been to allow the pipeline to develop, monitoring and recording growth each month. This approach resulted in a more mature pipeline at the end of June 2019.

The hatchery once again performed excellently in 2019, producing more than 1 million spat per month. This year the hatchery reached more than double its original 2017 volume capacity. Further innovation and improvements continue and 12,1 million spat were produced in 2019, that were either transferred to the farm or sold to third party customers in the region.

With a maturing farm, it was essential that the business focussed on ensuring that all the farming activities were executed as effectively and efficiently as possible. This attention to detail allowed the business to achieve better growth than originally planned during the first half of the fiscal year, although much of this momentum was lost in the second six months, due to the environmental conditions caused by the red tide algae bloom and the delay in associated production activities.

Throughout the first half of the fiscal year the town of Hermanus experienced continued threats of civil unrest linked to Zwelihle, the community from which Abagold draws most of our staff. These disruptive activities impacted morale, safety and the security of our staff and assets at Abagold. Although the protest action reduced in the second half of the year, it was replaced by labour union tactics that had a negative impact on the whole abalone farming community in the Overstrand region, as the industry was directly targeted by the union concerned. Abagold settled relatively early in the labour negotiation process, but the impact of the negotiations and the continued broader trade union activities in our industry continue to impact morale, productivity and efficiencies.

For the first time in the history of Abagold, a slowdown in market demand for premium South African abalone was encountered. This started in January 2019, with pressure on live abalone prices and further impacting the sales price for smaller sizes in cans, by April. The protest action in Hong Kong and the trade tariff wars between China and the USA did not help the situation, and so we enter the new fiscal year with our market under pressure and the need to look at different formats, offerings and geographical markets (including direct to China) as outlets for our high-quality product in the future. This challenge has been taken on by the management, sales and marketing teams at Abagold and solid progress has already been achieved.

The financial resources of the business were tested in this financial year, following the earlier decision to continue to harvest only 75% of all growth in the year in order to facilitate the maturation and growth of the pipeline as quickly as possible. Although the tonnage sold increased year-on-year by 38% to 336 tonnes, this is only 67% of the volume that will be harvested and available in FY20. This contributed to Abagold needing to access the cash that had been retained to fund normal operating activities and the recovery effort. The business was able to show a small profit in the financial year, as a result of financial discipline, while ensuring that the red tide defence system was fully operational and that critical capital expenditure projects were completed. We continued purchasing abalone from third parties to maintain market share, but this activity reduced in the last quarter, and had a drain on cash reserves as sales in late May and June slowed down and we carried over more finished goods stock than originally planned.

Abagold increased its debt funding in this past fiscal year to allow the business to sustain itself during the farm recovery of the volumes and sizes to sustainable levels, while maintaining consistent supply to our loyal customers at the same time.

As always, it is appropriate to recognise the more than 430 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 a fully mature farm with the team in due course. The dedication of the Abagold team will be a real advantage with the ongoing demand for improvement in efficiency and productivity, through innovation, that will allow the business to achieve the full annual production plan in the years ahead.

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

Financial performance: Total revenue for the year of R206 million is significantly up from the R150 million for the prior period. The largest contribution to the revenue increase was from abalone sales, which increased by R51 million year-on-year. The improvement in levels of harvested abalone has positively impacted the gross profit as well as the adjusted EBITDA for the year under review.

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 income statement is presented below in a 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.

Alternative statement of comprehensive income, including discontinued operation:

	% Change	30 June 2019 R'000	30 June 2018 R'000
Revenue	38	206 351	149 990
Cost of sales*	24	(114 287)	(92 365)
Gross profit	**60**	**92 064**	**57 626**
Gross profit %		**45%**	**38%**
Other income	(63)	2 819	7 569
Net realised forex gain	(98)	39	1 906
Administrative expenses	16	(27 497)	(23 657)
Employment costs	13	(63 072)	(55 923)
Other operating expenses	(45)	(3 815)	(6 888)
Adjusted EBITDA	**103**	**538**	**(19 367)**
Depreciation	21	(14 900)	(12 272)
Unrealised fair value adjustment to stock	(27)	33 834	46 493
Impairment of stock	100	(3 420)	–
Net unrealised forex loss	83	(1 024)	(6 164)
Operating profit	**73**	**15 031**	**8 690**
Finance costs	93	(6 550)	(3 390)
Equity accounted investments gains/(loss)	(68)	(894)	(2 776)
Net profit before taxation	**201**	**7 584**	**2 524**
Taxation	(3 429)	(3 029)	91
Net profit	**74**	**4 555**	**2 615**

* Cost of sales is adjusted to exclude the impact of FV adjustments to biological assets.

Gross profit %		**45**	**38**
Adjusted EBITDA %		**0**	**(13)**
NPBT %		**4**	**2**

On a consolidated basis, total revenue increased by 38% from the previous financial year.

The gross profit for the period of R92,0 million has resulted in a 45% gross margin compared with the prior period of R57,6 million and 38% gross margin. The improvement in the gross margin is largely due to the positive impact of the farm recovery on the production cost per kg. The increase in 3rd party purchases to 109 tonnes in the current year from 50 tonnes in the previous year did however weigh negatively on the current year gross margin %, due to the smaller margin generated by third party sales.

On an "Adjusted EBITDA" level, which excludes the effects of non-cash items, we achieved a profit of R0,5 million for 2019 compared to a loss of R19,3 million in 2018. The increase of 16% in administrative expenses was largely due to an increase in maintenance, security and insurance costs. The Net profit before tax of R7,5 million, which includes an impairment of canned inventory of R3,2 million due to the decline in dollar market prices as well as an increased interest cost due to a higher debt burden, is an improvement when compared with the NPBT of R2,5 million in the prior financial year.

Sales: The abalone sales volumes increased in the 2019 financial year, due to continued improvement in harvestable sizes, while the overall market showed the first signs of a slowdown in demand, especially in the live market and the smaller sized cans, still currently comprising the majority of our volumes. The average US$ selling price/Kg reduced by 6% over the period, in line with the combination of continued smaller sizes, product mix and the market slowdown. The size distribution improved in the period, with the average size of the product sold increasing by 27% from 2018. Sales are the combined result of total tonnage sold, US$ prices achieved and the Rand/US$ exchange rate realised on these sales. Abagold achieved sales of 336 tonnes of live equivalent abalone, an increase of 91 tonnes over the prior year. The total sales revenue from abalone ended at R159 million, which is an increase of 47% over last year.

Production performance and efficiency: Growth on the farms continued the improvement achieved in 2018, with an increase of 76% to 592 tonnes from 336 tonnes in 2018. This growth allowed the operations team to achieve 42 tonnes more standing stock than had been forecast, with the final stock at 592 tonnes. The cost of production was well managed by the team, especially considering the additional growth and volume achieved. The investment in performance by the hatchery continued to deliver excellent results with the overall transfer of spat to the farms, sales to third party customers, as well as the incremental growth and performance achieved on the farms.

Cost control: Cost control and improved productivity and efficiency from innovation remain key focus areas and many initiatives are delivering encouraging results. Total production cost per kilogram decreased by 11% when compared to the previous year. Greater efficiency and productivity remain the greatest opportunity to improve the overall sustainability and profitability of our operations. Significant capital expenditure and resources have been allocated to continue to innovate and explore alternative processes that will result in future benefits in this area.

Cash generated from operations: The cash utilised in operations, a net outflow of R9,5 million, was severely impacted by the adverse water quality in Q3 which put a temporary hold on live exports and negatively impacted the growth rates on the farm. In addition, the reduced demand for canned small abalone pieces in Q4 resulted in an increase in finished stock of R14 million at year end. Both these factors weighed on the ability of the business to generate positive cash flow from operations in the current year. Initiatives such as reducing debtors' days to below 30 days, as well as better payment terms negotiated with suppliers, assisted our cash flow planning and were all continued in the current year. In addition, the decision was made to carry forward 42 tonnes of unharvested animals (approximately R14 million) in order to realise value in the coming months from the added growth and improved size.

Debt and banking facilities: The net debt position increased to R77 million (2018: R55 million), which was largely the result of a further decline in cash generated from operations as explained above, and a complicated sales environment, together with critical continued investment in infrastructure to mitigate the risk and impact of further red tide events. During the period under review, we increased our banking facilities by R35 million to R98 million for the Group. The business has consumed R22 million in cash in the current year compared to R55 million in the prior year, while the interest charge has increased to R6 million from R3 million in the previous year. The debt to equity ratio has increased to 31% compared with 22% in the previous year and is above the targeted 20% level. The business has embarked on a process to strengthen the balance sheet in support of the planned growth initiatives.

Subsidiary and associated businesses

The business remains dedicated to a structured programme of diversification to ensure a stable revenue stream and spreading of risks. This will be achieved through continued investment in businesses like Specialised Aquatic Feed (Pty) Ltd, Oman Aquaculture Co LLC and Port Nolloth Sea Farm Ranching (Pty) Ltd, which are receiving the necessary financial commitment and focus to enable them to expand and grow to perform at required levels in the years ahead. Management has committed to ensure that the level of quality back-up knowledge and experience remains in place at the primary operation in Hermanus, to ensure that focus on Abagold Hermanus is never compromised.

Specialised Aquatic Feed ("SAF")

The SAF operation delivered a second year of profit, since start-up, and the performance in 2019 showed positive and encouraging signs of what could be achieved with focussed

commitment and a well-disciplined management and sales team. The performance in 2019 led to a net profit before tax of R1,6 million, a slight reduction of R0,8 million from 2018. New markets continue to be developed, and progress to supply the aquaculture industry with a high-quality pellet feed has great potential. This diversification will be valuable for SAF in the future.

Ranching

Abalone ranching is the placing of abalone spat into the ocean. In Abagold's case, this is happening in areas where the species does not occur or no longer occurs naturally, where the planted baby abalone grow and prosper for future harvesting. Abagold has a 20% shareholding in such an operation, Port Nolloth Sea Farms Ranching (Pty) Ltd ("PNSFR"), as well as the contractual right to acquire and/or process all abalone harvested. They are experienced ranching operators on the Northern Cape Coast with all the necessary government permits to ranch abalone at Kleinzee.

Abagold supplied spat and small abalone stock from the Abagold hatchery in Hermanus, as our contribution to this joint venture, and in 2019 we delivered 600 000 spat equivalents, as per contract. This makes the total volume of spat placed in the ocean at Kleinzee more than 3,0 million juveniles in the six-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 two years.

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

Oman

In 2016 the Board of Directors of Abagold Limited ("the Board") approved a capital investment in phase 1 of an abalone farming project in Oman, in which Abagold has a 50% interest. This investment was made in a joint venture partnership with an Omani partner, Muscat Overseas Group ("MOG"), in a newly formed Omani entity, Oman Aquaculture Co LLC. The construction of phase 1, after some regulatory delays, commenced in April 2019 with expected production starting in early 2020 and the first sales from the operation in 2021. The initial investment in phase 1 aims for a limited volume operation, however the planned infrastructure will support further expansion towards the full implementation of a 600 tonne production farm by 2023. Success in the first phase will be measured against key performance milestones, agreed between Abagold and the joint venture partner.

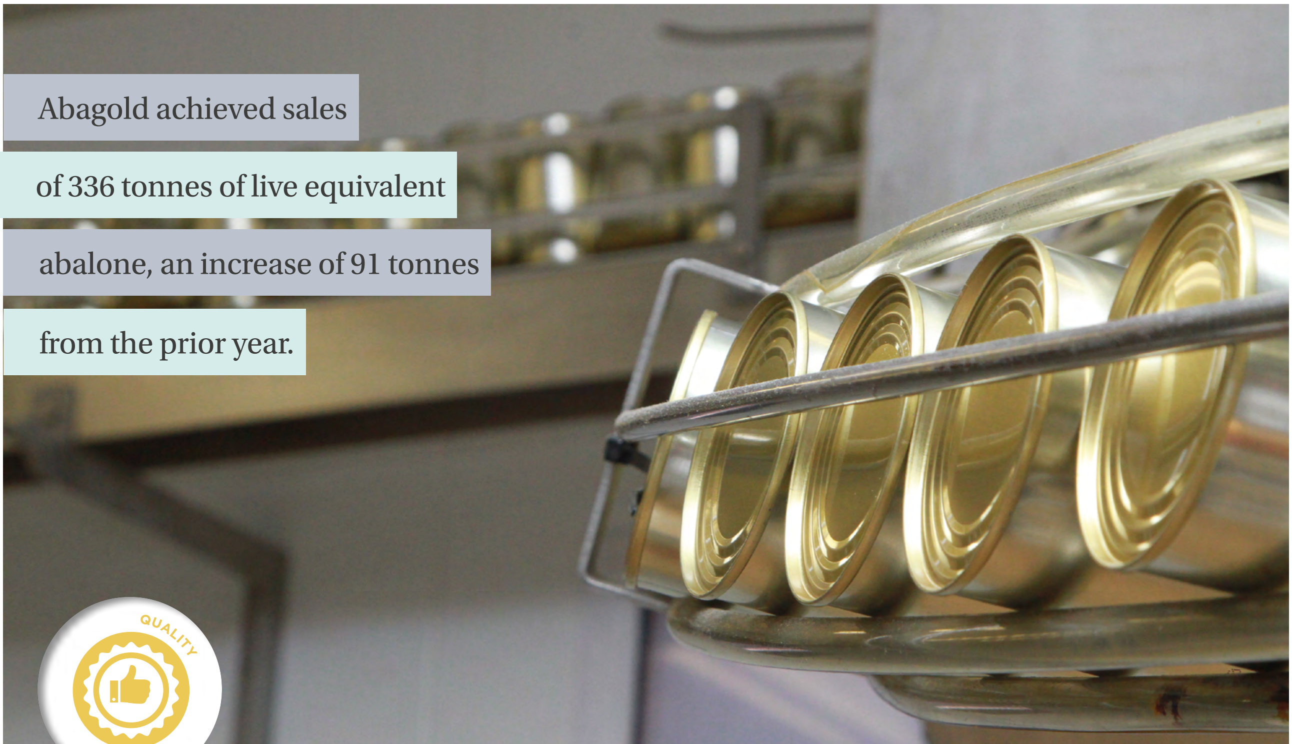
Mauritius

In June of 2018, the Board approved a phase 1 project to farm 1 000 tonnes of Red Drum Sea Bass (*Sciaenops ocellatus*) in cages on the south east of the island of Mauritius. Unfortunately, due to a surprising change of strategy by the Ministry of Agriculture in Mauritius, all aquaculture initiatives on the island were placed on hold indefinitely. It would not be practical to continue with the project at this time and the project has therefore been mothballed for now with the ability to start it up again, should the position of the Mauritian government change.

Energy

Abagold's alternative energy projects were transferred to Mean Sea Level (Pty) Ltd in 2014, in exchange for an interest 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 accessing EU grant funding.

Abagold achieved sales of 336 tonnes of live equivalent abalone, an increase of 91 tonnes from the prior year.



Progress on the Wave Energy Converter ("WEC"), even with financial investment from the IDC, as a major funder of the remaining portion of the pilot project, has been slow. The team at MSL continue adapting their methodology and implementation, however they are having limited success at this time. The Energy Recovery Turbine ("ERT"), completed in 2015, was transferred to Abagold in 2017, and has started producing electricity again since November 2018.

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

Future outlook

Hatchery

The consistent production of the required volumes of high-quality spat, provided to our farms, remains an essential basis for the sustainability of our pipeline. While the expansion of operations on competitor farms led to third-party demand for spat, this demand has reduced significantly and the hatchery will now scale back its production capabilities as well as the area of the farm that the hatchery occupies. The focus of the hatchery is now to meet Abagold's demand with some overproduction. This division is the platform for the rest of our abalone business to achieve growth targets, competitive feed conversion rates and cost efficiencies.

Production

The Sea View, Sulamanzi, Amaza and Bergsig production pipelines were full, with abalone, by July 2018, although the overall age of the pipeline remained very young. The yield (growth net of sales/starting volume) achieved, of 97.3%, in the period, is in line with the previous yield of 100%, despite the increase in average size and a natural slowdown of growth rate as the pipeline matures past 100g average. The operations team is comfortable that the pipeline will be fully restored in size and maturity by July 2020, and remains focussed 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 anticipated.

Sales and marketing

The market conditions through our traditional channels and markets, especially Hong Kong, have been complicated since the last quarter of FY19, with demand depressed. This, combined with oversupply of live product and smaller sizes entering the market, has created an environment where indications are that the market will remain under pressure for at least the next six months. The fact that the pipeline is maturing to more commercially sustainable sizes, will definitely help the business in the second half of FY20. The increased sales volume for 2020, along with the improved sizes, have been included in the plans for the new year and will be managed accordingly.

In conclusion, the Abagold management team and Board have reviewed and evaluated all components of the current situation and market conditions and have implemented controls and measures to manage this changing and evolving business environment. All red tide mitigation and prevention plans have now been fully tested and the business will be able to better manage the impact from such events going forward. The determined focus of the team is to further restore the primary business to deliver exceptional results in future, while implementing approved innovation opportunities, reducing risk, evaluating and investigating additional opportunities and to ensure sustainability for the overall business. As Chairman and Managing Director, we would like to thank the management team and all staff members of Abagold and subsidiary businesses for their commitment and focus in another complicated and challenging year. Our thanks also to our Board colleagues for their unstinting efforts in providing the Abagold team with guidance and support in sometimes difficult circumstances. We look forward to a more normalised trading and operating environment and outstanding results in the years ahead.

Dividend

Due to the funding demands of the recovery plan that was communicated in 2017 and which is progressing as planned, the Board regrets to announce that there will be no dividend for the 2019 financial year. The Board and management 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 2019 financial year.

Share trading

Following 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.

After the introduction of the Financial Markets Act, No. 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 license, and as a result the Board 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 it 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 name and contact details may be sent to any prospective counter party.

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 on 028 313 0253.

Board of directors

The Board appointed Conway Williams as director, replacing Sarah de Villiers, and expresses its appreciation to him for his willingness to serve. In terms of the Memorandum of Incorporation, Conway is required to be re-elected by the shareholders at the next annual general meeting. Details of Conway’s qualifications appear on page 92 of this report.

The Board would like to express its gratitude to Sarah and Pat Davies, who retired during the year, for their contribution and years of service.

In line with our Memorandum of Incorporation, Cobus Visser is required to retire as director by rotation, but being available he is proposed for re-election to the Board. We thank Cobus for being willing to continue serving Abagold in this capacity.

Acknowledgements

Our experienced and diverse Board of Directors continue 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 focussed oversight by, and input from, the Board. This was further highlighted by the way in which management managed the communication of developments around the recent red tide event and Hermanus unrest 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
Chairman

Timothy Hedges
Managing Director

SUSTAINABILITY REPORT

PEOPLE, PLANET AND PROFIT

These three Ps are mostly known as the "Triple Bottom Line" theory and like Abagold, it is in its 25th year of existence. When a concept, which has been a key focus of our business, reaches such an anniversary, it is time to look back and see whether this key business theory has guided our sustainability appropriately or adequately.

PEOPLE

In our world of shrinking employment and prevailing tough economic conditions – locally, nationally and internationally – to be an employer of choice in Hermanus is both an accolade and a responsibility.

We know that employees expect professional training and development, leadership opportunities, inspiring leadership, and a values-based workplace with high levels of ethics.

As employers we expect a strong work ethic, dependability and responsibility, a positive attitude and strong aptitude for the work we are doing.

During the past financial year, we have had much evidence that through our talent and people management practices, from attraction to promotions and career growth, we largely met our goal of being an employer of choice, and effectively achieved a congruency between the business's needs of our employees and the employees' needs of us, as their employer.

The numbers tell us that we employ 450 people, delivered 733 training days, promoted 16 people, made good progress towards our employment equity goals, including people with disabilities, trained five technical trade apprentices and ten graduates or interns, and we presented the Abagold Leadership Programme in which 16 middle managers participated. We experienced 12 days of protest action between July 2018 and December 2018 and ten weeks of red tide during the period January 2019 to March 2019, and yet despite this, our employee engagement was a satisfactory 74%. Furthermore, the commitment to improving safety is paying off, with 123 fewer lost-time injury ("LTI") days off work than in the previous financial year. We had zero days lost due to industrial action. This is an achievement given that we are dealing with a new trade union, Independent Commercial Hospitality and Allied Workers Union ("ICHAWU"). After protracted negotiations we concluded a 7% wage settlement effective 1 March 2019.

What the numbers cannot show is the effort that went into improving communication across all levels of employees but specifically junior and middle management. Incredible commitment was shown by approximately 45 employees, again across all levels, to ensure that our hatchery and the farms remained safe during the red tide conditions. We call them our red tide warriors, and in June we celebrated their commitment to our business under trying conditions. No matter what the circumstances were, we focussed on what we needed to achieve and we demanded much of others but even more of ourselves. Living the Abagold values ensured that we all knew how to respond under trying conditions and how to work together effectively in line with achieving our Manifesto goals.

The Abagold team has experienced volatile conditions for over two years. We have faced a multitude of challenges and much like the song "What doesn't kill you makes you stronger and you stand a little taller", this also holds true for us. We have learnt that we can farm during red tide and protest action. Neither is ideal, but learning how to manage through such challenging conditions ultimately also contributes to our sustainability.

Corporate social responsibility
We share the maxim so wisely quoted by William Ward:

Do more than belong, participate.
Do more than care, help.
Do more than believe, practise.
Do more than be fair, be kind.
Do more than forgive, forget.
Do more than dream, work.

For us this starts in the workplace and then cascades into the community from which we draw our employees.

The father of the triple bottom line concept, John Elkington, believes that success or failure on sustainability goals cannot be measured only in terms of profit and loss. It must also be measured in terms of the well-being of billions of people and the health of our planet, and the world's record in moving the needle on these goals has been decidedly mixed. While there have been successes, our climate, water resources, oceans, forests, soils and biodiversity are all increasingly threatened. It is time to either step up — or to get out of the way.

We have, where possible and feasible, challenged at the highest levels some of the conditions that brought about the Hermanus protest action of 2018. Whilst we do not support the protest action, we understand the conditions that contributed to them. Challenging local and provincial government to create an equitable town is not necessarily the *popular* thing to do, but it is the *responsible* thing to do. Our business sustainability is adversely affected by protest action and hence being a silent observer neither served our business and its future, nor that of our town. It is also core to our belief in our responsibility towards humanity.

"Ubuntu" is a Zulu word that means "humanness". Its essence is captured in the principle: "A person is a person through other persons". A person's value as a human being depends on acting for the sake of community and promoting community interests before individual interest.

We emphasised our zero tolerance of harassment in the workplace and also, where required, in the community. The Abagold Development Trust supported the victim of a school sexual harassment incident. We advocated for improved safety in secondary schools in our community and will continue to do so. Our employees who were psychologically impacted by what transpired during the protest action received post-traumatic stress debriefing and counselling. Employee wellness was extended to include psychological wellness too.

Diversity in the workplace is not only about employment equity numbers or B-BBEE, it is also about living up to our value of "Respect". In a diverse workplace, showing each other respect is essential. This includes how we communicate with each other in the workplace. We respect our official languages and when we are together we need to talk openly, in a way that we all understand. To that end, our employment equity committee agreed that our business language, when in a group, or when others are present who may not understand either isiXhosa or Afrikaans, will be English.

Our key focus area remained on education and this will continue. We contributed to the education of early childhood development ("ECD") educators through our support to the Enlighten Education Trust.

Our bursars continued to flourish in their individual studies and Abagold is currently supporting eight young people to achieve their undergraduate qualifications. These range from Computer Science to Law and we are delighted with their progress.

South Africa's educators teach under trying conditions. We demand much of them but we should also be there to support them. To that end we gave of our time to equip a number of teachers with Life Skills over weekends, and the Abagold Development Trust contributed to Grade 6 educational weekend workshops for both learners and educators.

When there is despair, it is necessary to create hope. Amidst the protest action of July 2018, the idea of creating a university in Hermanus was the seed of hope. The Abagold Development Trust and Abagold management contributed to making this a reality in one short year. We look forward, in years to come, to being able to say that this institution is responsible for educating thousands of young people from Hermanus who then go on to meaningful employment or to become entrepreneurs and contribute to the sustainability of our town.

The Trust donates funds and our abalone shells to people with disabilities who turn the shells into beautiful lights, Christmas trees and other art pieces which they sell for an income. It is a joy to see how our "beautiful waste or by-product" is used to create not only revenue but personal satisfaction and growth for people who would otherwise not have a means to support themselves.

We know that after-school programmes for learners can boost academic performance, reduce risky behaviours, promote physical health, and provide them with a safe, structured environment. It is with this in mind that our Trust has continued to support the Just Care Aftercare centre in Mount Pleasant.

All work and no play don't just make Jill and Jack dull – it kills the potential of discovery, mastery and openness to change and flexibility, and it hinders innovation and invention. So many of our employees have vast amounts of diverse talent, and we are delighted that the Abagold Choir was again asked to perform in the Hermanus FynArts Festival and our ladies' soccer team is currently number one in the SAFA Overberg Ladies division.

Our ongoing commitment to our people in Abagold and in the community in which we operate contributes to our business sustainability, our community sustainability and ultimately to the improved socio-economic circumstances in which we operate.

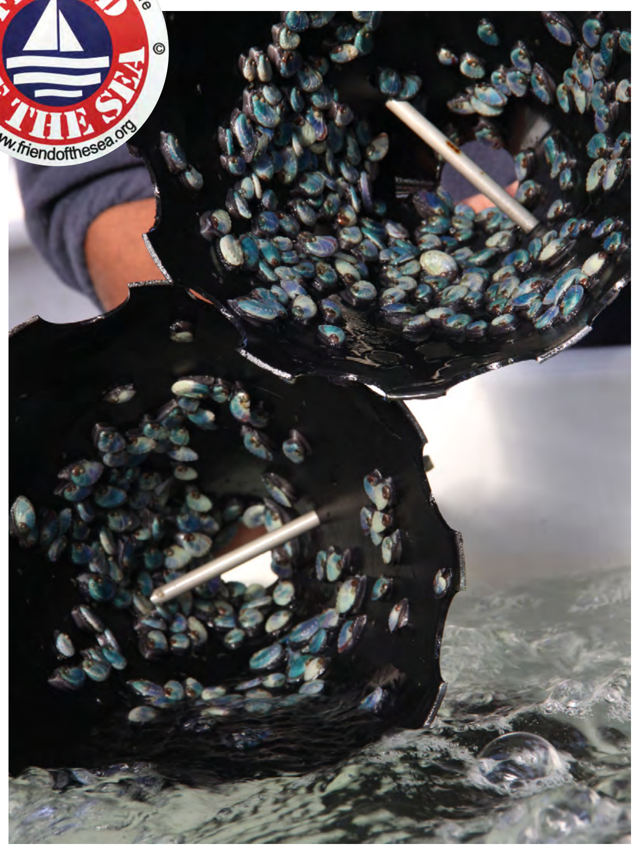
PLANET

The World Economic Forum considers the Fourth Industrial Revolution to have the potential to transform business as usual in the oceans. Abagold continues to investigate and implement alternative and innovative solutions to remain progressive and ensure compliance.

Abagold's commitment is to remain compliant with all laws and regulations relating to the harvesting, processing and handling of abalone. Certification and external testing are some of the tools Abagold employs to ensure accountability. Stringent biosecurity measures are implemented throughout the farms inclusive of both internal and external audits, ensuring farm health and preventing disease. In line with legislation, effluent water quality is tested monthly and we are working towards reducing any negative impact detected. The Abagold processing factory maintained its standard of excellence as a food processing facility by being FSSC 22000-accredited in August 2019. 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 required. In line with the processing factory's FSSC 22000 accreditation, Specialised Aquatic Feed ("SAF") also obtained its ISO 22000 certification in February 2019 for all extruded, dried and coated aquatic feed products. Research in feed formulation and production in both abalone and trout has seen great advances for SAF and its development across product lines with the vision to explore markets globally. Abagold is also Friends of the Sea accredited, a certification that ensures sustainable seafood and ocean friendly products; scheduled for renewal, auditors have already been appointed and the date for the audit inspection finalised. Such certifications confirm our commitment to sustainable practices.

Energy is a huge component of the successful operations of Abagold, as well as one of the biggest annual expenditures. As a land-based flow-through aquaculture facility, the farm requires pumping of large volumes of sea water on a continuous basis, demanding high amounts of energy. South Africa's electricity public utility, Eskom, is heavily reliant on non-renewable energy resources. In line with the Abagold objective to promote sustainable business and reduce environmental impact, and in compliance 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; alternative fuel sources as found at SAF where diesel has been replaced with low-burning, plant-based oil in their boiler; and improving the efficiencies of our equipment such as pumps, blowers, generators and heat pumps.

Water is essential to abalone farming and Abagold has remained diligent in monitoring water quality, phytoplankton and marine biotoxins following a long period of red tide earlier



this year. We continue to supplement our own monitoring with external testing and the use of satellite data from the Council for Scientific and Industrial Research's ("CSIR") Oceans and Coastal Information Management System ("OCIMS") data tool available on-line (https://ocims.dhcp.meraka.csir.co.za). Harmful algae risk assessments continue to be carried out daily during the red tide season (October to March). Further to this, Abagold is collaborating in various projects designed to provide early warning and to pre-empt adverse water quality events. The 2019 red tide provided an opportunity to test the recirculation plant built to mitigate the effect of future red tides and successfully prevented high, and potentially lethal, concentrations of red tide from entering the farm. Water quality studies are ongoing to ensure that correct protocols and best practices are employed. Mitigating the effects of red tide and optimising operational efficiency has been the focus for research, including the successful completion of a study of self-cleaning tanks, the investigation of digital monitoring applications, the investigations of new feed formulations and streamlining protocols in adverse water quality events.

Increasing awareness of and action towards reducing pollution, particularly that of plastic, have become a global mandate, with a 2019 UN resolution pledge to 'significantly reduce' the use of plastics by 2030 signed by 193 nations, including South Africa. Recognising this, Abagold is committed to reduce our plastic consumption. Screens, best practices, investigating alternative eco-friendly packaging solutions and recycling remain an important part of operations, ensuring environmental measures are complied with. To help achieve this, Abagold, in collaboration with the Ocean Conservancy, has for many years organised and participated in coastal clean-ups. All items collected during these clean-ups are recorded and form part of a global monitoring model of solid waste pollution.

PROFIT

Abagold's current year performance was significantly impacted by the 2019 red tide event, short on the heels of the devastating 2017 red tide event. Even though we did not incur elevated mortalities from the current year red tide, the impact was still evident through reduced growth and condition of the animals which in turn impacted on sales.

The business remains exposed to Rand/Dollar fluctuations and utilises hedging instruments to mitigate this risk in line with our foreign exchange policy. The impact of carrying the biological assets at a US dollar based 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 on delivering the recovery plan and return the farm to its full potential during FY20. Our medium and long-term focus 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.

FIVE-YEAR REVIEW

	GROUP				
	2019 R'000	**2018 R'000**	**2017 R'000**	**2016 R'000**	**2015 R'000**
Statement of comprehensive income					
Continuing operations					
Revenue	**206 351**	149 990	187 687	187 845	125 467
Earnings before interest and tax (EBIT)	**16 728**	7 900	(45 049)	88 248	52 665
Net finance charge	**(6 550)**	(3 390)	(3 381)	(4 666)	(1 406)
Profit/(loss) before taxation	**10 178**	4 510	(49 121)	82 223	49 563
Taxation	**(3 029)**	91	15 783	(22 597)	(15 813)
Net profit/(loss) for the year from continuing operations	**7 149**	4 601	(33 337)	59 626	33 750
Loss from discontinued operations	**(2 594)**	(1 986)	–	–	–
Net profit/(loss) for the year	**4 555**	2 615	(33 337)	59 626	33 750
Fair value (loss)/gain on biological assets and inventory due to exchange rate changes	**5 964**	11 219	(16 051)	40 510	20 702
Net profit/(loss) excluding value changes from exchange rates	**(1 409)**	(8 604)	(17 286)	19 116	13 048
Statement of financial position					
Total assets	**467 150**	436 618	393 524	453 337	391 165
Total current assets	**196 225**	194 331	137 799	145 520	132 286
Total non-current assets	**270 925**	242 287	255 725	307 817	258 879
Total biological assets and inventory ("stock")	**242 061**	203 478	146 443	264 028	213 255
Non-current portion of biological assets	**61 057**	26 656	48 915	132 756	91 844
Total current liabilities	**78 150**	59 264	41 313	19 993	31 881
Total liabilities	**208 076**	182 021	147 557	158 033	143 620
Total equity	**252 275**	248 072	245 967	295 304	247 545
Share capital and premium	**87 505**	87 505	87 505	87 505	87 505
Retained earnings	**164 770**	160 567	158 462	207 799	160 040
Statement of cash flow					
Cash generated from operations	**(9 762)**	(32 237)	99 426	51 460	16 296
Dividend paid	**–**	–	16 000	11 867	9 667
Purchases of property, plant and equipment	**7 611**	24 659	41 903	20 201	47 984
Financial ratios and exchange rates					
Solvency ratio	**2.2**	2.4	2.7	2.9	2.8
Current ratio	**2.5**	3.3	3.3	9.6	5.0
Acid test ratio	**0.2**	0.3	1.0	0.9	0.4
Return on equity	**1.8%**	1.1%	(13.6%)	20.2%	14.2%
Return on assets	**1.0%**	0.6%	(8.5%)	13.2%	9.0%
Operating (loss)/profit margin	**6.8%**	3.9%	(24.4%)	46.3%	40.6%
Financing cost cover (times)	**2.29**	2.56%	(13.3%)	18.9	37.5
Average exchange rate for the year (R/USD)	**13.75**	13.40	13.89	14.69	11.48
Closing exchange rate (R/USD)	**13.75**	13.75	13.05	14.79	12.14
Earnings per share (cents) from continuing operations	**5.36**	3.45	(25.00)	44.72	25.31
Earnings per share (cents) including discontinued operation	**3.42**	1.96	(25.00)	44.72	25.31
Dividends per share (cents)*	**–**	–	–	15.90	7.25
Weight on the farm (tonnes)	**451**	451	338	565	549

* *Dividends per share (cents) include dividends declared that pertain to the financial 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, while mitigating risks to the business. 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 monitored and reviewed quarterly by the risk committee ("the RiskCom"), which is a committee of the Board of Directors of Abagold Ltd ("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 Board has delegated specific responsibility through the RiskCom to management. The 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 the 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 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 to ensure 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, is 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 rating assigned to a risk takes cognisance of the impact on People, Planet & Profit and assigns a potential financial loss to the Company, for each item. The Likelihood of Occurrence Index rating reviews the probability of the risk materialising.

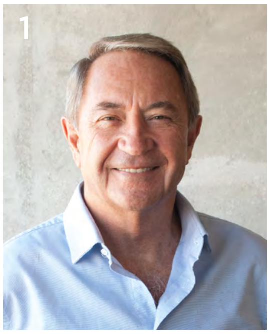
Once the risks have been captured and the pre-control ratings assigned, the mitigating controls are implemented, the risk is then re-assessed, and a new post-control rating is assigned, based on the same table as above. The Risk Matrix remains a working document and management reviews and updates the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

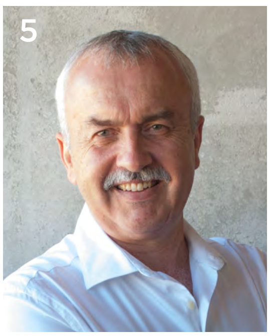
The risk management objective is to address all the major risk areas in the Risk Matrix. However, the business also needs to be able to quickly review and evaluate new and unexpected risks in order to adequately mitigate their potential business effects.

Key risks

Risk	Impact of risk	Proposed action to mitigate risk	Current status
Availability of funding and an appropriate capital structure	• Unable to fund the ongoing operational and capex requirements of the business • Forced sale of pipeline stock, and therefore compromising the business sustainability • Unable to execute on the growth strategy, in particular the offshore investments • Debt to equity ratio that places more reliance on debt funding in the short term and exceeds the targeted 20% debt to equity ratio	• Seek other sources of funding, e.g. shareholder funds and government grants • Seek suitable investment and funding partners for offshore projects	• Engaging with shareholders regarding a rights issue • Concluding local funding for the Oman investment
Delivery of adequate shareholder returns	• Unable to generate adequate cash to pay dividends • Increased illiquidity for share trades	• Manage the forex risk in line with Group policy • Increase sales into new markets, e.g. in China • Sale of slow-moving stock	• Forex cover in line with Group policy utilising both FECs and FX collars • Sales agreements to be concluded with new agents in China • Increased harvesting of larger animals that are saleable without compromising the pipeline sustainability
Adequate growth performance in biological assets	• Under performance against growth targets • Reduction in cash generated from operations	• Correct husbandry, sorting cycles, stocking density and feed quality • Management of key performance indicators against benchmarks • Upgrade infrastructure that is aged and impacting on growth performance • Appropriate performance management targets and reward system • Ongoing staff and union engagements to ensure that communication channels remain open and effective	• Growth has been negatively impacted by the 2019 red tide, and selective culling now implemented to remove slow growers • Planning for Bergsig infrastructure renewal in the short to medium term • Review of the growth targets
Cost control	• Excessive cost per kg of growth in a higher break-even in tonnage sales • Long-term sustainability at risk as margin is squeezed	• Cost per kg of growth measured against a benchmark • Application of an appropriate culling methodology • All major cost drivers linked to production output, with the aim of driving efficiency	• Cost-containment measures that apply a zero-based mindset and innovation • Growth has been negatively impacted by the 2019 red tide, and maintenance culling has been introduced to remove slow growers

BOARD OF DIRECTORS





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/ **CIJ WILLIAMS**
Non-executive director

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

8/ **T MOKGOSI-MWANTEMBE**
Non-executive director


RESPECT

EXECUTIVE MANAGEMENT TEAM

1/ **TR HEDGES**
Managing director

2/ **G LAMPRECHT**
Group technical and innovations manager

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

4/ **W PIEK**
Marketing manager

5/ **E MANCHEST**
Chief financial officer

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 during 2019.

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 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 them, 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 thereunder (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 2019.

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 six non-executive directors and two 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 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, the required 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 giving 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 identifying and the 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 into 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 arranged and 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 complying 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.

Our ongoing commitment to our people in Abagold and in the community in which we operate contributes to our business sustainability.

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 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 nomination 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; 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 South Africa Incorporated is being proposed to shareholders for re-appointment 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 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.

  The detailed report of the audit committee is found on page 36.

- **The risk committee**, comprising two 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, 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 detailed report of the risk committee is found on page 20.

- **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 each of 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.

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

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

* Attended by invitation
** Resigned during the year
*** Attended in person or by sending an observer
@ Chairman of the committee
# Appointed effective 13 June 2019
‡ Retired during the year

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.

In accordance with these objectives, the remuneration and nomination 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 these 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 state 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 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 committee monitors the appropriateness of, and compliance with, internal control and advises 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.

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 the responsibility and approval on page 34 of the Integrated Report.

INNOVATION

Chris Loubser keeping an eye on the implementation of automated sorting machines, which will improve the farming production efficiency.

Consolidated annual financial statements
for the year ended 30 June 2019

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 South Africa Incorporated 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 2019 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 18 September 2019, and signed on its behalf by:

HR van der Merwe
Chairman

TR Hedges
Managing Director

Hermanus
18 September 2019

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 2019, 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
18 September 2019

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"). 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 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.com.

1. Roles and responsibilities of the audit committee

The committee has discharged the functions outlined in the 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 South Africa Incorporated, 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 designated registered 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 17 September 2019, 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 has 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	25 Sept 2018	6 Dec 2018	13 Feb 2019	12 June 2019
Mr P Davies*	Apology	Present	Apology	
Mr YJ Visser	Present	Present	Present	Present
Mr JW Wilken	Present	Present	Present	Present

** Retired in March 2019.*

CIJ Williams has been appointed by the Board as a audit committee member from 17 September 2019.

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
18 September 2019

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 2019.

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 11 to the financial statements.

Dividends
During the year, the Company did not declare a dividend (2018: Rnil).

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, resigned in February 2019)
L-A Lubbe	(executive)
P Davies	(non-executive, retired in March 2019)
YJ Visser	(non-executive)
JW Wilken	(non-executive)
W Keast	(non-executive)
S de Villiers	(non-executive, retired in June 2019)
T Mokgosi-Mwantembe	(non-executive)
CIJ Williams	(non-executive, appointed in June 2019)

Remuneration of directors and prescribed officers
The remuneration of directors and prescribed officers is set out in note 25 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 33 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.

We draw attention to the market conditions as stated in the Chairman and Managing Director's Report. The business has embarked on a process to strengthen the balance sheet, including a rights issue, details of which will be finalised in the last quarter of the 2019 calendar year.

Investment in subsidiaries

	2019	2018
Specialised Aquatic Feeds (Pty) Ltd	70%	70%
Abagold Mauritius Limited	100%	100%

Investments

	2019	2018
Oman Aquaculture Co LLC	50%	50%
Mean Sea Level (Pty) Ltd	23.08%	27.16%
Port Nolloth Sea Farm Ranching (Pty) Ltd	20%	20%
Aquawomen (Pty) Ltd	45%	45%

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

Auditors

BDO South Africa Incorporated was re-appointed as auditor in accordance with section 91(3) of the Companies Act of South Africa at the annual general meeting held on 8 December 2018 and will continue in office, subject to reappointment by shareholders at the 2019 AGM.

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 42 to 86, which comprise the statements of financial position as at 30 June 2019, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement 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 2019, 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 declarations 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 South Africa Incorporated has been the auditor of Abagold Limited for a period of 2 years.

BDO South Africa

BDO South Africa Inc.

Per:	**Bernard van der Walt**	6th Floor, BDO House
BDO South Africa Incorporated	Partner	123 Hertzog Boulevard, Foreshore
Registered Auditors	Registered Auditor	Cape Town, 8001
Practice number: 970879	Chartered Accountant (SA)	2 October 2019

Consolidated statement of financial position

at 30 June 2019

	Notes	2019 R'000	2018 R'000
ASSETS			
Non-current assets		**270 925**	242 287
Property, plant and equipment	2	**194 326**	201 563
Biological assets	3	**61 057**	26 656
Trademarks	4	**176**	159
Goodwill	5	**7 979**	7 979
Equity accounted investments	6	**6 104**	5 930
Loan receivables	7	**1 283**	–
Current assets		**196 225**	194 331
Current portion of biological assets	3	**137 949**	147 662
Inventories	8	**43 055**	29 160
Trade and other receivables	9	**15 206**	17 283
Cash and cash equivalents	17	**15**	226
Total assets		**467 150**	**436 618**
EQUITY AND LIABILITIES			
Equity		**259 074**	254 597
Share capital	11	**7**	7
Share premium		**87 498**	87 498
Retained earnings		**164 770**	160 567
Foreign currency translation reserve		**(14)**	65
Non-controlling interest		**6 813**	6 460
Total equity		**259 074**	**254 597**
Non-current liabilities		**129 926**	122 757
Deferred income tax	13	**77 002**	73 974
Deferred income grant	14	**10 590**	11 482
Long-term borrowings	15	**37 859**	34 168
Trade and other payables	16	**4 475**	3 133
Current liabilities		**78 150**	59 264
Current portion of deferred income grant	14	**900**	908
Current portion of long term borrowings	15	**6 761**	2 781
Trade and other payables	16	**33 374**	31 177
Derivative financial instruments	10	**1 024**	6 164
Cash and cash equivalents	17	**36 091**	18 234
Total liabilities		**208 076**	**182 021**
Total equity and liabilities		**467 150**	**436 618**

Consolidated statement of comprehensive income

for the year ended 30 June 2019

	Notes	2019 R'000	2018 R'000
Continuing operations			
Revenue	21	**206 351**	149 990
Other income	22	**2 819**	7 569
Fair value losses in financial instruments	23	**(985)**	(4 258)
Fair value gains on biological assets	3	**137 721**	119 925
Cost of sales		**(195 588)**	(142 861)
Production costs	24	**(26 003)**	(22 934)
Employee benefit expenses	25	**(60 478)**	(53 937)
Depreciation and amortisation		**(14 900)**	(12 272)
Other operating expenses		**(31 314)**	(30 545)
Profit from operations	26	**17 622**	10 676
Finance costs	27	**(6 550)**	(3 390)
Share of loss of equity accounted investments	6	**(894)**	(2 776)
Profit before income tax		**10 178**	4 510
Income tax (expense)/income	13.1	**(3 029)**	91
Profit for the year from continuing operations		**7 149**	4 601
Loss for the year from discontinued operations	35	**(2 594)**	(1 986)
Profit for the year		**4 555**	2 615
Other comprehensive (loss)/income		**(79)**	65
Total comprehensive income for the year		**4 476**	2 680
Total comprehensive income for the year is attributable to:			
Owners of Abagold Limited		**4 124**	2 170
Non-controlling interests		**352**	510
		4 476	2 680
From continuing operations			
Basic earnings per share (cents)	28	**5.36**	3.45
Diluted earnings per share (cents)	29	**5.36**	3.45
Including discontinued operation			
Basic earnings per share (cents)	28	**3.42**	1.96
Diluted earnings per share (cents)	29	**3.42**	1.96

Consolidated statement of changes in shareholders' equity for the year ended 30 June 2019

	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 2017	**7**	**87 498**	**–**	**158 462**	**–**	**245 967**
Total comprehensive income for the year	–	–	65	2 105	510	2 680
Dividend paid	–	–	–	–	5 950	5 950
Balance at 30 June 2018	**7**	**87 498**	**65**	**160 567**	**6 460**	**254 597**
Total comprehensive income for the year	–	–	(79)	4 203	–	4 124
Non-controlling interest	–	–	–	–	352	352
Balance at 30 June 2019	**7**	**87 498**	**(14)**	**164 769**	**6 813**	**259 073**

[1] FCTR = foreign currency translation reserve

Consolidated statement of cash flows

for the year ended 30 June 2019

	Notes	2019 R'000	2018 R'000
Cash flow from operating activities		**(16 312)**	**(39 184)**
Cash received from clients	30.1	**209 964**	155 783
Cash paid to suppliers and employees		**(219 726)**	(188 020)
Cash utilised in operations*	30.2	**(9 762)**	(32 237)
Finance costs	27	**(6 550)**	(3 390)
Tax paid		**–**	(3 557)
Cash flow from investment activities		**(8 746)**	**(25 378)**
Purchases of property, plant and equipment	2	**(7 611)**	(24 659)
Proceeds from disposal of property, plant and equipment		**–**	891
Investment in equity accounted entities	6	**(1 068)**	(1 592)
Purchases of trademarks	4	**(67)**	(18)
Cash flow from financing activities		**6 990**	**22 426**
Increase in long-term borrowings	15	**7 670**	12 775
Loan granted to associate		**(600)**	–
Share issue		**–**	5 950
Increase in loan receivable		**(80)**	–
Grant received		**–**	3 700
Net cash flow for the year		**(18 068)**	**(42 136)**
Cash and cash equivalents – beginning of the year		**(18 008)**	24 128
Cash and cash equivalents – end of the year	17	**(36 076)**	**(18 008)**

**Includes cash and cash equivalents from discontinued operations as per note 30.*

Notes to the consolidated financial statements
for the year ended 30 June 2019

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 2019 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 that 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, except for IFRS 15 and 9, however the impact of these standards is not considered material (refer note 1.27).

1.1 BASIS OF CONSOLIDATION

The consolidated financial statements include the results of Abagold Limited and its subsidiaries, associated companies and joint ventures.

Subsidiaries

Subsidiaries are entities over which the Group has control. The existence and effect of potential voting rights are considered when assessing whether the Group controls another entity to the extent that those rights are substantive.

Subsidiaries are consolidated from the date on which control is obtained (acquisition date) up to the date control ceases. For certain entities, the Group has entered into contractual arrangements which allow the Group to control such entities. Because the Group controls such entities, they are consolidated in the consolidated financial statements.

Intergroup transactions, balances and unrealised gains and losses are eliminated on consolidation.

Non-controlling interest

For each business combination, the Group measures the non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Associates and joint ventures

Investments in associated companies (associates) and joint ventures are accounted for in terms of the equity method. Associates are entities over which the Group exercises significant influence, but which it does not control or jointly control. Joint ventures are arrangements in which the Group contractually shares control over an activity with others and in which the parties have rights to the net assets of the arrangement.

Where a foreign joint venture does not have a year-end that are coterminous with that of the Group, and the Group's accounting policy is to account for an appropriate lag period in reporting their results. Any significant transactions and events occurring between the investees' and the Group's June year-end are taken into account.

Unrealised gains or losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the relevant associate or joint venture.

The Group's share of other comprehensive income and other changes in net assets of associates and joint ventures is recognised in the statement of comprehensive income.

1.1 BASIS OF CONSOLIDATION (CONTIUNED)

Associates and joint ventures (continued)

Each associate and joint venture is assessed for impairment on an annual basis as a single asset. If impaired, the carrying value of the Group's investment in the associate or joint venture is adjusted to its recoverable amount and the resulting impairment loss is included in "Share of Loss of equity accounted investments" in the income statement.

1.2 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 1.5) and biological assets (refer to note 1.10). 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.

Discontinued operations presentation

Prior-period financial information as contained in the income statement has been restated to reflect the results of the Group's "Mauritius fish farming" segment as a discontinued operation (refer to note 35). Amounts reported in the statement of comprehensive income, statement of financial position, statement of cash flows and statement of changes in equity however reflect items from both continuing and discontinued operations.

1.3 FINANCIAL ASSETS

Financial assets are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

On initial recognition, financial assets are classified as financial assets measured at amortised cost, or fair value through profit and loss. The classification is based on the objectives and characteristics of the financial asset's contractual cash flows.

A financial asset is measured at amortised cost if it is held with the objective to collect contractual cash flows, and the contractual cash flows represent solely payments of principal and interest on the amount outstanding. Financial assets classified as at amortised cost include only trade and other receivables.

All financial assets not classified as at amortised cost are measured at fair value through profit and loss. Subsequent to initial recognition, these instruments are measured based on classification according to their nature.

Financial assets are presented as current assets, except for those with maturities greater than 12 months from the statement of financial position date, which are classified as non-current.

Trade and other receivables

Trade and other receivables are categorised as at amortised cost. 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.

1.4 FINANCIAL LIABILITIES

Financial liabilities are recognised when the Group becomes party to the contractual provisions of the relevant instrument. The Group classifies financial liabilities at amortised cost or at fair value through profit and loss. Financial liabilities comprise primarily trade and other payables, borrowings, and cash and cash equivalents in a net overdraft. These financial liabilities are initially recognised at fair value, net of transaction costs.

Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at amortised cost which equals the cost or face value of the asset.

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.

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.

1.5 DERIVATIVE FINANCIAL INSTRUMENTS

The Company 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 Company 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 re-measurement 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.

1.6 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.

1.7 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.

1.8 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.

1.9 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.

1.10 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.

Biological assets are considered as current assets, unless the Group considers the abalone too small to harvest and sell in the next 12 months.

1.11 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.

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.

1.12 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.

1.13 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. 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.

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 flow independently of other assets or cash-generating units.

1.13 IMPAIRMENT OF ASSETS (CONTIUNED)

Reversal of impairment losses (continued)
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 cost 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
The Group recognises expected credit losses on financial assets measured at amortised cost. At each reporting date, an assessment is made on a forward-looking basis of the impairment allowances associated with these financial assets on a specific allowance basis.

For trade and other receivables at amortised cost the Group applies the simplified model in terms of IFRS9, and measures impairment allowances at an amount equal to the lifetime expected credit losses on these financial assets. Lifetime expected credit losses are those losses that result from all possible default events over the expected life of the financial instrument.

For loan receivables and loans to subsidiary at amortised cost the Group measures impairment losses on an individual basis in three stages. On origination and subsequent reporting dates the expected credit losses from default events possible within the next 12 months are recognised and a loss allowance is established. If a loan's credit risk increases to the point where it is no longer considered as low, then a lifetime expected credit loss is recognised.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations in full, or the outstanding amount exceeds its contractual payment terms.

At each reporting date the Group assesses whether the financial assets at amortised cost are credit impaired. Financial assets are considered credit impaired when one or more events that have a detrimental impact on expected future cash flows have occurred.

Evidence that a financial asset is credit impaired includes a breach of contract, such as defaulting on contractually due payments and the probability of the borrower entering into liquidation. All impairment losses are recognised in profit or loss, and the gross carrying amount of the financial asset is reduced by the allowance.

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.

1.14 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.

1.15 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.

1.15 CURRENT AND DEFERRED INCOME TAX (CONTIUNED)

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.

1.16 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.

1.17 EQUITY COMPENSATION BENEFITS

The 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.

1.18 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.

1.19 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.

1.20 REVENUE RECOGNITION

Revenue from contracts with customers is derived from the sale of goods. Revenue is measured based on the transaction price specified in the contract with the customer. The Company recognises revenue when (or as) it transfers control of goods and/or services to its customers. Revenue is recognised at the amount the Company expects to be entitled to in exchange for the goods and/or services transferred to customers. Revenue is shown net of value-added tax (VAT), returns, rebates and discounts.

Revenue earned but not yet invoiced or for which the Group's right to payment is conditional on future performance is presented as accrued income as part of other receivables in the statement of financial position. Payments received in advance from contracts with customers represent an obligation to transfer future goods and/or services and are presented as part of accrued expenses and other liabilities in the statement of financial position.

The Group is not party to contracts where the period between the transfer of goods and/or services and payment exceeds one year. Consequently, the Group does not adjust its transaction prices for financing components.

Abalone sales

The Group sells abalone to export customers on a cost insurance and freight basis. Revenue is recognised at a point in time when the goods are transferred onto the vessel, as this when all our obligations in terms of the sales agreement are fulfilled. For local sales, revenue is recognised at the point in time when goods are collected from our premises.

Feed sales

The Group sells abalone and non-abalone feed to local and export customers. Revenue is recognised at a point in time when the goods are collected at our premises

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.

1.21 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 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.

1.22 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.

1.23 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.

1.24 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.

1.25 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 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.

1.26 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

1.26.1 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.

1.26.2 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.

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).

1.26 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTIUNED)

1.26.2 Measurement of fair value (continued)

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

If the inputs used to measure the fair value of an asset or a liability are 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), long-term incentive plan payments (note 12) and financial instruments (note 20).

1.27 RECENTLY ISSUED ACCOUNTING STANDARDS

The IASB issued a number of standards, amendments to standards and interpretations during the year ended 30 June 2019.

The following new standards, interpretations and amendments have been adopted by the Group and are applicable for the first time during the year ended 30 June 2019.

Standard/Interpretation	Title
IFRS 15(1)	Revenue from Contracts with Customers
IFRS 9(2)	Financial Instruments

1) IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 *Revenue from Contracts with Customers* (IFRS 15) replaced IAS 18 *Revenue*. Apart from providing additional and more detailed disclosure around revenue recognition, IFRS 15 did not have a significant impact on the Group's existing revenue recognition practices and annual financial statements.

2) IFRS 9 *Financial Instruments*

IFRS 9 *Financial Instruments* (IFRS 9) replaced IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39). The Group applied the simplified model in terms of IFRS 9, for trade and other receivables, and measured impairment allowances at an amount equal to the lifetime expected credit losses on these financial assets. For loan receivables and loans to subsidiary at amortised cost, the Group measured the impairment losses on an individual basis in three stages in terms of IFRS 9. The initial application of IFRS 9 did not have a significant impact on the Group.

1.28 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

A number of new standards, amendments to standards, and interpretations are effective for annual periods beginning after 1 January 2019 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:

Standard/Interpretation:	Effective date: Years beginning on or after	Expected impact:
IFRS 16 Leases	1 January 2019	Balance Sheet – right of use asset of R6,5 million and corresponding lease liability.

1.28 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE (CONTIUNED)

IFRS 16 *Leases* (IFRS 16) replaces IAS 17 *Leases* and IFRIC 4 *Determining whether an Arrangement contains a Lease*. IFRS 16 contains principles for the recognition, measurement, presentation and disclosure of leases. In terms of IFRS 16, the Group will recognise all leases as right-of-use assets and obligations to make lease payments in the statement of financial position.

The Group will apply IFRS 16 for the first time during the year ending 30 June 2020 and is currently finalising its transition. The impact of IFRS 16 largely relates to the recognition of existing operating lease commitments (refer to note 32 for these commitments as at 30 June 2019) as right-of-use assets and obligations to make lease payments in the statement of financial position. At 30 June 2019 these operating lease commitments amounted to R19,59 million on an undiscounted basis.

In accordance with IFRS 16, the Group will, however, not recognise operating lease commitments as right-of-use assets and obligations to make lease payments in the statement of financial position to the extent that they relate to short-term leases or leases of low-value assets.

On 1 July 2019, the date of transition to IFRS 16, the Group expects to recognise right-of-use assets and obligations to make lease payments of approximately R6,5 million relating to operating leases on land.

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 2017	90 940	69 590	397	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)
Reallocate between categories	–	–	–	–	–	–	
Cost	–	–	–	–	–	–	
Accumulated depreciation	–	–	–	–	–	–	
Additions	240	648	–	3	–	23 769	24 659
Sale	–	(321)	–	–	(199)	–	(521)
Depreciation	–	(322)	–	–	(260)	–	(582)
Depreciation allocated to feed	–	1	–	–	61	–	62
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)
Reallocate between categories	354	–	–	(354)	–	–	–
Cost	354	–	–	(354)	–	–	–
Accumulated depreciation	–	–	–	–	–	–	–
Additions	–	1 502	–	35	–	6 074	7 611
Disposal	–	–	–	–	–	–	–
Cost	–	–	–	–	–	–	–
Accumulated depreciation	–	–	–	–	–	–	–
Depreciation	(5 399)	(9 095)	(26)	(172)	(155)	–	(14 848)
Completed and transferred	5 669	7 340	–	137	–	(13 146)	–
Book value at 30 June 2019	98 670	82 278	381	3 552	1 294	8 151	194 326
Cost at 30 June 2019	134 164	150 249	613	4 796	1 969	8 151	299 942
Accumulated depreciation and	(35 494)	(67 971)	(232)	(1 244)	(675)	–	(105 616)

2. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the current year nil (2018: Rnil) fully depreciated assets were scrapped. Assets under construction at the end of the current year of R8 million (2018: R15 million) relates mainly to the upgrade of our primary sump.

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 18 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 2019 there were 592 tonnes (2018: 451 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

	2019 R'000	2018 R'000
Opening carrying amount	174 317	130 050
Net fair value adjustment for growth and mortalities	166 242	108 310
Fair value adjustment due to changes in US Dollar sales prices	(34 485)	396
Fair value adjustment due to exchange rate changes	5 964	11 219
Transfer to inventories	(113 032)	(75 658)
Closing carrying amount	199 005	174 317

Biological assets typically have a production cycle of more than a one year, however the portion of the abalone that is held primarily as trading stock is classified as current assets. Management has decided that animals below the size of 50g (2018: 20g) are not considered as trading stock as they have not reached harvestable size based on prevailing market conditions.

	2019 R'000	2018 R'000
At 30 June:		
– Non-current biological assets	61 057	26 656
– Current portion of biological assets	137 948	147 661
	199 005	174 317

3. BIOLOGICAL ASSETS (CONTINUED)

(i) Fair value hierarchy

The fair value measurements for abalone biological assets of R199 million (2018: R174,3 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 are 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. The fair value of biological assets was determined using export prices for live, dried and canned formats, as it represents the sales mix for abalone across the various sizes. 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 (approximately 1 gram each) are valued at R1.86 each, which is the market price for selling small abalone (known as “spats”) between farms in South Africa. This value is extrapolated based on price per millimetre in order to value each weight class of abalone up to 20 grams, as no active export market exists for these sizes. Abalone in the weight classes from 21 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 2019, 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 R16 million (2018: 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.

Small abalone below 20g are priced in Rands and not Dollars, and are thus not included in the exchange rate sensitivity analysis above. At 30 June 2019, the value of this small abalone included in biological assets was R36 million (2018: R45 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)

(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 20.7.

(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

	2019 R'000	**2018 R'000**
Reconciliation		
Opening carrying value	159	188
Cost	480	462
Accumulated amorisation and impairment	(321)	(275)
Additions	67	18
Impairments	–	–
Amortisation	(50)	(47)
Closing carrying value	176	159
Cost	547	480
Accumulated amorisation and impairment	(371)	(321)

5. GOODWILL

	2019 R'000	2018 R'000
Recoverable amount	7 979	7 979

Goodwill arose with the purchase of the operations of a subsidiary 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 which form part of the Hatchery, as a single cash-generating unit.

Goodwill is tested annually for impairment. The recoverable amount of these assets 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 represents 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	2019 %	2018 %
Discount rate	17.0	17.0
Terminal value growth rate	2.0	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 committments to spend R130 million by end of 30 June 2021.

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 contribution at year-end is R5,9 million.

6.1 INVESTMENT IN OMAN AQUACULTURE CO LLC (CONTINUED)

	2019 R'000	2018 R'000
Investment in Oman Aquaculture Co LLC at cost	**5 950**	**5 948**

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.

	2019 R'000	2018 R'000
Fixed assets	1 389	639
Current assets (consisting of cash and cash equivalents)	1 478	2 584
Assets (100%)	2 867	3 222
Group's share of assets (50%)	**1 433**	**1 611**
Trade and other payables	(426)	(51)
Group's share of trade and other payables (50%)	**(213)**	**(26)**
Group's share of net assets (50%)	**1 221**	**1 586**
Net loss (100%)	(2 087)	(1 116)
Group's share of net loss (50%)	**(1 044)**	**(558)**
Prior year equity-accounted loss (50%)	(4 363)	(3 805)
Group's share of accumulated net loss (50%)	(5 407)	(4 363)
Remaining net investment	**543**	**1 586**

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 R4,6 milion 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 2019 which Abagold declined to participate in. This has resulted in a dilution of Abagold's shareholding at the 2019 year-end in MSL to 23.08%. During 2018 Abagold impaired the investment of R2,6 million in MSL due to the loss making nature of the business.

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

	2019 R'000	2018 R'000
Investment in Mean Sea Level (Pty) Ltd:		
Cost	–	2 675
Current year share of loss	–	(2 675)
Carrying value	–	–

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

	2019 R'000	2018 R'000
Non-current assets	27 957	17 239
Current assets	1 989	2 346
Assets (100%)	29 946	19 585
Group's share of assets is 23.08% (27.16% in the prior year)	**6 912**	**5 793**
Long-term liabilities	(3 237)	(3 768)
Current liabilities	(333)	(214)
Liabilities (100%)	(3 570)	(3 982)
Group's share of liabilities is 23.08% (27.16% in the prior year)	**(824)**	**(1 178)**
Net assets (100%)	26 376	15 603
Share of net assets is 23.08% (27.16% in the prior year)	**6 088**	**4 615**
Net profit (100%)	(5 224)	(19 240)
Group's share of net loss is 23.08% (27.16% in the prior year)	**(1 206)**	**(5 226)**
Prior year equity-accounted (loss)/profit (27.16%)	(2 495)	59
Group's share of accumulated net loss	–	(2 675)
Group's share of accumulated net loss	(3 701)	(2 495)
Remaining net investment	**–**	**–**

The unrecognised portion of the loss is R3,7 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.

	2019 R'000	2018 R'000
Investment in Port Nolloth Sea Farm Ranching (Pty) Ltd	4 894	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.

Notes to the consolidated financial statements
for the year ended 30 June 2019 continued

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.

	2019 R'000	2018 R'000
Investment in Aquawomen (Pty) Ltd	605	455

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

	2019 R'000	2018 R'000
Non-current assets	497	1 226
Current assets	1 241	220
Current liabilities	(241)	–
Long-term liabilities	(642)	–
Net assets (100%)	856	1 446
Share of net assets (45%)	**385**	**651**
Income	1 729	1 372
Expenditure	(1 396)	(361)
Net profit (100%)	333	1 011
Share of net profit (45%)	**150**	**455**

Total investments

	2019 R'000	2018 R'000
Opening balance	5 930	7 114
Investment – current year	1 068	1 592
Share of net loss – current year	(894)	(2 776)
Total net investments	**6 104**	**5 930**

7. LOANS RECEIVABLE

	2019 R'000	2018 R'000
Aquawomen (Pty) Ltd	640	–
Doringbay Abalone (Pty) Ltd	603	–
A3M Manufacturing	40	–
Loans receivable	**1 283**	**–**

The loans have no repayment terms and no interest is charged.

The Group establishes allowances for credit losses on loans receivable equal to the 12 month expected credit losses on these items unless there has been a significant increase in credit risk since initial recognition of these loans. Where there has been a significant increase in credit risk since initial recognition, impairment allowances are adjusted to equal the lifetime expected credit losses on these loans.

At 30 June 2019 the impairment allowances to Aquawomen (Pty) Ltd were not significant on account of a supply agreement relating to baskets and racks for the Group. The value of this supply contract significantly mitigates the credit risk arising from these loans. Similarly, the impairment allowances to Doringbay Abalone (Pty) Ltd were not significant on account of a supply agreement in respect of abalone. The value of the supply agreement for abalone significantly mitigates the credit risk from these loans.

8. 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.

	2019 R'000	2018 R'000
Reconciliation abalone inventory		
Opening carrying amount	23 113	10 730
Transfer from biological assets	113 032	75 658
Purchases	41 516	32 622
Costs to market	11 767	10 188
Abalone sales	(153 007)	(106 086)
Closing carrying amount	36 421	23 113

The carrying amount includes work in progress of R3,1 million (2018: R7,6 million), which represents harvested abalone being processed but not yet in a final product ready for sale at the reporting date.

Cost to market relate to the cost of getting the product to market, including processing and shipping costs.

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.

	2019 R'000	2018 R'000
Non-abalone inventory		
Raw materials	4 211	3 796
General	1 551	1 788
Finished goods – feed	873	463
Closing carrying amount	6 634	6 047
Total inventory	**43 055**	**29 160**

9. TRADE AND OTHER RECEIVABLES

	2019 R'000	2018 R'000
Trade receivables	11 515	11 922
Prepaid expenses	753	463
Loans receivable	391	34
Sundry receivables	186	243
Trade payables with debit balance	–	–
Value-added tax	2 360	4 621
	15 206	17 283

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

	2019 R'000	2018 R'000
South African Rand	10 649	10 822
US Dollar	4 557	6 461
	15 206	17 283

Notes to the consolidated financial statements
for the year ended 30 June 2019 continued

9. 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. The Group does not hold any form of collateral as security relating to trade and other receivables.

No specific allowances were recognised on trade receivables for the year ended 30 June 2019 (2018: R33 000). Based on the historic loss ratios and our credit risk management practices, we have considered the ECL allowance of nil to be appropriate. The ageing analysis of trade receivables is as follows:

	30 June 2019		30 June 2018	
	Carrying value R'000	**Impairment R'000**	**Carrying value R'000**	**Impairment R'000**
Up to 1 month	7 072	–	11 091	–
1–2 months	3 559	–	653	–
More than 2 months	885	–	179	–
	11 515	–	11 923	–

10. DERIVATIVE FINANCIAL INSTRUMENTS

	2019 R'000	**2018 R'000**
The derivative financial instruments at 30 June comprise:		
– Forward foreign exchange contracts – assets	–	–
– Forward foreign exchange contracts – liabilities	(1 024)	(6 164)
	(1 024)	(6 164)
Reconciliation of derivative financial instruments:		
Opening balance	(6 164)	169
– Contracts entered into	(1 024)	(6 164)
– Contracts expired	6 164	(169)
Closing balance	(1 024)	(6 164)

The forward foreign exchange contracts are not designated as hedging instruments.

The notional principal amount of the outstanding forward foreign exchange contracts at 30 June was USD 3 million (2018: USD 4,62 million) with forward rates ranging from R14.17/USD to R14.78/USD (2018: R12.00/USD to R13.79/USD). The notional principal amount of the outstanding forex collars at 30 June 2019 was USD 3,85 million with floor rate of R14.19 and ceiling rate of R15.87.

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

11. SHARE CAPITAL

	2019 R'000	**2018 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

11. SHARE CAPITAL (CONTINUED)

	2019 R'000	2018 R'000
Issued		
133 333 334 (2018: 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 (2018: Rnil).

Unissued

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

12. LONG-TERM INCENTIVE PLAN

The Company has granted participation rights 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 liability for the cash settled incentive plan was determined as nil (2018: 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 units on which the right is based	
	2019	2018
Movement in rights to LTIP payments (average award value is in brackets):		
Balance at the beginning of the year	1 397	1 467
Exercised during the year	–	–
Termination of old phantom shares	(5)	(1 467)
Issue of new LTIP shares unit	2 350	1 397
Balance at the end of the year	3 742	1 397

Rights to LTIP payments on 30 June are conditional on reaching Cash Generated from Operations targets on the following dates:

1 July 2021 (Tranche 1 of the Long-Term Incentive Plan)	1 392	1 397
1 July 2021 (Tranche 2 of the Long-Term Incentive Plan)	2 350	–
	3 742	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.

An expense of nil was recognised in the statement of comprehensive income as employee benefits expense (refer to note 25).

13. TAXATION
13.1 INCOME TAX EXPENSE

	2019 R'000	2018 R'000
Current tax – current year	–	–
Current tax – prior year	–	1 960
Deferred tax – current year	3 038	1 166
Deferred tax – prior year (over)/underprovision	(9)	(3 218)
Total tax income	3 029	(91)

13.2 DEFERRED INCOME TAX
The deferred tax assets and liabilities and movements thereon were attributable to the following items:

	2019 R'000	2018 R'000
Deferred tax liability		
– Property, plant and equipment	41 897	44 055
– Trademarks	49	45
– Prepaid expenses	211	118
– Biological assets	55 722	48 809
Deferred tax asset		
– Accumulated tax loss	(12 528)	(11 586)
– Inventory impairment	(958)	–
– Loss in equity accounted investments	(2 076)	(1 826)
– Government grants	(3 217)	(3 469)
– Provision for doubtful debts	–	(7)
– Provision for leave pay	(877)	(798)
– Operating lease liability	(1 026)	(877)
– Short-term share incentive liability	(196)	(490)
Net deferred tax liability	77 002	73 974

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 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
Charged/(credited) to profit or loss	(2 158)	6 913	(942)	(785)	3 028
Balance at 30 June 2019	41 897	55 722	(12 528)	(8 090)	77 002

13.3 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% (2018: 28%) as follows:

	2019 %	2018 %
South African normal tax rate	28.00	28.00
Adjusted for:		
– Non-taxable income	(1.4)	8.0
– Other permanent differences	21.1	0.0
– Current tax prior year correction	0.0	77.7
– Tax rate differential	(7.8)	10.2
– Prior period under provision – deferred tax	0.1	(127.5)
Actual effective tax rate	39.99	(3.6)

13.4 TAX LOSSES

	2019 R'000	2018 R'000
Estimated tax losses and capital development costs available for set-off against future taxable income	44 743	42 302

14. DEFERRED INCOME GRANT

	2019 R'000	2018 R'000
Current portion	900	908
Long-term portion	10 590	11 482
	11 490	12 390

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. The final amount of R3,7 million relating to the Sulamanzi farm expansion was received in the 2018 financial year.

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

15. LONG-TERM BORROWINGS

	2019 R'000	2018 R'000
ABSA Agri Loan	30 628	28 754
ABSA Feed Loan	1 414	4 195
Viking – shareholder loan	4 000	4 000
Commercial Property Finance ("CPF") Loan	8 577	–
Total long-term borrowings	44 619	36 949

15. LONG-TERM BORROWINGS (CONTINUED)

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

	2019 R'000	2018 R'000
Non-current portion of long-term borrowings	37 859	34 168
Current portion of long-term borrowings	6 761	2 781
Total long-term borowings	44 619	36 949

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 Specialised 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. During the 2019 fiscal year, R8,7 million CPF loan was borrowed to assist with the development of the Oman operations. The loan is repayable monthly over the term of 7 years at a rate of prime plus 1%.

16. TRADE AND OTHER PAYABLES

	2019 R'000	2018 R'000
Trade and other payables comprise the following items:		
Trade payables	19 547	15 341
Accrual for leave	2 473	2 838
Other accruals	5 813	4 172
Other personnel accruals	706	2 964
Operating lease liability*	3 663	3 133
Other payables	4 835	5 220
Loans payables to Aquawomen*	813	642
	37 850	34 310

*Treated as non-current liabilities as the contractual cash flows are beyond 12 months.

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

	2019 R'000	2018 R'000
Non-current trade and other payables	4 476	3 133
Current portion of trade and other payables	33 374	31 177
	37 850	34 310

17. CASH AND CASH EQUIVALENTS

	2019 R'000	2018 R'000
ABSA overdraft	(1 971)	(1 824)
Bank balance	(34 029)	(16 342)
Cash on hand	9	6
Balance on credit cards	(101)	(75)
	(36 091)	(18 234)

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 R41 million (2018: R31 million), an Agri-loan of R32 million (2018: R34 million) and a loan for the feed plant construction of R1,4 million (2018: R4,1 million) and the CPF loan of R20 million (2018: Rnil). The facility also includes limits for entering into forward exchange contracts and credit cards. The next facility review date is 20 October 2019.

18. 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 and the R20 million CPF loan.

A cession of loan account limited to R5 million in favour of Specialised Aquatic Feeds (Pty) Ltd. A cession of the debtors book of Abagold Limited.

19. 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 (2018: R3 million) was recognised during the year as an expense in relation to the provident fund's contributions.

20. FINANCIAL INSTRUMENTS

20.1 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).

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 2019:

	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	–	–	–	–
Total assets	–	–	–	–
Liabilities				
Financial liabilities at fair value through profit or loss				
– Foreign exchange contract liabilities	–	1 024	–	1 024
Total liabilities	–	1 024	–	1 024

20.1 FAIR VALUE ESTIMATION (CONTINUED)

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	–	–	–	–
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

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 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.

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 2019 and 2018.

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.

20.2 FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

The carrying value of cash and cash equivalents, trade and other receivables and payables reported in the Statement of Financial Position approximate fair value.

20.3 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		✔	✔	

20.4 CREDIT RISK MANAGEMENT

Credit risk arises from financial instruments with banks and trade and other receivables (refer to note 9 excluding prepayments, sundry receivables and value added tax) which exposes 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 in enforcing strict payment terms. At year-end there was no provision for bad debts.

The Company applies the simplified approach mandated by IFRS9 *Financial Instruments* when measuring impairment loss allowances related to trade and other receivables balances and, accordingly the Company's impairment allowances on these financial assets equal, at all times, the credit losses expected to arise over the lifetime of these financial assets.

In measuring credit losses expected to arise over the lifetime of trade receivables and accrued income balances, financial assets are grouped according to their shared credit characteristics and ageing profile. The quantification of credit losses expected to arise over the lifetime of trade receivables and accrued income balances is based on (i) the Company's actual observed historical-loss experience/rates within each business and (ii) forward-looking information that is considered predictive of future credit losses within each business.

The historical loss experience/rates that are taken into account when determining impairment allowances are determined with reference to representative sales period (typically not shorter than 12 months) and the credit losses incurred over that period. Forward-looking information considered in measuring lifetime expected credit losses includes macroeconomic factors, with the target country GDP per capita considered to most significantly affect the future ability of the Company's customers to settle their accounts as they fall due for payment. Due to the Company's diverse operations, the forward-looking information considered and the values assigned to forward-looking information when calculating impairment allowances vary by country in which the customer is located.

20.5 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 2019:				
Trade and other payables	33 374	4 476	–	37 850
Derivative financial instruments	1 024	–	–	1 024
Borrowings	6 761	5 900	31 959	44 619
Bank overdraft	36 091	–	–	36 091
	77 251	10 375	31 959	119 585
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

20.6 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 2019, if interest rates were 1 percentage point higher, with all other variables held constant, the profit before income tax for the year would have been R679 000 lower (2018: R194 000), arising as a result of the overdraft and loan positions at the end of 2019. Conversely, if interest rates were 1 percentage point lower, it would have an opposite effect on the profit with the same amounts.

20.7 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:

20.7.1 Foreign trade receivables

At 30 June 2019, if the Rand had weakened 10% against the US Dollar with all other variables held constant, the profit before income tax for the year would have been R0,46 million (2018: R0,47 million) greater. Conversely, if the Rand had strengthened 10%, the profit would have been less with the same amounts. This variation in the profit would be due to the fair value adjustment of foreign currency-denominated trade receivables. The lower foreign exchange rate sensitivity is attributable to a decrease in these trade receivables at year-end.

20.7.2 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.

20.7 CURRENCY RISK MANAGEMENT (CONTINUED)

20.7.2 Forward foreign exchange contracts (continued)
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 2019, 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 R4,4 million (2018: R6,2 million) less. Conversely, if the Rand had strengthened 10%, profit would have been higher with the same amounts.

Refer to note 10 on derivative financial instruments for details of the forward foreign exchange contracts.

20.8 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. The Group's capital structure includes a combination of equity as well as borrowings. 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 equity above 16%; in 2019, the return is 1.7% (2018: 1.1%). In comparison, the weighted average interest expense on interest-bearing borrowings was 9.7% (2018: 9.5%).

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 31% (2018: 22%).

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.

21. REVENUE

	2019 R'000	2018 R'000
Revenue comprises of the following sales of abalone products and related services:		
– Canned abalone	79 834	63 496
– Dried abalone	22 783	11 428
– Live abalone	44 337	31 162
– Live baby abalone (spats)	11 652	1 846
– Animal feed	47 744	42 058
– Live packing of abalone	–	–
	206 351	149 990

	2019 R'000	2018 R'000
Revenue comprises the following geographical regions:		
Hong Kong	95 900	71 539
Southern Africa	66 844	44 679
Singapore	25 006	20 475
Other	18 502	13 297
	206 351	149 990

22. OTHER INCOME

The following items are included in Other Income:

	2019 R'000	2018 R'000
– Shared infrastructure	1 662	1 103
– Insurance claim and rebates received	49	117
– Peacan nuts	–	3 969
– ADEP grant	900	772
– Profit on disposal of fixed assets	–	370
– Other	207	1 238
	2 819	7 569

23. 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
– Realised foreign exchange gains/(losses)	39	–
– Unrealised foreign exchange gains	–	–
– Unrealised foreign exchange gains/(losses)	(1 024)	(6 164)
Net fair value gains/(losses) on financial instruments	(985)	(4 258)

24. PRODUCTION COSTS

Production costs comprise the following:

– Utilities (electricity and water)	21 337	19 175
– Feed	758	1 005
– Consumables	3 063	1 901
– Chemicals	845	853
Total production costs	26 003	22 934

25. EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses comprise the following items:

– Wages and salaries	48 888	41 802
– Directors' remuneration	6 986	6 874
– Adjustment to share-based payment accrual	2 898	3 619
– Provident fund contributions	3 220	2 656
– Protective clothing	923	469
– Staff tea and welfare	121	287
– Recruitment costs	36	215
Total employee benefit expense	63 072	55 923

25. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

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

	2019 (R'000)				
	Basic salaries	Company contributions	Performance related 2019	Fees for meetings	Total
Executive director:					
TR Hedges	2 461	23	–	–	2 484
CH van Dyk*	1 015	11	–	–	1 027
L-A Lubbe	980	13	–	–	993
Prescribed officer:					
E Manchest	1 350	20	–	–	1 370
Non-executive directors:					
HR van der Merwe	–	–	–	351	351
T Mokgosi- Mwantembe	–	–	–	104	104
P Davies**	–	–	–	90	90
YJ Visser	–	–	–	157	157
JW Wilken	–	–	–	161	161
W Keast	–	–	–	101	101
SL de Villiers***	–	–	–	147	147
CIJ Williams #	–	–	–	–	–
Total	**5 806**	**68**	**–**	**1 112**	**6 986**

** Resigned February 2019, ** Retired March 2019, *** Retired June 2019, # Appointed in June 2019.*

	2018 (R'000)				
	Basic salaries	Company contributions	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 in November 2017, ** Appointed in January 2018, *** Resigned in December 2017, # Appointed in February 2018.*

Please refer to note 12 for details relating to the vesting of rights to executive directors in terms of the long-term incentive plans.

26. PROFIT/(LOSS) FROM OPERATIONS

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

	2019 R'000	2018 R'000
Auditor's remuneration for audit services	595	452
Amortisation and write-offs of trademarks	50	47
Depreciation	2 155	14 105
Maintenance	9 178	5 374
Rentals	599	695
Operating lease charges	529	1 353
Professional fees	2 159	6 950
Legal fees	10	719

27. FINANCE COSTS

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

	2019 R'000	2018 R'000
Bank overdraft	3 371	1 811
Agri loan	2 783	1 050
Feed loan	285	529
Commercial Property Finance ("CPF")	111	–
Total finance costs	6 550	3 390

28. 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 including discontinued operation (R'000)	4 555	2 615
Weighted number of ordinary shares issued	133 333	133 333
Basic earnings per share including discontinued operation (cents)	3.42	1.96
Basic earnings per share from continuing operations (cents)	5.36	3.45

There are no potential dilutive instruments as at 30 June 2019 (2018: none).

29. EARNINGS PER SHARE – HEADLINE

Profit attributable to ordinary shareholders	4 555	2 615
Adjusted for:		
Net profit on sale of property, plant and equipment	–	(266)
Gross amount	–	(370)
Taxation	–	104
Headline earnings	4 555	2 348
Headline earnings per share including discontinued operation (cents)	3.42	1.76
Headline earnings per share from continuing operations (cents)	5.36	3.45

30. NOTES TO THE STATEMENTS OF CASH FLOWS

30.1 CASH RECEIVED FROM CLIENTS

	2019 R'000	2018 R'000
Revenue	206 351	149 990
Other income	2 819	7 569
Plus: Receivables at the beginning of the year	17 283	15 508
Less: Receivables at the end of the year	(16 489)	(17 283)
	209 963	155 783

30.2 CASH GENERATED FROM OPERATIONS

	2019 R'000	2018 R'000
Profit before tax from continuing operations	10 178	4 510
Profit before tax from discontinued operation	2 594	1 986
Profit before tax	7 584	2 524
Adjustments for non-cash items	(14 936)	(22 130)
– Trademark amortisation and write-offs	50	47
– Amortisation of deferred income grant	(900)	(754)
– Depreciation	14 848	14 105
– Loss on sale of property, plant and equipment	–	(370)
– Fair value gains on biological assets	(137 721)	(119 925)
– Transfers from biological assets to inventories	113 032	75 658
– Share of loss in equity accounted investments	894	2 776
– Unrealised gain on revaluation of foreign exchange contracts	–	–
– Unrealised loss on revaluation of foreign exchange contracts	1 024	6 164
– Reversal of prior year gain on foreign exchange contracts	–	635
– Reversal of prior year loss on foreign exchange contracts	(6 164)	(466)
Separately disclosed items in statement of cash flow	6 550	3 390
– Finance costs	6550	3 390
Changes in working capital:	(9 105)	(16 021)
– Increase in inventory	(13 895)	(12 767)
– (Decrease)/increase in receivables	1 474	(1 775)
– (Decrease)/increase in trade payables	3 464	(1 479)
Cash generated from continuing and discontinued operations	(9 762)	(32 237)

30.3 NET DEBT

	2019 R'000	2018 R'000
Cash and cash equivalents	(36 076)	(18 008)
Borrowings – repayable within one year	(6 761)	(2 781)
Borrowings – repayable after one year	(37 859)	(34 168)
Net debt	(80 696)	(54 957)

Reconciliation of Net debt	Shareholder loan	Cash and cash equivalents	Overdraft	Feed Loan	Agri Loan	CPF Loan	Net debt
Opening balance 1 July 2017	(4 000)	25 827	(1 699)	(6 976)	(17 198)	–	(4 046)
Cash movement	–	(25 601)	(14 724)	3 310	(10 506)	–	(47 521)
Interest charge	–	–	(1 811)	(529)	(1 050)	–	(3 390)
Closing balance 30 June 2018	(4 000)	226	(18 234)	(4 195)	(28 754)	–	(54 957)
Cash movements	–	(211)	(14 487)	3 066	910	(8 467)	(19 188)
Interest charge	–	–	(3 371)	(285)	(2 783)	(111)	(6 550)
Closing balance 30 June 2019	(4 000)	15	(36 091)	(1 414)	(30 628)	(8 577)	(80 696)

31. RELATED PARTIES

31.1 IDENTITY OF RELATED PARTIES

- Mr TR Hedges is a director of Specialised Aquatic Feeds (Pty) Ltd, Mean Sea Level (Pty) Ltd and Abagold Ltd.
- Abagold owns 45% of the shares in an associate, Aquawomen (Pty) Ltd, as documented in note 6.4.
- Mrs L-A Lubbe is a director of Aquawomen (Pty) Ltd and Abagold Ltd.

31.2 MATERIAL-RELATED PARTY TRANSACTIONS AND BALANCES

31.2.1 Transactions with joint ventures

Refer to note 6 for transactions with joint ventures.

31.2.2 Transactions with key management

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

	2019 R'000	2018 R'000
Basic salaries	8 011	7 729
Long-term incentive plan payments	–	–
Company contributions	147	61
Performance-related	–	–
	8 159	7 790

31.2 MATERIAL-RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

31.2.3 Material-related party transactions

The following transactions occurred with related parties during the period under review:

	2019 R'000	2018 R'000
Donations to Abagold Development Trust	72	289

31.2.4 Shares held by 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	–	660	660

32. COMMITMENTS

32.1 CAPITAL COMMITMENTS

	2019 R'000	2018 R'000
Authorised by the directors		
– Contracted for	599	307
– Not contracted for	11 601	11 593

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

32.2 OPERATING LEASE COMMITMENTS

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

	2019 R'000	2018 R'000
– Within one year	911	844
– After one year, but not longer than five years	4 436	4 107
– After five years	14 245	17 964
	19 592	22 915

In 2014, the lease was renewed for a further term of 8 years and 8 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.

33. EVENTS AFTER THE REPORTING DATE

The business has embarked on a process to strengthen the balance sheet, including a rights issue, details of which will be finalised in the last quarter of the 2019 calendar year.

34. CONTINGENT LIABILITY

There are no contingent liabilities, other than those detailed in note 1.25.

35. OPERATING SEGMENTS

Basis for segmentation

The Group has two reportable segments, being the Abagold and Specialised Aquatic Feeds segments respectively. In the prior year the Group disclosed the Mauritius business as a separate reportable segment. This business has been discontinued and will no longer be reported as a segment.

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

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.

Notes to the consolidated financial statements
for the year ended 30 June 2019 continued

35. OPERATING SEGMENTS (CONTINUED)

	2019			2018		
	ABAGOLD R'000	SAF R'000	Mauritius (discontinued) R'000	ABAGOLD R'000	SAF R'000	Mauritius R'000
External revenue	158 606	47 744	–	107 932	42 058	–
Inter-segment revenue	–	14 539	–	–	12 836	–
Segment revenue	**158 606**	**62 284**	**–**	**107 932**	**54 895**	**–**
Segment profit (loss) before tax	2 229	1 578	(2 594)	4 924	2 362	(1 986)
Interest expense	(6 316)	(234)	–	(3 274)	(116)	–
Depreciation and amortisation	(12 796)	(2 105)	–	(12 272)	(1 879)	–
Share of profit (loss) of equity-accounted investees	(894)	–	–	(2 776)	–	–
Other material non-cash items:						
Changes in biological assets	137 721	–	–	119 925	–	–
Segment assets	**463 707**	**32 906**	**15**	**438 346**	**29 169**	**–**
Equity accounted investees	10 843	–	–	12 450	–	–
Capital expenditure	6 035	1 577	–	23 772	887	–
Segment liabilities	**196 479**	**21 106**	**–**	**170 769**	**18 543**	**1 849**

Reconciliation of information on reportable segments to IFRS measures

	2019 R'000	2018 R'000
Revenues		
Total revenue for reporting segments	220 890	162 826
Elimination of inter-segment revenue	(14 539)	(12 836)
Consolidated revenue	206 351	149 990
Profit before tax		
Total profit before tax for reportable segments	1 213	5 300
Elimination of inter-segment loss	7 265	0
Share of profit/(loss) of equity-accounted investees	(894)	(2 776)
Consolidated profit before tax	7 584	2 524
Assets		
Total assets for reportable segments	496 629	467 515
Elimination of inter-segment transactions	(35 582)	(36 827)
Equity-accounted investees	6 104	5 930
Consolidated total assets	467 151	436 618
Liabilities		
Total liabilities for reportable segments	217 584	191 161
Elimination of inter-segment transactions	(9 508)	(9 140)
Consolidated total liabilities	208 076	182 021
Other material items		
Interest expense	(6 550)	(3 390)
Capital expenditure	(7 611)	(24 659)
Depreciation and amortisation	(14 900)	(14 151)
Biological asset movements	137 721	119 925

Shareholder and administrative information

Analysis of shareholders at 30 June 2019

	Number of shareholders		% Holding	
Size of holdings	**2019**	**2018**	**2019**	**2018**
Less than or equal to 1%	41	39	6.79%	7.51%
More than 1% but less than or equal to 5%	4	5	11.62%	13.20%
More than 5% but less than or equal to 10%	3	5	27.73%	5.73%
More than 10% but less than 20%	4	3	55.86%	38.86%

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%
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 South Africa Incorporated
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

Notice is hereby given that the 2019 annual general meeting (“the meeting”) of the shareholders of Abagold Limited (“the Company”) will be held at 09h00 on Saturday, 7 December 2019, 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, remain unchanged for the ensuing year and from 1 January 2020 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 inter-related 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 2019.

Ordinary resolution 2: Re-appointment of the independent auditor and designated auditor
Resolved that, as recommended by the Board and audit committee, BDO South Africa Incorporated, be re-appointed 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 retire by rotation, and being eligible and having made himself available for re-election as director of the Company, is re-elected as director:

3.1. Mr YJ Visser

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

Ordinary resolution 4: Election of director appointed by the Board

Resolved that the following director, who was appointed by the Board, is elected as director:

4.1. Mr CIJ Williams

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 7 December 2019 until the conclusion of the next annual general meeting.

5.1 Mr YJ Visser
5.2 Mr JW Wilken
5.3 Mr CIJ Williams

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 on 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, 5 December 2019. 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
18 September 2019

ABAGOLD

ABAGOLD LIMITED
(Registration number: 1995/070041/06)
("the Company")

PROXY FORM

Proxy form for use at the annual general meeting ("the meeting") of Abagold Limited (" the Company") to be held on 7 December 2019 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 2020			
2	To enable the provision of financial assistance to related or inter-related entities			
	Ordinary resolutions			
1	Consideration of consolidated annual financial statements for the year ended 30 June 2019			
2	Reappointment of independent auditor			
3	Re-election of director retiring by rotation:			
	3.1 Mr YJ Visser			
4	Election of director appointed by the Board:			
	4.1 Mr CIJ Williams			
5	Election of members of the audit committee, each by separate vote:			
	5.1 Mr YJ Visser			
	5.2 Mr JW Wilken			
	5.3 Mr CIJ Williams			

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 ______________ 2019

Signature: ______________________________

TABLE OF QUALIFICATIONS

Mr JW Wilken	B. Compt. (Hons.), CA (SA), MBL
Mr YJ Visser	B.LC LLB (Pret.)
Mr CIJ Williams	BBusSc (Hons), CA (SA), MPhil, CDFA

NOTES

1. A member entitled to attend and vote is entitled to appoint a proxy to attend, speak and 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/her 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, 5 December 2019 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 par 5.1.5 of the Company's Memorandum of Incorporation.

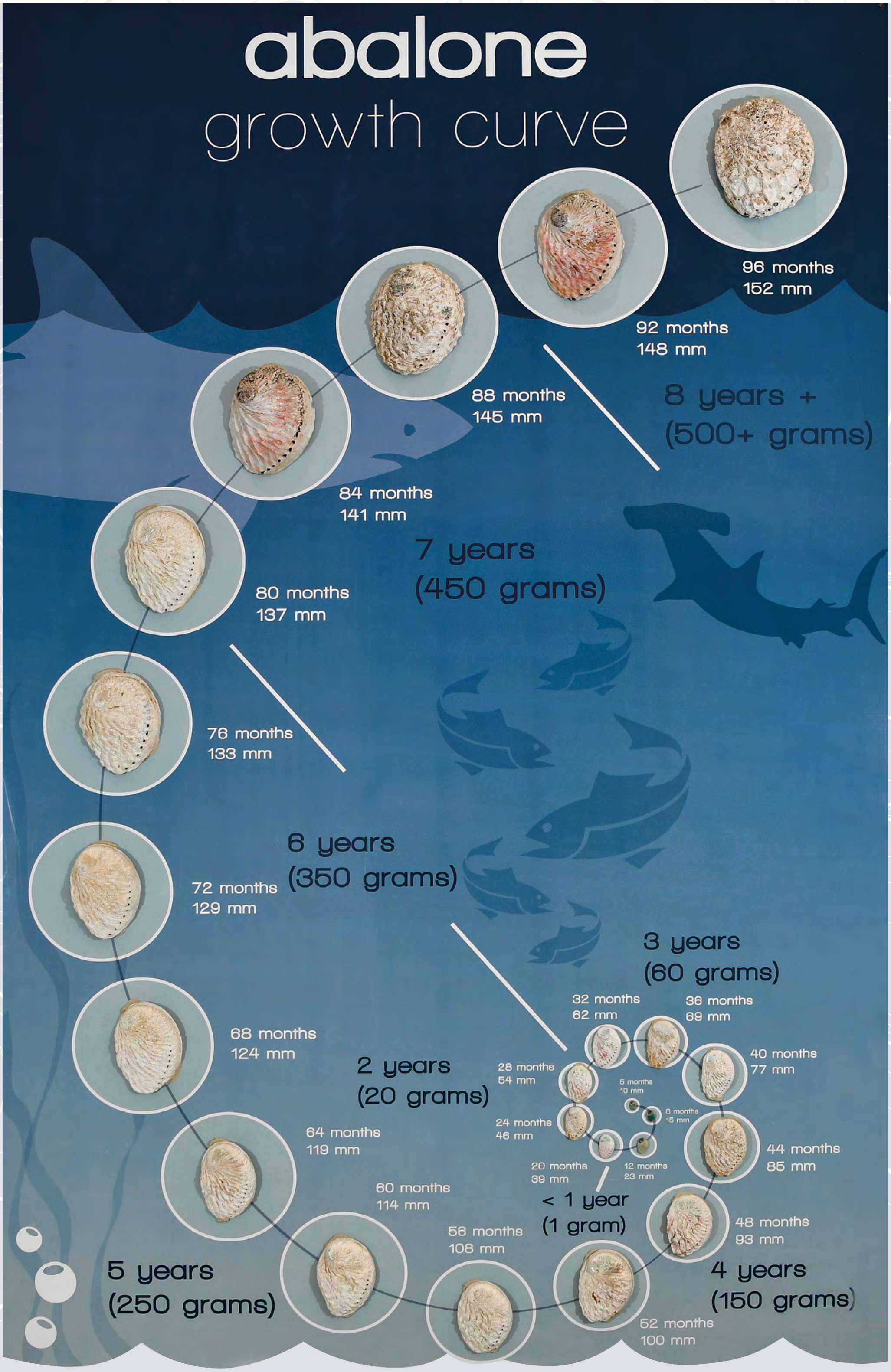
Return options:

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, 5 December 2019.



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Abagold Limited
New Harbour, Hermanus 7200
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