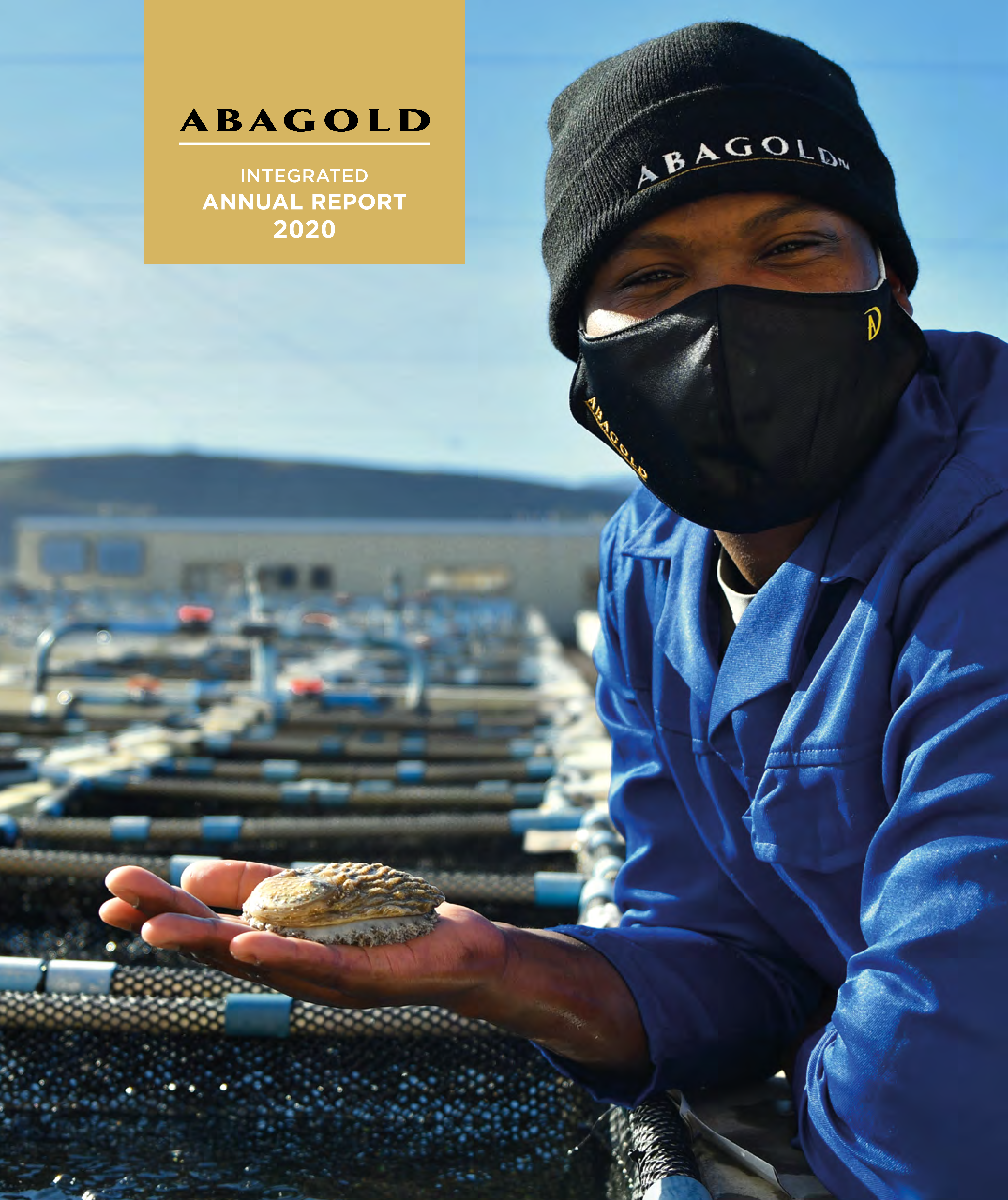
ABAGOLD

INTEGRATED ANNUAL REPORT 2020




ABAGOLD

SHAREHOLDERS' DIARY

REPORTS

30 JUNE 2020

30 Financial year-end

18 SEPTEMBER 2020

18 Annual financial statements approved

28 FEBRUARY 2021

28 Interim financial statements for the half-year to 31 December 2020 to be distributed by 28 February 2021

MEETINGS

05 DECEMBER 2020

05 ANNUAL GENERAL MEETING

DATE	Saturday, 05 December 2020
TIME	09h00
VENUE	"The Heart of Abalone" shed, Seaview Farm New Harbour Hermanus

In response to the risk of Covid-19, we will also make conferencing facilities available as an alternative.

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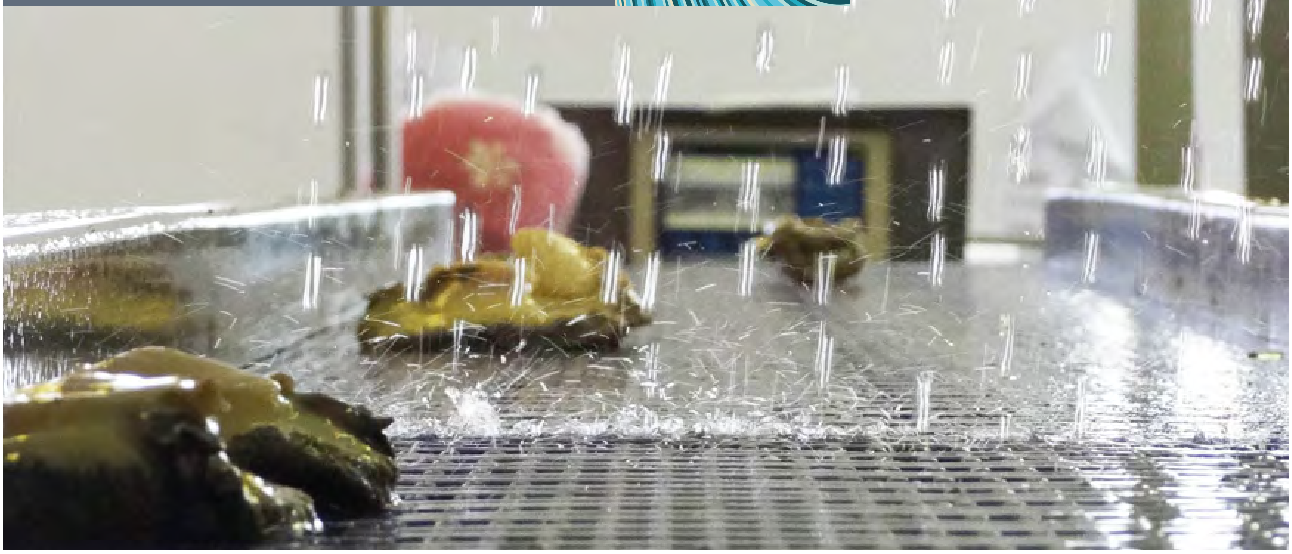
MANIFESTO AND VALUES



Manifesto

Abagold, the integrated and sustainable agri-business 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

Our FY20 Interim Report made mention of the Coronavirus outbreak in the little known city of Wuhan, China. However, eight months later we are still witnessing the worst of this virus pandemic and its devastating impact, including loss of lives and livelihoods across the globe.

The Covid-19 pandemic has triggered the deepest global recession in decades. The June 2020 ***Global Economic Prospects*** (a World Bank publication) describes both the immediate and medium-term outlook for the impact of the pandemic and the long-term damage it has dealt to prospects for growth. The baseline **forecast** envisions a 5.2% contraction in **global** GDP in 2020.

South Africa's initial response to the Covid-19 pandemic was a hard lockdown that started on 26 March 2020. The resulting hardship suffered by many South Africans has been evident in our communities as the movement of people was drastically reduced and businesses were forced to close temporarily.

As an essential service, Abagold was fortunate to be able to continue operating during the lockdown period. However, it did require personal sacrifices by all Abagold staff through a combination of reduced working hours and leave and/or through salary sacrifices. The journey to this point has required not only compliance with regulations but also ensuring that we all live the Abagold values. By ensuring that we hold each other accountable for our combined health and safety, Abagold was able to ensure the ongoing operations of the business, while protecting our employees at all times. At the time of writing this report, Abagold had experienced over three weeks with no active Covid-19 cases and had 29 recovered cases since the start of the pandemic.

We measure our managers on how well they live the Abagold values, which are the foundation on which the business is building a high-performance organisation. We choose to lead by example in everything we do so that we can impact the lives of staff, their families, and in turn, the communities we all live in.

Respect has always been the genesis for us, 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* – empathy requires us to look at things from other people's perspectives 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. *Sensitivity* – requires us to be conscious of culture, traditions, religion, ethnicity, etc. *Processes and Procedures* – all the processes and procedures that have been developed over 25 years of experience need to be respected. If we truly respect the history of this value, we must protect and improve our processes and procedures. *Empowerment* – this is the process of allowing all to participate proactively within the boundaries defined over time by the organisation. *Correction* – accepting, as a given, that there will be failures but learning from such experiences is crucial. And finally, *Trust* – trust is not a 'feeling' word in this context, it is 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 of us all to have ethical leadership with active management and supervision, along with confident, accurate and professional reporting.

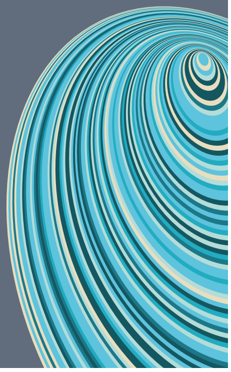
Responsibility towards all our stakeholders is achieved by enhancing and adding value to what has been entrusted to us, and ensuring that value creation is part of our long-term strategy and objectives. We have embraced the Six Capitals of sustainability as the basis of our organisation's value creation process. These six capitals are financial, manufactured, intellectual, human, social and relationship, and natural capital.

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

Innovation involves constructively questioning the status quo and looking for ways to be more efficient and productive. Since its inception, the Abagold Innovation Hub has delivered a combination of process improvements in the way we farm, technology process improvement in production and feeding, and many more initiatives in various stages of development. These will all ensure sustainability in an increasingly competitive environment.

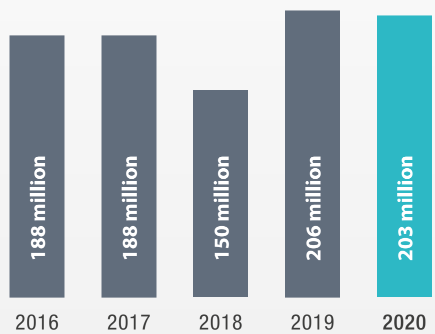
Our shared values guide how we do what we do. They are at the heart of our culture, for every employee, team and leader, as we strive to deliver stakeholder and shareholder value. This is further underpinned by our commitment to always ask when considering our options: "What is best for Abagold?"

SALIENT FEATURES OF 2020

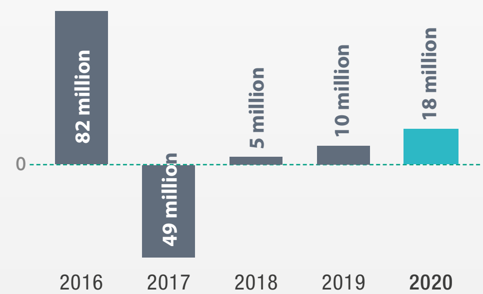


- A balanced pipeline reflects a full recovery from the 2017 red tide event and the farm delivered growth of 546 tons.
- Abagold produced 5 million spat for the year and was able to adequately meet its own requirement as well as supply spat into the market.
- Production costs per kg have decreased by 14% due to continued cost-containment measures and implementing automation on the farm.
- Cash generated from operations improved to a positive contribution of R11 million (FY19 outflow of R10 million).
- Significant improvements in the product quality of formulated feed from Specialised Aquatic Feed ("SAF"), as well as improved diversification of product offering.
- Abagold continued with its joint venture to develop the abalone farm in Oman and we expect to complete the build of Phase 1 in FY21.

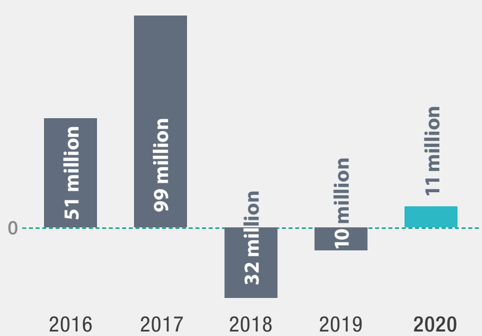
Revenue R'm



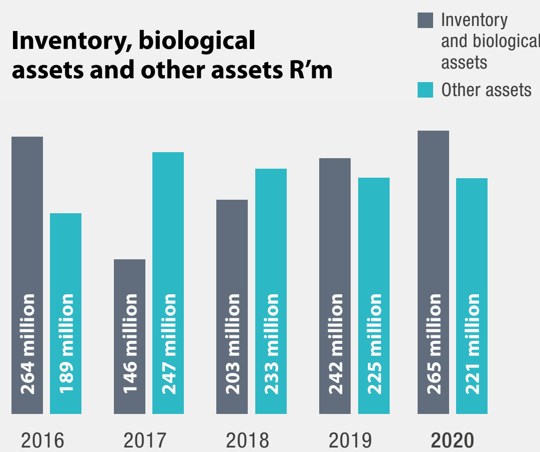
Profit before tax R'm
(from continuing operations)



Cash generated from operations R'm



Inventory, biological assets and other assets R'm



Respect

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

"Respect is a key requirement to maintain a healthy workplace, in order to encourage teamwork, eliminate disharmony, and to increase productivity. Abagold does this through providing transparent communication, treating employees fairly and equally to ensure that employees feel valued."

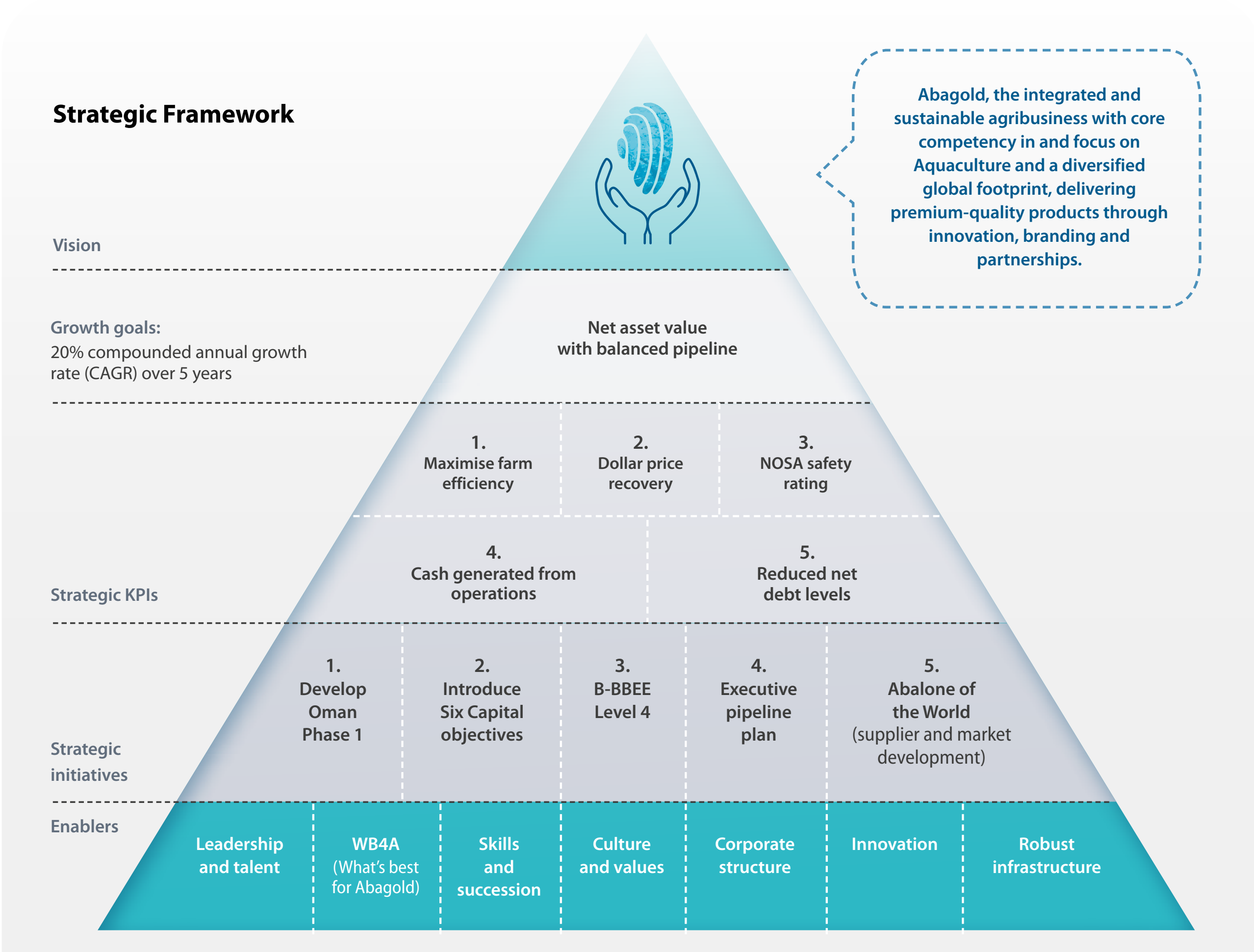
Varst Carla-Coert *(HR manager)*

ABAGOLD STRATEGY

Abagold strategy has now clearly turned the corner from recovering and developing after the 2017 red tide event, to managing a maturing pipeline. We believe that a balanced, mature pipeline will allow us the ability to maintain our premium brand in the marketplace while delivering superior quality products.

The current Covid-19 pandemic has not changed our strategic objective; however, the effects of the pandemic have significantly impacted the marketplace and disrupted normal logistics channels in the short to medium term. Our objective remains to seek alignment and agreement on priorities among the various stakeholders that support the sustainability of the business, and deliver on our medium and long-term goals. These objectives have been cascaded down, throughout the organisation, as building blocks that will enable the successful implementation of our strategy.

The strategic framework is set out below:



CHAIRMAN **AND** MANAGING DIRECTOR'S REPORT

Overview of performance during the year to 30 June 2020

Abagold's performance in the fiscal year 2020 was impacted by a number of regional as well as global phenomena that influenced many organisations and likely changed the way we do business forever. The major influence for Abagold was the Covid-19 pandemic; however, the disruptive impact of the earlier eight months of protests in Hong Kong also had a significant effect on the abalone industry's key marketplace. By its nature, it affected the price-making and trading mechanisms that had been taken for granted for so long. Throughout these events, Abagold remained committed to the continued operational efficiency and the improvement in age and size of the maturing biological pipeline that has been nurtured since the red tide event of 2017. Abagold's commitment to grow and diversify remains succinctly defined in our manifesto:

> **"Abagold, the integrated and sustainable agri-business with a diversified global footprint, delivering premium quality products through innovation, branding and partnerships."**

The global impact of the Covid-19 pandemic, as well as the regional effects of this event, were felt throughout the last quarter of the fiscal year. Operations on the farms were severely disrupted from the time that South Africa declared a State of Disaster (15 March 2020), and this situation continued well past the end of the fiscal year. Internationally, the reduced demand, exacerbated by a shortage of airfreight space and significant oversupply from China, played a dramatic negative role in pricing and trading conditions in the traditional marketplace of Asia. The dedicated and focussed efforts on the ground in Hermanus, along with the ongoing financial commitment of producing and selling our product, in partnership with our customers in Asia, allowed our business to survive through these unprecedented events and times. The dedication of the Abagold staff once again came to the fore in the ways in which the year's events were managed by the whole team.

With the farms fully stocked, the focus is on the maturity of the abalone on the farms. The average size and quality of the abalone on the farms are balanced in size ranges that will enable the business to benefit from the operational discipline over the last three years of protecting both quicker growing abalone and not removing abalone before optimal size is achieved. The focus of the operations team has been to ensure the optimal conditions for growth and to allow the pipeline to develop – which we continuously monitor and record – leading to a better matured and balanced pipeline at the end of June 2020.

The hatchery performed excellently in 2020, with consistent delivery of 400 000 spat on average per month achieved over the period. Due to reduced demand for spat from South African abalone farms, the hatchery was reduced in size to only meet the demands of our operation and ranching. Further innovation and improvements continue to help reduce costs of producing the spat while leveraging many years of investment into the genetic selection programme and thereby speeding up growth.

With maturing farms, the risk is that the growth rate starts to slow down on the more mature animals, but with focussed attention to sorting, sizing, feeding and hygiene, the farming activities in 2020 were executed effectively and efficiently even with the disruptions of shift work necessitated during Covid-19 lockdown.

For much of the fiscal year, the protest action in Hong Kong and the subsequent reduced demand and oversupply from South African operations led to lower prices and significantly reduced demand, especially for smaller size abalone in the most traditional markets in Asia.

From the initial slowdown in mid-2020 in market demand experienced on premium South African abalone, and through the Covid-19 global pandemic period, the business has continued to develop and build new markets in Asia and globally to spread the traditional risk that existed with such heavy exposure to Hong Kong. The foresight of the sales and marketing team to start this process some years back and the long-standing partnerships developed with our loyal customers made further development of this market easier for Abagold. We look forward to enjoying the benefits of this development work as we produce and offer larger sized abalone with premium offerings and improved pricing in the new fiscal year.

The financial resources of the business were again tested in the period under review, so the business undertook a rights issue and raised further funding through a mezzanine structure supported again by shareholders. Although the tonnage sold increased year-on-year by 33% to 444 tons, the price pressure experienced in the market translated into a flat revenue result of R160 million for abalone sales, with Group sales reducing by 2% to R203 million. The business was able to show a profit in the fiscal year, aided by fiscal discipline, while ensuring that the benefits of all the work done to fully recover the pipeline of biological assets were not compromised. Due to the financial constraints, a number of capex projects were delayed, but these will be reviewed and assessed for implementation in the new year, based on priority requirements.

During this past fiscal year, Abagold managed to decrease its debt load by 6% to total debt of R76 million. This has improved the borrowing headroom and will allow the business to sustain itself during the market recovery while maintaining consistent supply to our loyal customers. This will create an opportunity for the business to further increase the borrowing headroom in the coming fiscal year if required.

As always, it is appropriate that we recognise the more than 380 people who work at Abagold every day, sometimes in tough and uncompromising circumstances, for their hard work and dedication, and we look forward to benefitting from this performance by leveraging mature and balanced farms in due course. The resilience and dedication of the Abagold team will continue to be tested with the ongoing demand for improvement in efficiency and productivity in this competitive sector. Innovation and improvements will allow the business to achieve its full potential in the years ahead.

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

Group financial performance

The total revenue earned for the year of R203 million is slightly down from the R206 million for the prior year. The increase in tonnage harvested from our own pipeline contributed to maintaining revenue, while the improved harvest 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 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 from continuing operations:

R'000	% Change	30 June 2020	30 June 2019
Revenue	2	203 064	206 351
Abalone sales	1	160 209	158 606
Other external sales	10	42 855	47 744
Cost of sales (excl. fair value adjustments)	13	(99 506)	(114 287)
Gross profit	12	103 558	92 064
Gross profit %		51%	45%
Other income	178	7 836	2 819
Net realised forex gain	2 422	984	39
Administrative expenses	12	(24 086)	(27 497)
Employment costs	1	(60 923)	(60 478)
Other operating expenses	29	(2 704)	(3 815)
Adjusted EBITDA	4 480	24 665	3 131
Depreciation	4	(15 507)	(14 900)
Adjustments to stock and bio assets	40	18 364	30 414
Net unrealised forex loss	93	(76)	(1 024)
Profit from operations	81	27 447	17 621
Finance costs	30	(8 520)	(6 550)
Equity accounted investments gains/(losses)	31	(1 203)	(894)
Profit before taxation	74	17 723	10 177
Taxation	104	(6 165)	(3 029)
Net profit from continuing operations	62	11 558	7 148
Gross profit %		**51**	**45**
Adjusted EBITDA %		**12**	**2**
NPBT %		**9**	**5**

On a consolidated basis, the gross profit for the period of R103,6 million has resulted in a 51% gross margin compared with the prior period of R92,1 million and a 45% gross margin. The improvement in the gross margin is largely due to an increased harvest and an improvement in size profile and sales mix. The improved harvest meant that reliance on third-party purchases was reduced to 37 tonnes in the current year from 109 tonnes in the prior year, with a resultant positive impact on the current year gross margin %.

On an "Adjusted EBITDA" level, which excludes the effects of non-cash items, a profit of R24,7 million was achieved for 2020 compared to R3,1 million in 2019. Payroll costs were largely unchanged in the current year and include the R2 million cost for voluntary severance packages which were concluded in October. The net profit before tax of R17,7 million is an improvement on the NPBT of R10,1 million in the prior year.

The improvement in the gross margin is largely due to an increased harvest and an improvement in size profile and sales mix

Sales

The abalone sales volumes increased in the 2020 fiscal year, due to continued improvement in harvestable sizes, while the overall market conditions had a negative impact on the average US$ selling price of abalone, with a drop of over 20% in the average selling price during the fiscal year under review. This significant decline was primarily due to the conditions and circumstances outlined earlier in this report. The size distribution improved in the period, with the average size of the product sold in the period increasing by more than 25% from 2019. Sales are the combined result of total tonnage sold, US$ prices achieved and the Rand/US$ exchange rate achieved on these sales. Abagold achieved sales of 444 tonnes of live equivalent abalone, an increase of 109 tonnes from the prior year. The total sales revenue on abalone ended at R160 million, which is a slight increase on last year.

Production performance and efficiency

Growth on the farms continued to show the improvement achieved in 2019, with an increase of 26% to 553 tonnes in 2020 from 439 tonnes in 2019. This growth and market conditions led to 71 tonnes more standing stock than had been forecast, with the final stock on farms peaking at 722 tonnes. The cost of production was well managed by the team, with our best cost/Kg reduction in years, especially considering the additional growth and volume achieved. The investment in innovation and performance on the farms continued to help deliver these excellent results, enabling the business to continue to work on reducing costs of production to remain competitive.

Cash generated from operations

The cash generated from operations of R11 million, which is a R21 million positive turnaround from the prior year, is due to the focussed approach and attention to detail on all components impacting the working capital of the business. The increased tonnage sold, although at reduced prices, along with reduced debtors and management of stock levels in finished goods contributed to the positive result.

Debt and banking facilities

The net debt position decreased to R76 million (2019: R81 million), which was the result of positive cash generated from operations as stated above, as well as the rights issue in November 2019. This was despite significant further investment in Phase 1 of the Oman project. During the period under review a rights issue was completed, increasing share capital by R21,6 million. The interest charge for the period increased to R7,3 million from R6,6 million in the prior year. The debt to equity ratio has improved to 26% compared with 31% in the prior year; however, it remains above the targeted 20% level. In response to the Covid-19 pandemic, the business secured additional funding facilities of R15 million in the form of a convertible loan, which has not been drawn down at year-end. The total unutilised funding facilities at 30 June 2020 were R33 million including available banking lines and a convertible loan facility.

Furthermore, the Group has secured an additional R5,5 million in borrowing facilities with ABSA, that will be concluded after the financial year end, which includes a R3,3 million facility in terms of the government-backed loan scheme. The objective of the business remains to preserve cash in the short term and ensure the long-term sustainability of operations.

Subsidiary businesses

The business remains dedicated to a structured program of diversification to ensure a stable revenue stream and spread 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 is committed to ensuring that the level of quality back-up, knowledge and experience is 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 slightly lower profits on the back of lower sales volumes and significant investment in product development. The performance in 2020 showed positive and encouraging signs with regards to product development and has set a solid base for growth and continued diversification. This led to a net profit before tax of R0,2 million, a reduction of R1,4 million from 2019. New markets continue to be developed and progress to supply the aquaculture industry with a high-quality pellet feed is showing great potential in various niche markets that are currently reliant on importing their feed requirements. This diversification will be valuable to SAF in the future.

Ranching

Abalone ranching is the placing of abalone spat into the ocean for harvesting when sufficiently grown. 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 later harvesting. Abagold has a 20% shareholding in such an operation, Port Nolloth Sea Farms Ranching (Pty) Ltd ("PNSFR"). They are experienced ranching operators on the Northern Cape Coast with all the necessary government permits to ranch abalone at Kleinzee.

Abagold continues to supply spat and juvenile abalone stock from the Abagold hatchery and smaller, slower growing excess abalone on the farms

in Hermanus as our contribution to this ranching joint venture. In 2020, we delivered in excess of 1,05 million juveniles, in the process offsetting all future financial commitments to this venture. This makes the total volume of spat placed in the ocean at Kleinzee more than 4,5 million spat and juveniles in the seven-year period since the start of the project. Future stock that will be placed in Kleinzee will be negotiated on a cost-plus basis to continue the process of stocking and restocking as harvesting is planned.

The performance of the abalone already planted in the ranching project remains encouraging and the survival and growth rates indicate a significant long-term potential for all parties involved. This information has been validated by another independent assessment carried out for Port Nolloth in 2019. Expected first commercial harvesting remains scheduled for 2021.

Oman

In 2016 the Board of Abagold approved a capital investment in Phase 1 of an abalone farming project in Oman. This investment was made in a joint venture with an Omani partner, Muscat Overseas Group ("MOG"), in a newly formed Omani entity, Oman Aquaculture Co LLC. The construction of Phase 1, after some regulatory delays, commenced in April 2019. After further delays linked to Covid-19 and some design updates and improvements, the Phase 1 operation is scheduled to receive its first animals into the hatchery and production unit in early 2021. The first sales from the operation are expected in 2022, although there is a plan to facilitate a Ministry of Fisheries, state-driven reseeding programme in the ocean around the region which will create a revenue stream as early as mid-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 2024. Success in the first phase will be measured against key performance milestones agreed with management and the joint venture partner.

Energy

Abagold's alternative energy projects were transferred to Mean Sea Level (Pty) Ltd in 2014, in exchange for a stake in that company. This gave the projects the necessary focus and ability to raise the additional funding required, from existing and external sources, as well as accessing EU grant funding. 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, was halted in late 2019. The team at MSL refocussed their energy to adapt their methodology and implementation and plans to take this revised approach to new investors, funders and existing shareholders in the third quarter of 2020.

Abagold continues to investigate all potential alternative energy options, and to this end have engaged with solar suppliers in a formal tender process, with the intention to supply PV solar solutions on the three farms in the next twelve months. Abagold will continue to identify all other potential sources of renewable energy as part of its mandate to reduce costs and reliability on a constrained and expensive power supply system.

Future outlook

Hatchery

The consistent production of the required volumes of high-quality spat, provided to our farms, as efficiently and cost effectively as possible, remains an essential basis for the sustainability of our pipeline. While the expansion of operations on other farms in the region led to a demand for spat sales, this demand for spat, unfortunately, has reduced significantly and the hatchery has already scaled back their production capabilities as well as the area that the hatchery occupies on the farm. The focus of the hatchery is now on meeting Abagold's own demand with the focus on the production of larger spat at lower cost through innovation within the same time frames. This division is the platform for the rest of the operation to achieve growth targets, competitive feed conversion rates and cost efficiencies in the overall plan.

Production

The Sea View, Sulamanzi, Amaza and Bergsig production pipelines are now full, with abalone maturing as per plan, enabling the operation to have access to larger size product to harvest as was communicated last year. The yield (growth net of sales/ starting volume) of 80%, targeted for FY21, is in line with the performance expected from such a maturing pipeline and a level of overstocking which will be corrected through the harvest plan. The production team has implemented several effective innovations within the operation, such as improved technology in tank cleaning and automated sorting systems, that have already reduced costs and improved efficiency across all the farming units. This focus will continue through 2021. Further productivity improvements in the formulated feeds, genetic selection programme and innovative husbandry practices can be expected.

Sales and marketing

The market conditions via the traditional channels and markets, especially Hong Kong, have been complicated since the first quarter of FY20 with demand depressed. The further complications of protest action in Hong Kong and the global impact of Covid-19 on demand, created an environment of uncertainty for our sales and marketing team.

The improved offerings from the mature pipeline and the slow recovery of base demand in our traditional markets, together with some momentum in new markets, have given the team the comfort that demand will recover in the first half of 2021. This will allow the business to gain some momentum in the year ahead.

The increased sales volume for 2021, 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 the market conditions and have implemented controls and measures to manage this changing and evolving business environment. The determined focus of this team is to restore the primary business to deliver improved, consistent results in the future, while leveraging innovation and technology opportunities, reducing risk, evaluating and investigating additional diversification opportunities and to ensuring long-term 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 this unprecedented, complicated and challenging year and look forward to a more normalised trading and operating environment with improved results in the years ahead.

Dividend

Due to the impact of Covid-19, along with the recognition that the business needs to maintain a minimum threshold of cash reserves through such complicated times and events, the Board regrets that there will be no dividend for the 2020 financial year. The management and Board of Abagold remain committed to enhancing 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 2020 fiscal year.

Share trading

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

Following the introduction of the Financial Markets Act, No. 19 of 2012 ("Financial Markets Act"), the Financial Sector Conduct Authority) ("FSCA") took the view that such OTC share trading mechanisms fall within the definition of an "exchange" and have to be licensed as such in terms of the Financial Markets Act. FNB Securities elected not to seek an exchange licence and as a result, the Board had to suspend trading in Abagold shares on the OTC platform of FNB Securities with effect from 19 September 2014.

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

Prospective sellers or buyers of Abagold shares may send an email to Enver Manchest, the chief financial officer and company secretary of Abagold at **enver@abagold.co.za** setting out their full names and contact details where prospective sellers/buyers of Abagold shares may contact them. By sending this email to the company secretary of Abagold the shareholder agrees that their 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 Enver Manchest as financial director in 2020 and he has developed into a critical and valuable part of the management team. In terms of the Memorandum of Incorporation, Enver is required to be re-elected by the shareholders at the next annual general meeting.

The Board would like to express its gratitude to Lou-Anne Lubbe, who resigned in December 2019, for her contribution and years of service.

In line with our Memorandum of Incorporation, Hennie van der Merwe, Wayne Keast and Hannes Wilken are required to retire as directors by rotation but, being available, they are proposed for re-election to the Board. We thank them for their willingness to continue serving Abagold in this capacity.

The Sea View, Sulamanzi, Amaza and Bergsig production pipelines are now full, with abalone maturing as per plan, enabling the operation to have access to larger size product to harvest

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, focussed oversight by, and input from the Board. This was further highlighted by the way that management communicated about the impact of the Covid-19 pandemic on-site and globally on markets, and highlighted the importance of these communication processes. We look forward to working together and continuing to build a business of which shareholders and all other stakeholders can be proud.

Hennie van der Merwe
Chairman

Timothy Hedges
Managing Director

Integrity

Through purpose and principle we ensure natural and safe products.

"Integrity is choosing to practise our values over professing them and choosing the right, or moral, choice over the fast and easy choice. Abagold demonstrates this in its commitment to, and continuous development of, stringent monitoring of both its product and its subsequent footprint and mitigating harmful effect."

Sarah Halse *(Head of research)*

SUSTAINABILITY REPORT

Manufacturing capital	**INTRODUCTION** **The Group's manufacturing capital consists of a hatchery and three grow-out farms with a 700-tonne capacity, a processing plant, as well as an aquaculture feed manufacturing facility.**
Measurables	• The hatchery spat production for the year of 5 million spat, at competitive and affordable cost, was sufficient for Abagold's requirements with excess production potentially available for sale to other farms. • In FY20 we delivered 25 tonnes of juvenile abalone to a ranching project on the West Coast in which we have an interest and which serves as a model for further sustainable development. • The abalone factory processed 415 tonnes of product in FY20 and resumed the in-house packing of live-product for export. • The feed factory manufactured 2 968 tonnes of feed, including abalone feed which supplies Abagold and other abalone farms with a secure source of feed. Sustainability is enhanced by producing other aquaculture and specialised feed for sale. • More than 100 tonnes of natural seaweed are produced annually. • Since the devastating red tide event of 2017, we have implemented an adverse water quality system in order to mitigate the potential impact of future red tide or similar environmental events where the risk of water contamination exists.
Activities to enhance outcomes	• Ongoing innovation and efficiency improvements in the processing factory to deliver best yield results. • Infrastructure renewal on the farms to support and improve capacity and abalone growth rates. • Innovation enhancement to lower the cost of production and improve control of biological assets.
Goals	• Complete Phase 1 of the Oman abalone farm. • Decrease production costs to R230 per kg with the aid of automation. • Increase growth performance to deliver optimal results in line with infrastructure capacity. • Increase production capacity, through expansion, by 120 tonnes on the Sulamanzi farm.

Natural capital	**INTRODUCTION** **At Abagold, the cultivation of abalone (*Haliotis midae*) includes broodstock management and grow-out on four farms.**
Measurables	• Permits held for integrated grow-out (engage in marine aquaculture): Sulamanzi, Bergsig, Seaview and Amaza Farms. • Permits held to possess abalone broodstock, operate a hatchery and operate a marine aquaculture fish processing establishment. • Rights held for coastal water discharge and extraction of sea water, a natural resource that serves as the lifeblood for the business. • Rights held to engage in marine aquaculture (for renewal 2032).
Activities to enhance outcomes	• **Shellfish monitoring programme:** this includes regular water sampling for biotoxins, pesticides, drug residue, heavy metals and phytoplankton. Phytoplankton monitoring is furthered by on-site daily counts, independent third-party daily counts and the installation of high-tech monitoring equipment for in-situ continuous data. • **Animal health programme:** this includes regular stock assessment, monitoring diseases listed by the World Organisation for Animal Health via Polymerase Chain Reaction ("PCR") testing to comply with Veterinary Procedural Notice ("VPN") and other animal health certificates. In consultation with others in the industry, farm biosecurity is carefully managed and monitored to mitigate risk to operations and ensure optimal animal health.
Goals	• Engage with all stakeholders to ensure a collaborative approach to environmental management and conservation. • Continue to support industry initiatives to work with regulators to ensure effective management of abalone and natural marine resources. • Maintain and expand on certifications and accreditations, recognising our role in sustainable development.

Human capital

INTRODUCTION

Our employees' collective skills, knowledge and abilities create economic value for the Group and for our stakeholders, including the community in which we operate. Our human capital is comprised of our permanent and fixed-term workers.

Measurables

- Our average head count for FY20 was 387 employees, which consists of our permanent employees, budgeted fixed-term employees, especially within the processing facility, and our learnerships.
- Agri-Seta approved six graduates and three interns. These individuals are part of our top talent to be developed for future growth within Abagold. They bring a fresh perspective and innovative outlook to operations and production and provide a source of future management and skills for the business.
- Additional financial benefits including medical aid, retirement benefits, death and disability benefits, long-service awards, bursaries, and study-assistance funding are provided by Abagold to enhance the relationship and long-term sustainability of human capital.

Activities to enhance outcomes

- An on-site clinic supports our staff in terms of primary health care, especially during the Covid-19 pandemic. We have contracted a registered nursing sister, Sr Ulrike Mendelsohn, who went above and beyond to do awareness training, follow-ups and counselling for our Covid-19 positive employees.
- Twenty middle management members attended the Abagold Leadership Programme that aims to identify and develop middle management capability within Abagold.
- The mentorship training combined the Abagold management programme and the graduates and interns of FY20. These students were mentored and coached by middle management.
- Our recognition awards programme is hosted quarterly to recognise employees that are going above and beyond the call of duty and/or initiated cost-saving initiatives and improvements that benefitted the business.

Goals

- Establish a collaborative relationship with the employees and, where applicable, with any registered trade union.
- Maintain, continually review and endeavour to improve our Level 4 B-BBEE status.
- Commit to health, safety and environmental standards and improve and reduce the lost-time injury frequency rates.
- Continue to develop the group of high-potential employees to upskill and increase our talent pool.
- Be an employer of choice, attracting and retaining talented employees, particularly from previously disadvantaged groups from the surrounding community.

Intellectual capital

INTRODUCTION

Our intellectual capital refers to the expertise and industry knowledge gained over 25 years of operations. It includes our know-how, systems, processes and strong brands, all of which are critical to our success when operating at a global level in a highly competitive environment.

Measurables

- Abagold brand has developed a strong position in the marketplace and is a sound base for the long-term performance and results of the business.
- Accreditations include Food Safety System Certification ("FSSC"), Hazard Analysis Critical Control Points ("HACCP") compliance, National Regulator for Compulsory Specifications ("NRCS") compliance and Friends of the Sea ("FOS") certified.
- Permit held for Marine Aquaculture Scientific Investigation and Practical Experimentation.

Activities to enhance outcomes

- **Genetic improvement programme:** through genotyping and specialised genetic selection, the operation is continually committed to the development of profitable and biologically efficient abalone production with improved utilisation of feed, land and water resources via high-yielding brood stocks.
- **Feed product development** aligns with protocols to ensure optimal growth and animal health whilst mitigating effects on the environment through the investigation of alternative and sustainable ingredients and components, such as, kelp inclusion and insect larvae, and maintaining the "all natural" commitment.
- **Ongoing delivery of juvenile abalone** to the ranching project to ensure adequate pipeline and stock for future harvest.

Goals

- Product accreditation in Europe and North America.
- Combined global marketing expansion with the Oman JV and develop the market for Oman abalone.

Social and relationship capital

INTRODUCTION

Investments in key stakeholder relationships, including social transformation, empowerment initiatives and community upliftment programmes.

Measurables

- As part of our procurement policies, we spent in excess of R25 million to support SMMEs in the local community.
- The Abagold Development Trust currently has six bursary students studying in various disciplines: Nursing Science (4th year), Computer Science (4th year), BA Law, BCom Accounting and Music.
- Abagold has partnered with the YES programme and have allocated 21 students to support early childhood development centres. These students were placed in projects in the surrounding communities of Mount Pleasant, Hawston and Zwelihle. This is a learnership contract for 12 months, specifically for previously disadvantaged groups.

Activities to enhance outcomes

- Active management of local procurement spend with an objective of promoting the development of local SMME suppliers.
- Ongoing community engagement and investment through the Abagold Development Trust, with trustees that are active in the community.
- The primary mandate of the Abagold Development Trust is education – specifically early childhood development.

Goals

- Contribute to the development of the talent pipeline in the community.
- Upskill and ensure safe, effective local early childhood development centres.

Financial capital

INTRODUCTION

The Group's financial capital is comprised of equity, debt and internally generated capital to fund and sustain our organic and acquisitive growth targets. Refer to the annual financial statements for more detail.

Measurables

- Cash generated from operations of R11 million compared with an outflow of R10 million in the prior year.
- Equity raising of R21,6 million in order to strengthen the balance sheet of Abagold Ltd.
- Adequate headroom in banking facilities for the SA operation.
- Omani bank funding facilities for the Oman abalone farm.

Activities to enhance outcomes

- Management review of monthly performance against agreed budgets and forecasts, including funding requirements.
- Quarterly Board review of performance and review of strategy implementation, including funding requirements.
- Project and operational management support for the construction and implementation of Phase 1 in Oman.

Goals

- Maintain adequate funding headroom to enable the business to weather business disruptions.
- Provide an adequate return to shareholders and resume sustainable dividend payments when possible.
- Implement the Board mandate with regards to enhanced long-term sustainability.

Responsibility

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

"The COVID-19 pandemic required us to act responsibly towards our employees without compromising the sustainability of the business, and as a result we introduced reduced working hours and staggered intervals. We achieved this objective and now, through operational disciplines, we will work towards catching up on our farm KPIs."

Jackie Stewart *(General manager, Farming)*

FIVE-YEAR REVIEW

	GROUP				
	2020 R'000	2019 R'000	2018 R'000	2017 R'000	2016 R'000
Statement of comprehensive income					
Continuing operations					
Revenue	**203 064**	206 351	149 990	187 687	187 845
Earnings before interest and tax (EBIT)	**27 447**	17 622	10 676	(45 049)	88 248
Net finance charge	**(8 520)**	(6 550)	(3 390)	(3 381)	(4 666)
Profit/(loss) before taxation	**17 723**	10 178	4 510	(49 121)	82 223
Taxation	**(6 165)**	(3 029)	91	15 783	(22 597)
Net profit/(loss) for the year from continuing operations	**11 558**	7 149	4 601	(33 337)	59 626
Loss from discontinued operations	**(31)**	(2 594)	(1 986)	–	–
Net profit/(loss) for the year	**11 527**	4 555	2 615	(33 337)	59 626
Fair value (loss)/gain on biological assets and inventory due to exchange rate and dollar price changes	**(38 250)**	(28 521)	11 615	(6 386)	54 640
Net profit/(loss) excluding exchange rates and dollar price changes	**49 777**	33 076	(9 000)	(26 951)	4 986
Statement of financial position					
Total assets	**486 329**	467 150	436 618	393 524	453 337
Total current assets	**244 380**	196 225	194 331	137 799	145 520
Total non-current assets	**241 949**	270 925	242 287	255 725	307 817
Total biological assets and inventory ("stock")	**265 119**	242 061	203 478	146 443	264 028
Non-current portion of biological assets	**29 577**	61 057	26 656	48 915	132 756
Total current liabilities	**52 569**	78 150	59 264	41 313	19 993
Total liabilities	**193 824**	208 076	182 021	147 557	158 033
Total equity	**292 505**	261 711	248 072	245 967	295 304
Statement of cash flow					
Cash generated from operations	**11 278**	(9 762)	(32 237)	99 426	51 460
Dividend paid	**–**	–	–	16 000	11 867
Purchases of property, plant and equipment	**9 095**	7 611	24 659	41 903	20 201
Financial ratios and exchange rates					
Solvency ratio	**2.5**	2.2	2.4	2.7	2.9
Current ratio	**4.6**	2.5	3.3	3.3	9.6
Acid test ratio	**0.2**	0.2	0.3	1.0	0.9
Return on equity	**3.9%**	1.8%	1.1%	(13.6%)	20.2%
Return on assets	**2.4%**	1.0%	0.6%	(8.5%)	13.2%
Operating (loss)/profit margin from continuing operations	**8.7%**	4.9%	3.0%	(24.4%)	46.3%
Financing cost cover (time) from continuing operations	**3.22**	2.69	3.15	(13.3)	18.9
Average exchange rate for the year (R/USD)	**15.53**	14.64	13.40	13.89	14.69
Closing exchange rate (R/USD)	**17.30**	13.75	13.75	13.05	14.79
Earnings per share (cents) from continuing operations	**8.38**	5.36	3.45	(25.00)	44.72
Earnings per share (cents) including discontinued operation	**8.38**	3.42	1.96	(25.00)	44.72
Dividends per share (cents)*	**–**	–	–	–	15.90
Weight on the farm (tonnes)	**722**	592	451	338	565

Prior year results have been restated to reflect continuing operations.

RISK COMMITTEE REPORT

Introduction

Abagold Ltd is committed to applying risk management principles that effectively manage uncertainty and the related risks and opportunities, to achieve 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, 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 over the past two years. This process is an iterative 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 this 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 on 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.

Before the implementation of any mitigation controls, each risk captured within the Risk Matrix is reviewed and a potential Risk Impact (RI) and Likelihood of Occurrence (LO) is assigned. These ratings are assigned based on the approach displayed in the table below.

The Risk Index assigned to a risk takes cognisance of the impact on the Six Capitals that underpin the organisation's value creation process 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 and the risk is then re-assessed; a new post-control rating is then assigned, based on the same table as above. The Risk Matrix remains a working document and management reviews and updates the document continuously 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 to adequately mitigate their potential business effects and impact.

Rating	Risk Impact (RI)		Likelihood of Occurrence (LO)	
1	Minimal	Loss < R2,5 m	Unlikely	1
2	Moderate	R2,5 m < Loss < R5,0 m	Low	2
3	Major	R5,0 m < Loss < R10 m	Moderate	3
4	Catastrophic	Loss > R10 m	High	4

COVID-19 pandemic

The June 2020 edition of *Global Economic Prospects* (a World Bank publication) describes both the immediate and near-term outlook for the impact of the pandemic and the long-term damage it has dealt to growth prospects. Over the longer horizon, the deep recessions triggered by the pandemic are expected to leave lasting scars through lower investment, an erosion of human capital through lost work and schooling, and fragmentation of global trade and supply linkages.

Abagold has experienced the negative impact of the pandemic, and management and the Board are closely monitoring the impact on the business and staff. During this time, however, our main priority remains to ensure that our workplace is safe and that our staff are not placed at risk.

Abagold has experienced the negative impact of the pandemic, and management and the Board are closely monitoring the impact on the business and staff

KEY RISKS

Risk	Impact of risk	Proposed action to mitigate risk	Current status
COVID-19 pandemic and impact on global economy	• Temporary market closures due to second wave outbreaks resulting in loss of sales • Mass infections resulting in lost time and reduced workforce on the farm • Change in logistics channels and resulting cost and time of getting product to market and increased mortalities on live export consignments	• Infection control measures implemented in line with required standards as well as additional operational safety actions • Active management of service providers to obtain the best solution and no human fatalities • Evaluating options of warehousing product, when required	• Maximise and preserve funding headroom • Revised pricing strategy in low demand time to ensure customer retention and critical sales • Ongoing monitoring of productivity and performance KPIs • Ongoing promotion of non-pharma interventions, such as masks, hygiene and physical distancing, in the workplace
Availability and cost 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 original 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 support; manage capex spend based on availability of funds and priority • Seek suitable investment and funding partners for offshore projects • Manage the timing of Phase 2 of international expansion • Manage cost overruns on offshore projects and deliver Phase 1 targets	• Timing the drawdown on convertible loan funding provided by Futuregrowth • Improve cash generated from operations • Select capex projects based on ROI and payback
Delivery of adequate shareholder returns	• Unable to generate adequate cash to pay dividends • Increased illiquidity of the share trades	• Manage the forex risk in line with Group policy • Increase sales into new markets, e.g. in China • Increase prices over the next 18 months • Maximise farm efficiency through growth KPIs	• Forex cover in line with Group policy utilising a suitable mix of derivative financial instruments • Sales agreements to be concluded with additional agents in China • Increased harvest of larger animals that are saleable without compromising the pipeline sustainability

KEY RISKS

Risk	Impact of risk	Proposed action to mitigate risk	Current status
Adequate growth performance in biological assets	• Under performance against growth targets • Reduction in cash generated from operations	• Correct husbandry, sorting cycles, stocking density, feed quality, and harvesting • Management of KPIs 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 and build trust	• Roll out of automated sorting to improve sorting cycles • Planning for Bergsig infrastructure renewal in the short to medium term • Review of the growth and harvest targets • Further automation
Cost control	• Excessive cost per kg of growth increasing the operating costs • Long-term sustainability at risk as margin is squeezed	• Cost per kg of growth measured against a benchmark • Application of an appropriate harvest methodology • All major cost drivers linked to production output, with the aim of driving efficiency • Improved efficiency through automation • Improved controls to safeguard assets	• Cost containment measures that apply an ongoing zero-based mindset • Implementation of technologies and automation that improve efficiency and control

Quality

In everything we do and produce.

“We are motivated by not only a high quality standard, but also being consistent in meeting this standard, and thereby maintaining the Abagold brand.”

Michael Dunsdon *(Factory manager)*


Factory

BOARD OF DIRECTORS

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

2/ **TR HEDGES**
Managing director

3/ **CIJ WILLIAMS**
Non-executive director

4/ **E MANCHEST**
Financial director

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

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

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

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

EXECUTIVE MANAGEMENT TEAM

1/ **TR HEDGES**
Managing director

2/ **E MANCHEST**
Financial director

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

4/ **J ENGELBRECHT**
Managing director of Specialised Aquatic Feeds

5/ **W PIEK**
Marketing manager

Innovation

Striving for continuous improvement.

"As part of the engineering team, for me, Innovation is the single most important enabler for Abagold to deliver premium quality products in a competitive marketplace.

Our team constantly strives to improve and innovate the way we deliver services to every department in Abagold. This creates an exciting workspace filled with positive energy and teamwork."

Chris Loubser *(Electronics engineer)*

CORPORATE GOVERNANCE

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

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 2020.

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 the 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 practical. 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 2020.

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 – stake-holders (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.

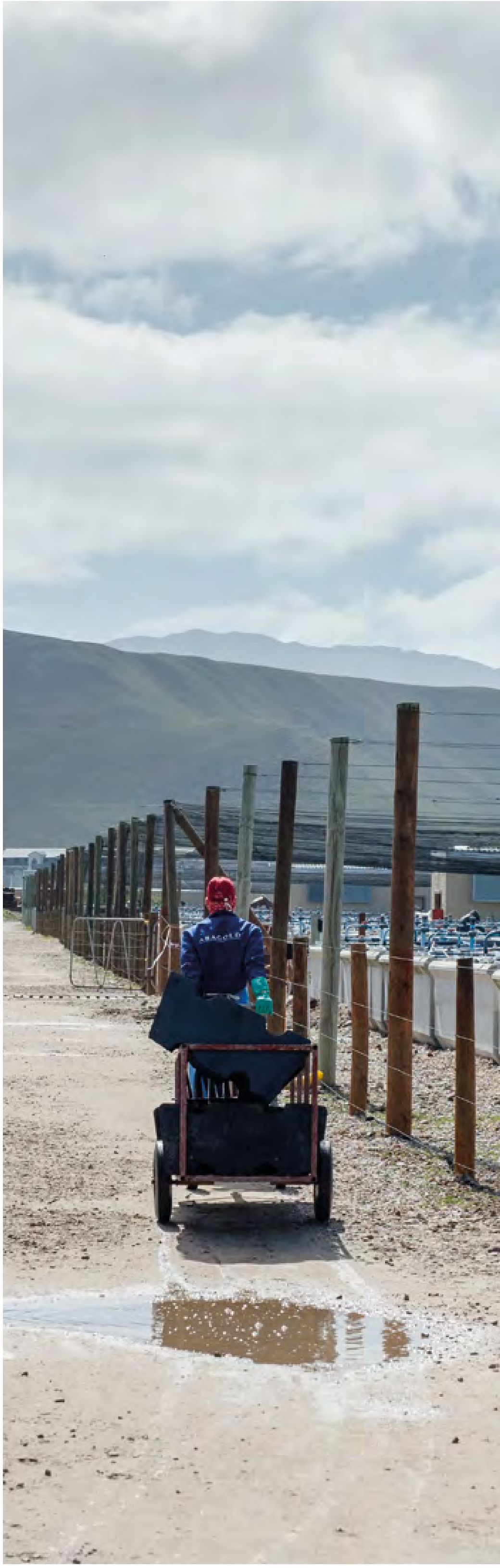
The Board is responsible for identifying and the induction of new directors. Non-executive directors are selected for their broader knowledge and experience and are expected to contribute effectively to decision-making and the formulation of strategies and policy.

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 compliance with the MOI, any of the rules of the Company or the requirements outlined in the Companies Act.
- Overseeing the induction of new directors and responsibility for regular briefings and training of



directors and prescribed officers regarding applicable laws and regulations.
- Coordinating the process of assessing the performance of the Board and its committees.

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

Board committees

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

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

- **The remuneration committee**, comprising four 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. The committee 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 Inc. is being proposed to shareholders for re-appointment as the 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 46.

- **The risk committee**, comprising three non-executive directors, reviews: the adequacy and effectiveness of the management of financial, technological and operational risks; the Company's process for monitoring compliance with laws and regulations; its own code of business conduct; and procedures implemented to safeguard the Company's assets.

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

  The committee meets four times per year or more often if required. The managing director, Group technical and innovation 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 26.

- **The social and ethics committee**, comprising two non-executive directors, one executive director and a prescribed officer, 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.

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

* Attended by invitation
** Attended in person or by sending an observer
*** Resigned in December 2019
@ Chairman of the committee
# Appointed in February 2020
‡ Appointed to Social and Ethics Committee in February 2020

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 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 of 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, which is not disclosed publically, is treated as confidential. Directors may not disclose or use, or appear to use, such information for personal advantage or for the advantage of third parties.

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

Risk management and internal control

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

The audit and risk committees monitor the appropriateness of, and compliance with, internal control and 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 (now Financial Sector Conduct Authority) 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 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 responsibilities on page 44 of the Integrated Report.

Corporate governance statement

Application of the King Report on Corporate Governance

The Board of Directors is responsible for directing the Group to create and sustain value through responsible and ethical business actions. The Board has incorporated the principles of the new King IV Report on Corporate Governance (King Report) and has made every effort to ensure that the leadership of the business is aligned with achieving the core outcomes for good governance as defined in the King Report.

Details on the Group's implementation of the King IV principles are highlighted on page 40.

LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP	**PRINCIPLE 1** ***Ethical and effective leadership***	The charter of the Board commits the Board to effective and ethical leadership and sound corporate governance. Directors are individually and collectively accountable for their ethical and effective leadership and are required to conduct themselves in accordance with Abagold's code of conduct and their legal duties as company directors under the Companies Act of 2008. Directors complete a detailed disclosure of conflicts of interest annually. The complete list is circulated annually to all board members to ensure transparency. The Board performs an annual performance self-evaluation which helps to identify areas of weakness that require specific attention.
	PRINCIPLE 2 ***Organisational ethics and culture***	Abagold has a code of ethics in place that is applicable to all employees, including the Board. The code is also explained as part of the employee induction process and through ongoing training. The ethical standards are embedded in processes for the recruitment, evaluation of performance and reward of employees. Relevant sanctions and remedies are consistently applied when ethical standards are breached. Employees sign a staff declaration annually, disclosing conflicts of interest and any gifts received or given. The Board is committed to a culture and characteristics that promote and encourage members and employees to act with integrity, to be responsible and accountable, to be fair and transparent, and to be competent. These characteristics are all captured in our values.
	PRINCIPLE 3 ***Responsible corporate citizenship***	Compliance with the laws of the country is monitored and any instances of non-compliance are promptly remedied. The Board has delegated responsibility for monitoring the Group's social responsibility targets to the social and ethics committee. The scope of the committee's mandate includes activities related to the workplace, economy, society and the environment. Performance of the Group is monitored on an ongoing basis. The Group's strategy takes stakeholder needs and expectations into account. The focus is on strategic outcomes that support the Group's corporate citizenship status. Social and environmental risk is one of the risks that is actively monitored. The Group has a tax compliance philosophy in place that promotes good corporate citizenship. We are committed to being a responsible taxpayer, based on professionally executed tax compliance and legitimate tax planning for fulfilling our compliance and disclosure obligations in accordance with all relevant laws.
STRATEGY, PERFORMANCE AND REPORTING	**PRINCIPLE 4** ***Value creation process***	Strategy and performance have always been regarded as primary responsibilities of the Board. The Board sets key performance targets to continuously monitor the achievement of strategic objectives for value creation over the short, medium and long term; while management is tasked with executing the approved strategy. Management initiates the strategy review and business planning process. The major macro trends in our operating environment are considered when compiling the budget. 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.
	PRINCIPLE 5 ***Reporting for decision making***	The annual integrated report gives stakeholders and users a holistic view of the Group's performance in a clear, concise and understandable manner. This report contains, amongst others, reports on corporate governance, value creation, risk management disclosures and the annual financial statements. The Board, with the assistance of the audit and risk committees, ensures that reports issued comply with legal requirements and meet the information needs of material stakeholders. The external auditors provide assurance on the annual financial statements as presented in the integrated annual report.
GOVERNING STRUCTURES AND DELEGATION	**PRINCIPLE 6** ***Custodians of corporate citizenship***	The Board is ultimately responsible for the application of corporate governance principles in the Group. The role and functions of the Board are set out in the board charter and incorporated into the Board's annual work plan. The Board is satisfied that it has fulfilled its responsibilities in accordance with its board charter. The Board embraces its role as the custodian of governance, which includes annual board continuity and effectiveness reviews to improve the overall well-being of the organisation.
	PRINCIPLE 7 ***Board composition***	The Board is satisfied that its composition reflects an appropriate mix of knowledge, skills, experience, diversity and independence. Abagold aims to ensure that the composition of the Board is aligned with the requirements of King IV regarding the number of executive versus non-executive directors; and skills, experience and tenure of directors are monitored on an ongoing basis. The chairman of the Board is an independent non-executive director.

GOVERNING STRUCTURES AND DELEGATION	**PRINCIPLE 8** ***Delegation of authority and balance of power within the board***	Delegation of matters and mandates to individuals and/or ad hoc committees is managed through a formal delegation of authority process and accompanying terms of reference. Board structures undergo annual review for effectiveness through Board self-evaluations. The current Board committees are: – audit committee, risk committee, nomination committee, remuneration committee, and social and ethics committee. Accountability is delegated through committee charters for the respective committees and the effectiveness thereof is measured annually.
	PRINCIPLE 9 ***Performance evaluation***	An informal self-evaluation of the Board and committees' performance during the financial year ended 30 June 2020 was performed. The Board is satisfied that the evaluation process is improving its performance and effectiveness, and with the remedial actions taken.
	PRINCIPLE 10 ***Delegation to management***	The Board assesses succession planning, board delegation policies and CEO performance annually. The Board appointed a CEO and FD to implement the strategies and business plans. They in turn rely on the assistance of the executive committee to ensure that the operational strategies are implemented, risks are managed and the day-to-day business of the Company is monitored.
GOVERNANCE FUNCTIONAL AREAS	**PRINCIPLE 11** ***Risk governance***	The governance and oversight of risk management has always been a material item on the Board's work plan. This function is fulfilled with the assistance of the risk committee. A comprehensive risk management process is in place for identifying, evaluating and monitoring the nature and extent of risks affecting the business. The Group's risk register is updated on a continuous basis and submitted at each meeting of the risk committee and twice a year at the board meeting.
	PRINCIPLE 12 ***Governance over technology and information***	The Board has formally delegated responsibility for governing information and technology to the risk committee who reports directly to the Board. The Financial Director is responsible for discharging the governance of technology and information in the organisation. The risk committee is responsible for reviewing and approving the Group's IT strategy and good governance throughout the IT ecosystem by ensuring the effectiveness and efficiency of the Group's information systems from a strategic alignment and risk perspective.
	PRINCIPLE 13 ***Compliance with laws and standards***	The Board's approach to compliance is addressed in the Board charter. The Board has specific responsibility for compliance in the Group. The Board has delegated this function to the audit and risk committees, which regularly review significant risks and mitigating strategies, and report to the Board on material changes in the Group's risk profile. Compliance with, and enforcement of, the Companies Act, legislation and the Company's governance policies are monitored and tracked through internal monitoring and reporting systems, reviews, and external audits. The Group is not aware of any breaches of laws and regulations.
	PRINCIPLE 14 ***Fair and responsible remuneration***	The remuneration committee is responsible for remuneration governance and its Group-wide responsibilities are fully set out in the Board-approved charters. The committee applies the guiding principles provided for in terms of the remuneration policy as far as it is feasible but retains the right to apply discretion to deviate from this policy in exceptional circumstances. The committee ensures that it remains knowledgeable about the changing remuneration regulatory environment.
	PRINCIPLE 15 ***Assurance service and function***	This function is fulfilled with the assistance of the audit committee who, amongst other things, is responsible for advising the Board on the appointment of the external auditors. The audit committee is also responsible for reviewing interim and final financial results before submission to the Board. The audit committee charter stipulates the oversight responsibilities of the committee, such as external audit and combined assurance, and is reviewed annually.
STAKEHOLDER RELATIONSHIPS	**PRINCIPLE 16** ***Stakeholder inclusive approach***	The Board has identified material stakeholders of the Group and considers the legitimate and reasonable needs and expectations of such stakeholders on an ongoing basis as part of the decision-making process and in acting in the best interest of the Group.
	PRINCIPLE 17 ***Responsible investment practices***	Abagold is not an institutional investor; however, we apply this principle to our own investments when applicable.


ABAGOLD

Consolidated annual financial statements

for the year ended 30 June 2020

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 2020 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 committee's report 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 2020, and signed on its behalf by:

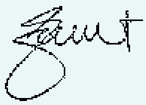
HR van der Merwe
Chairman

TR Hedges
Managing director

Hermanus
18 September 2020

Secretarial certification

In accordance with section 88(2)(e) of the Companies Act of South Africa, as amended ("the Act"), for the year ended 30 June 2020, 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 2020

Audit committee's report

The audit committee ("the committee") submits this report as required by section 94(7)(f) of the Companies Act of South Africa, 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, agreed and 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 pertaining to risk management and, at the same time, embedding best practices across all levels of the organisation.

This report includes both sets of accountabilities relevant to the functional responsibilities of the committee as outlined in the Companies Act and King IV. The charter, which outlines the committee's role and mandate, is available on our website at www.abagold.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 lead auditor;
- Determined and approved the audit fees and the terms of engagement of the external auditors;
- Determined, subject to the provisions of the Companies Act, the nature and extent of allowable non-audit services and approved the contract terms for the provision of non-audit services rendered by the external auditors;
- Pre-approved any proposed agreement with the external auditors for the provision of non-audit services to the Group;
- Oversaw the integrated reporting process. The committee, as a result, at its meeting held on 16 September 2020, 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	17 Sept 2019	5 Dec 2019	12 Feb 2020	10 June 2020
Mr CIJ Williams	Present	Present	Present	Present
Mr YJ Visser	Present	Present	Present	Present
Mr JW Wilken	Present	Present	Present	Present

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
16 September 2020

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 2020.

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 12 to the financial statements.

Dividends

During the year, the Company did not declare a dividend (2019: 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)
E Manchest	(executive, appointed in February 2020)
L-A Lubbe	(executive, resigned in December 2019)
CIJ Williams	(non-executive)
JW Wilken	(non-executive)
T Mokgosi-Mwantembe	(non-executive)
W Keast	(non-executive)
YJ Visser	(non-executive)

Remuneration of directors and prescribed officers

The remuneration of directors and prescribed officers is set out in note 27 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 37.

Events after the reporting period

Other than the specific events disclosed in note 35 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.

The current Covid-19 pandemic has impacted on economies across the globe. Due to the uncertainty surrounding the duration of the pandemic, the impact thereof on Abagold cannot be determined with any degree of certainty. Under the current circumstances the business will continue to adopt a prudent and cautious approach in managing its affairs while maintaining its focus to diversify income streams and also to capitalise on emerging opportunities.

Investment in subsidiaries

	2020	2019
Specialised Aquatic Feeds (Pty) Ltd	70%	70%
Abagold Mauritius Limited	100%	100%

Investments

	2020	2019
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 7.

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 7 December 2019 and will continue in office, subject to reappointment by shareholders at the 2020 AGM.

Independent auditor’s report
to the shareholders of Abagold Limited

Opinion
We have audited the consolidated financial statements of Abagold Limited (the group) set out on pages 52 to 99, which comprise the consolidated statement of financial position as at 30 June 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Abagold Limited as at 30 June 2020 , and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis of 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 Consolidated 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 corresponding sections of the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards). 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 information included in the document titled “Abagold Limited Annual Consolidated financial statements for the year ended 30 June 2020”, which includes 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 thereon.

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, 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 the 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 company’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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate 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 company'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 company'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 company 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.

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 3 years.

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.

BDO SA Inc.

BDO South Africa Incorporated
Registered Auditors

Bernard van der Walt
Director
Registered Auditor

29 September 2020

6th Floor, BDO House
119–123 Hertzog Boulevard, Foreshore
Cape Town, 8001

Consolidated statement of financial position

at 30 June 2020

	Notes	2020 R'000	2019 R'000
ASSETS			
Non-current assets		**241 949**	270 925
Property, plant and equipment	2	**183 487**	194 326
Right-of-use asset	3	**3 443**	–
Biological assets	4	**29 577**	61 057
Trademarks	5	**152**	176
Goodwill	6	**7 979**	7 979
Investments in associates	7	**15 938**	6 104
Loans receivable	8	**1 373**	1 283
Current assets		**244 380**	196 225
Current portion of biological assets	4	**208 135**	137 949
Inventories	9	**27 407**	43 055
Trade and other receivables	10	**8 838**	15 206
Cash and cash equivalents	19	**–**	15
Total assets		**486 329**	467 150
EQUITY AND LIABILITIES			
Equity		**292 505**	259 348
Share capital	12	**21 637**	7
Share premium		**87 498**	87 498
Retained earnings		**176 502**	165 044
Foreign currency translation reserve		**–**	(14)
Non-controlling interest		**6 868**	6 813
Total equity		**292 505**	259 348
Non-current liabilities		**141 256**	129 651
Lease liability	14	**6 300**	–
Deferred income tax	15	**83 415**	77 108
Deferred income grant	16	**9 690**	10 590
Long-term borrowings	17	**40 707**	37 859
Trade and other payables	18	**1 143**	4 094
Current liabilities		**52 569**	78 151
Current portion of lease liability	14	**949**	–
Current portion of deferred income grant	16	**900**	900
Current portion of long-term borrowings	17	**9 137**	6 761
Trade and other payables	18	**15 438**	33 375
Derivative financial instruments	11	**76**	1 024
Cash and cash equivalents	19	**26 069**	36 091
Total liabilities		**193 824**	207 802
Total equity and liabilities		**486 329**	467 150

Consolidated statement of comprehensive income

for the year ended 30 June 2020

	Notes	2020 R'000	2019 R'000
Continuing operations			
Revenue	23	**203 064**	206 351
Other income	24	**7 836**	2 819
Fair value gains/(losses) in financial instruments	25	**908**	(985)
Fair value gains on biological assets		**192 217**	137 721
Fair value of sold abalone		**(186 440)**	(144 913)
Consumption of raw material		**(43 156)**	(42 581)
Export costs		**(12 654)**	(8 094)
Production costs	26	**(28 016)**	(26 003)
Employee benefit expenses	27	**(60 923)**	(60 478)
Depreciation and amortisation		**(15 507)**	(14 900)
Other operating expenses		**(26 789)**	(31 314)
Impairment of PPE		**(3 093)**	–
Profit from operations	28	**27 447**	17 622
Finance costs	29	**(8 520)**	(6 550)
Share of loss of equity accounted investments	7	**(1 203)**	(894)
Profit before income tax		**17 723**	10 178
Income tax expense	15.1	**(6 165)**	(3 029)
Profit for the year from continuing operations		**11 558**	7 149
Loss for the year from discontinued operations		**(31)**	(2 594)
Profit for the year		**11 527**	4 555
Other comprehensive loss		**(14)**	(79)
Total comprehensive income for the year		**11 513**	**4 476**
Total comprehensive income for the year is attributable to:			
Owners of Abagold Limited		**11 457**	4 124
Non-controlling interests		**56**	352
		11 513	**4 476**
From continuing operations			
Basic earnings per share (cents)	30	**8.38**	5.36
Diluted earnings per share (cents)	31	**8.38**	5.36
Including discontinued operation			
Basic earnings per share (cents)	30	**8.38**	3.42
Diluted earnings per share (cents)	31	**8.38**	3.42

Consolidated statement of changes in shareholders' equity
for the year ended 30 June 2020

	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 2018	**7**	**87 498**	**65**	**160 567**	**6 460**	**254 597**
Total comprehensive income for the year	–	–	(79)	4 203	352	4 477
Balance at 30 June 2019 (as previously reported)	7	87 498	(14)	164 770	6 812	259 073
IFRS 16 transition (leases)	–	–	–	275	–	275
Balance at 30 June 2019 (restated)	**7**	**87 498**	**(14)**	**165 044**	**6 812**	**259 348**
Total comprehensive income for the year	–	–	14	11 457	–	11 471
Non-controlling interest	–	–	–	–	56	56
Rights issue	21 630	–	–	–	–	21 630
Balance at 30 June 2020	**21 637**	**87 498**	**–**	**176 501**	**6 868**	**292 505**

[1] FCTR = foreign currency translation reserve

Consolidated statement of cash flows

for the year ended 30 June 2020

	Notes	2020 R'000	2019 R'000
Cash flow from operating activities		**5 999**	**(16 312)**
Cash received from clients	32.1	**217 212**	209 964
Cash paid to suppliers and employees		**(205 934)**	(219 726)
Cash generated/(utilised) in operations*	32.2	**11 278**	**(9 762)**
Finance costs	29	**(5 404)**	(6 550)
Tax paid		**125**	–
Cash flow from investing activities		**(19 924)**	**(8 746)**
Purchases of property, plant and equipment	2	**(9 095)**	(7 611)
Proceeds from disposal of property, plant and equipment	2	**12**	–
Investment in equity accounted entities	7	**(10 807)**	(1 068)
Purchases of trademarks	5	**(34)**	(67)
Cash flow from financing activities		**23 932**	**6 990**
Increase in long-term borrowings	17	**3 271**	7 670
Loan granted to associate		**(90)**	(600)
Proceeds from rights issue		**21 630**	–
Loan receivable		**–**	(80)
Lease payments		**(879)**	–
Net cash flow for the year		**10 007**	**(18 068)**
Cash and cash equivalents – beginning of the year		**(36 076)**	(18 008)
Cash and cash equivalents – end of the year	19	**(26 069)**	**(36 076)**

**Includes cash from discontinued operations as per note 32.*

Notes to the consolidated financial statements
for the year ended 30 June 2020

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 2020 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, except for investments in associates for which the Company policy is to recognise investments at cost.

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 16 (refer to note 1.27).

1.1 BASIS OF CONSOLIDATION

The consolidated annual 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 that allow the Group to control such entities. Because the Group controls such entities, they are consolidated in the consolidated annual 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 the same year-end as that of the Group, the Group's accounting policy is to allow 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.

1.1 BASIS OF CONSOLIDATION (CONTIUNED)

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.

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 in the statement of comprehensive income, relating to reporting expenses by nature, 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 37). 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 financial objectives and characteristics of its 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 costs 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.

Notes to the consolidated financial statements
for the year ended 30 June 2020

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

Subsequent to initial recognition, derivatives are measured at fair value. The gain or loss arising from a change in fair value on 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

Notes to the consolidated financial statements

for the year ended 30 June 2020 **continued**

1.9 PROPERTY, PLANT AND EQUIPMENT (CONTIUNED)

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 includes 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. 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.

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.

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 or 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 any indication of impairment exists. If any such indication exists, the asset's recoverable amount is estimated.

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

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

A previously recognised impairment loss is reversed if the recoverable amount of the asset increases as a result of a change in the estimate used to determine the recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in the prior years.

An impairment loss in respect of goodwill is not reversed.

Notes to the consolidated financial statements
for the year ended 30 June 2020 **continued**

1.13 IMPAIRMENT OF ASSETS (CONTIUNED)

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 historical loss rates given that over the credit risk exposure period a significant change in economic conditions is considered unlikely. Historical loss rates are also further adjusted for forward-looking information that might impact the future credit losses.

Significant increase in credit risk
For loan receivables the Group measures impairment losses on an individual basis in three stages. The Group classifies amounts outstanding for longer than 90 days as a significant increase in credit risk.

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 loans credit risk increases to the point where it is no longer consider as low, then a lifetime expected credit loss is recognised.

Definition of default
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 amortise costs 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.

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 it is not probable that the tax authority will accept the Company's position, 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 long-term incentive plans. 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 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.

Notes to the consolidated financial statements
for the year ended 30 June 2020 **continued**

1.18 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 Group recognises revenue when (or as) it transfers control of goods and/or services to its customers. Revenue is recognised at the amount the Group 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 is when all our obligations in terms of the sales agreement are fulfilled. For local sales, revenue is recognised at a point in time when goods are collected at 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 in accordance with IFRS 9. 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.

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

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

1.20 LEASES

Operating leases

The modified retrospective approach was applied for IFRS 16 as per note 1.26, and therefore the comparative results are based on IFRS 17.

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

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

1.21 DIVIDEND DISTRIBUTIONS

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

1.22 EARNINGS PER SHARE

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

Basic EPS is calculated by dividing profit or loss attributable to the ordinary shareholders of the Group 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 Group in the performance of the entity over the reporting period. Headline earnings are calculated by adjusting the earnings used for EPS for any exceptional items.

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

1.23 CONTINGENCIES

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

These contingent liabilities are not recognised in the statement of financial position but 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.

Notes to the consolidated financial statements

for the year ended 30 June 2020 **continued**

1.24 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

1.24.1 Judgements and estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates.

Actual results in the future could differ from these estimates, which may be material to the financial statements. We have exercised judgement in evaluating the impact Covid-19 on the financial statements. Significant judgements include:

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. A key source of estimation uncertainty for the Group involves the impact of Covid-19 on future exchange rates and dollar price of abalone. Refer to note 4 for a more detailed update on the judgements and estimates.

Recoverability of investments

Management uses projected cash flows for the underlying investment, discounted at the relevant weighted average cost of capital. The assumptions relating to the projected cash flows are reviewed, as well as the growth rate and risk factors in the discount rate. The uncertainty surrounding the ultimate impact of the Covid-19 pandemic has resulted in significant estimation in respect to the future cash flows for some of the investments in associates and joint ventures. This includes estimation in relation to exchange rates, interest rates and the dollar price of abalone. The discount rates applied to almost all investments have been increased, reflecting increased uncertainty around the effect of the Covid-19 pandemic on country policies and macro-economic factors as well as company specific factors.

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

1.24.2 Measurement of fair value

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

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

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).

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 might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entity in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

Further information about the assumptions made in measuring fair values is included in the following notes relating to biological assets (note 4), share-based payments (note 13) and financial instruments (note 22).

1.25 RECENTLY ISSUED ACCOUNTING STANDARDS

The IASB issued a number of standards, amendments to standards and interpretations during the year ended 30 June 2020.

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 2020.

Standard/Interpretation	Title
IFRS 16(1)	Leases
IFRS 9(2)	Long-term interests in associates and joint ventures

Notes to the consolidated financial statements

for the year ended 30 June 2020 **continued**

1.26 RECENTLY ISSUED ACCOUNTING STANDARDS (CONTIUNED)

IFRS 16

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. The Group implemented the standard using the modified retrospective approach and accordingly, the Right of Use ("ROU") asset was recorded at an amount equal to the lease liability.

The key impacts of IFRS 16 include the recognition of a lease liability and corresponding ROU asset at 1 July 2019. The value of the lease liability reduces over the lease term by rental payments, net of implied interest charges, while the right-of-use asset reduces over the lease term by straight-lined depreciation charges. IFRS 16 therefore substitutes the straight-line rent cost previously recognised in respect of operating leases under IAS 17 with the cost of interest charges on outstanding lease liabilities and depreciation charged on right-of-use assets. The net impact on the statement of comprehensive income is the same under IAS 17 and IFRS 16, but the timing of the impact is different over the lease term.

The Group further elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets). Refer to note 3 (Right of use asset) and note 14 (Lease liability).

IFRS 9

IFRS 9 Financial Instruments must be applied to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The application of this change did not have any impact on the Group as all investments in associates and joint ventures are considered long term.

2. PROPERTY, PLANT AND EQUIPMENT

	Land R'000	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 2018	10 987	87 058	82 531	408	3 906	1 449	15 224	201 563
Cost at 30 June 2018	10 987	117 153	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	–	–	–	–	–	–	–	–
Cost	–	354	–	–	(354)	–	–	–
Accumulated depreciation	–	–	–	–	–	–	–	–
Additions	–	–	1 502	–	35	–	6 074	7 611
Sale	–	–	–	–	–	–	–	–
Depreciation	–	–	–	–	–	–	–	–
Depreciation allocated to feed	–	–	–	–	–	–	–	–
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	10 987	87 683	82 278	381	3 552	1 294	8 151	194 326
Cost at 30 June 2019	10 987	123 177	150 249	613	4 796	1 969	8 151	299 942
Accumulated depreciation and impairment	–	(35 494)	(67 971)	(232)	(1 244)	(675)	–	(105 616)
Reallocate between categories	–	3 038	1 097	–	163	–	(4 298)	–
Cost	–	3 038	1 097	–	163	–	(4 298)	–
Accumulated depreciation	–	–	–	–	–	–	–	–
Additions	–	320	929	–	–	–	7 846	9 095
Disposal	–	–	–	–	–	(17)	–	(17)
Cost	–	–	–	–	–	(58)	–	(58)
Accumulated depreciation	–	–	–	–	–	41	–	41
Impairment	–	–	–	–	–	–	(3 093)	(3 093)
Depreciation	–	(5 607)	(9 208)	(26)	(177)	(166)	–	(15 184)
Adjustments	–	–	–	–	–	–	(1 640)	(1 640)
Book value at 30 June 2020	10 987	85 434	75 096	355	3 538	1 110	6 966	183 487
Cost at 30 June 2020	10 987	126 535	152 275	613	4 959	1 911	6 966	304 246
Accumulated depreciation and impairment	–	(41 101)	(77 179)	(258)	(1 421)	(801)	–	(120 759)

Notes to the consolidated financial statements
for the year ended 30 June 2020 **continued**

2. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the current year nil (2019: RNil) fully depreciated assets were scrapped. Assets under construction at the end of the current year of R6 million (2019: R8 million) includes R5,6 million for equipment and R1,3 million for infrastructure improvements. During the year, R3 million relating to the primary sump was impaired as the initial project did not deliver the desired results, and further investment would be required to improve water levels during spring tide.

All the above assets are owned by the Group and 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 20 for encumbrances on property, plant and equipment.

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

3. RIGHT-OF-USE ASSET

The Group entered into a lease agreement as the lessee of land in Hermanus New Harbour. This lease conveys the right to control the use of the underlying leased asset, and the Group classifies this lease a right-of-use asset in a consistent manner to its property, plant and equipment. Refer to note 1.27 for further information on the Group's adoption of IFRS 16 Leases.

	2020 R'000	2019 R'000
Reconciliation of carrying value of right-of-use assets:		
Carrying value at beginning of period	–	–
Restatement of opening balance due to IFRS 16	3 708	–
Depreciation	(265)	–
Carrying value at end of period	3 443	–
Comprising:		
Land	3 443	–

4. BIOLOGICAL ASSETS

The Group owns biological assets in the form of abalone livestock. At 30 June 2020 there were 722 tonnes (2019: 592 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

	2020 R'000	2019 R'000
Opening carrying amount	199 005	174 317
Net fair value adjustment for growth and mortalities	230 468	166 242
Fair value adjustment due to changes in US Dollar sales prices	(100 907)	(34 485)
Fair value adjustment due to exchange rate changes	62 657	5 964
Transfer to Port Nolloth Sea Farm Ranching	(2 987)	–
Transfer to inventories	(150 523)	(113 032)
Closing carrying amount	237 712	199 005

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 (2019: 50g) are not considered as trading stock as they have not reached harvestable size based on prevailing market conditions.

	2020 R'000	2019 R'000
At 30 June:		
– Non-current biological assets	29 577	61 057
– Current portion of biological assets	208 135	137 948
	237 712	199 005

(i) Fair value hierarchy

The fair value measurements for abalone biological assets of R238 million (2019: R199 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.

Notes to the consolidated financial statements
for the year ended 30 June 2020 **continued**

4. BIOLOGICAL ASSETS (CONTINUED)

(b) Measurement of fair values

Smaller abalone (less than 5 grams each) are valued at between R1.86 and R5.19 each, which is the market price for selling small abalone (known as "spats") between farms in South Africa. These values are extrapolated for valuing each weight class of abalone up to 10 grams as no active export market exists for these sizes. Abalone in the weight classes from 11 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 2020, 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 R23 million (2019: R17 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 statement of comprehensive income.

During the year, in response to changes in demand for small to medium size abalone market, we changed the reference selling price to match the size profile of the relevant target market (sales mix). The impact of this change in sales mix was that the biological asset valuation was R5,99 million lower in the current year.

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 2020, the value of smaller abalone included in biological assets was R10 million (2019: R36 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.

4. 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 Company's currency risk management is described in note 22.6.

(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.

5. TRADEMARKS

	2020 R'000	2019 R'000
Reconciliation		
Opening carrying value	176	159
Cost	547	480
Accumulated amorisation and impairment	(371)	(321)
Additions	34	67
Impairments	–	–
Amortisation	(58)	(50)
Closing carrying value	152	176
Cost	581	547
Accumulated amorisation and impairment	(429)	(371)

Notes to the consolidated financial statements
for the year ended 30 June 2020 **continued**

6. GOODWILL

	2020 R'000	2019 R'000
Carrying 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	2020 %	2019 %
Discount rate	16.0	17.0
Terminal value growth rate	2.0	2.0

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 decrease in the discount rate is due to the lower cost of debt during the current year.

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.

7. EQUITY ACCOUNTED INVESTMENTS

7.1 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 R163 million by the 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 R15,9 million.

7.1 INVESTMENT IN OMAN AQUACULTURE CO LLC (CONTINUED)

	2020 R'000	2019 R'000
Investment in Oman Aquaculture Co LLC at cost	**16 757**	**5 950**

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 Rands using the closing exchange rate at 30 June.

	2020 R'000	2019 R'000
Fixed assets	14 422	1 389
Current assets (consisting of cash and cash equivalents)	1 846	1 478
Assets (100%)	16 268	2 867
Group's share of assets (50%)	**8 134**	**1 433**
Current liabilities	(80)	(426)
Long term liabilities	(91)	–
Group's share of liabilities (50%)	**(86)**	**(213)**
Group's share of net assets (50%)	**8 048**	**1 221**
Net loss (100%)	(2 407)	(2 087)
Group's share of net loss (50%)	**(1 203)**	**(1 044)**
Prior year equity-accounted loss (50%)	(5 407)	(4 363)
Group's share of accumulated net loss (50%)	(6 610)	(5 407)
Remaining net investment	**10 147**	**543**

7.2 INVESTMENT IN MEAN SEA LEVEL (PTY) LTD

At the end of the 2016 fiscal year, Abagold owned 31.95% of Mean Sea Level (Pty) Ltd ("MSL"). MSL pursues renewable energy projects and its first two projects included the construction of an 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 signed a guarantee over a R4,6 million loan from the IDC to MSL for the construction of the ERT. In addition to this, Abagold 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 settled the outstanding loan with the IDC and released Abagold from the guarantee. As a result of the transfer of ownership of the ERT, the Power Purchase Agreement has fallen away. Abagold invested a further R1,95 million in MSL during the 2017 fiscal year, and R300 000 in terms of a rights issue in 2018. MSL had additional rights issues in 2018 which Abagold declined to participate in. This has resulted in a further dilution of Abagold's shareholding in MSL to 23.08%. During 2018, Abagold fully impaired the investment in MSL due to the loss-making nature of the business.

Notes to the consolidated financial statements
for the year ended 30 June 2020 **continued**

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

	2020 R'000	2019 R'000
Investment in Mean Sea Level (Pty) Ltd:		
Cost	–	–
Current year share of loss	–	–
Carrying value	–	–

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

	2020 R'000	2019 R'000
Non-current assets	11 090	27 957
Current assets	274	1 989
Assets (100%)	11 364	29 946
Group's share of assets (23.08%)	**2 623**	**6 912**
Long-term liabilities	–	(3 237)
Current liabilities	(4)	(333)
Liabilities (100%)	(4)	(3 570)
Group's share of liabilities (23.08%)	**(1)**	**(824)**
Net assets (100%)	11 360	26 376
Share of net assets (23.08%)	**2 622**	**6 088**
Net profit (100%)	132	(5 224)
Group's share of net loss (23.08%)	**30**	**(1 206)**
Prior year equity-accounted (loss)/profit (27.16%)	(3 701)	(2 495)
Group's share of accumulated net loss	(3 670)	(3 701)
Remaining net investment	**–**	**–**

The unrecognised portion of the loss is R3,7 million and will be carried forward for recovery against future profits.

7.3 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 until December 2020, and will have the right of first refusal on all abalone harvested.

	2020 R'000	2019 R'000
Investment in Port Nolloth Sea Farm Ranching (Pty) Ltd	5 123	4 894

The investment is calculated using the fair value of the spat multiplied by the number of spat supplied by Abagold to PNSFR.

PNSFR is still in the start-up phase, with shareholders contributing the running costs in terms of the shareholders agreement, thus there is no significant income generated nor expenses incurred to date, and thus no equity accounted adjustments.

7.4 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.

	2020 R'000	2019 R'000
Investment in Aquawomen (Pty) Ltd	605	605

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

	2020 R'000	2019 R'000
Non-current assets	448	497
Current assets	1 542	1 241
Current liabilities	(730)	(241)
Long-term liabilities	(182)	(642)
Net assets (100%)	1 078	856
Share of net assets (45%)	**485**	**385**
Income	1 793	1 729
Expenditure	(1 464)	(1 396)
Net profit (100%)	328	333
Share of net profit (45%)	**148**	**150**
Elimination of intergroup transactions	(148)	–
Net share of profit/loss (45%)	**–**	**150**

Total investments

	2020 R'000	2019 R'000
Opening balance	6 104	5 930
Investment – current year	11 037	1 068
Share of net loss – current year	(1 025)	(894)
Elimination of intergroup transactions	(148)	–
Reversal of prior year losses	(30)	–
Total net investments	**15 938**	**6 104**

8. LOANS RECEIVABLE

	2020 R'000	2019 R'000
Aquawomen (Pty) Ltd	730	640
Doringbay Abalone (Pty) Ltd	603	603
A3M Manufacturing	40	40
Loans receivable	**1 373**	**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 2020 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.

Notes to the consolidated financial statements
for the year ended 30 June 2020 **continued**

9. 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.

	2020 R'000	2019 R'000
Reconciliation of abalone inventory		
Opening carrying amount	36 421	23 113
Transfer from biological assets	150 523	113 032
Purchases	12 475	41 516
Adjustments	6 356	3 672
Abalone sales	(186 440)	(144 914)
Closing carrying amount	19 335	36 420

The carrying amount includes work in progress of R1,3 million (2019: R3,1 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.

	2020 R'000	2019 R'000
Reconciliation of non-abalone inventory		
Raw materials	5 641	4 211
General	1 656	1 551
Finished goods – feed	774	873
Closing carrying amount	8 071	6 634
Total inventory	**27 407**	**43 055**

10. TRADE AND OTHER RECEIVABLES

	2020 R'000	2019 R'000
Trade receivables	5 558	11 515
Prepaid expenses	1 379	753
Loans receivable	–	391
Sundry receivables	104	186
Value-added tax	1 796	2 360
	8 838	15 206

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

South African Rand	9 999	10 822
US Dollar	(1 161)	6 461
	8 838	17 283

10. 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 2020 (2019: Rnil). The ageing analysis of trade receivables is as follows:

	30 June 2020		30 June 2019	
	Carrying value R'000	**Impairment R'000**	**Carrying value R'000**	**Impairment R'000**
Up to 1 month	3 756	–	7 072	–
1–2 months	1 694	–	3 559	–
More than 2 months	108	–	885	–
	5 558	–	11 515	–

Based on historic loss ratios, forward looking information and our credit risk management practises, we consider the ECL allowance of nil to be appropriate.

Historical Loss rate per region	**0-30 days**	**30 days past due**	**60 days past due**	**90 days past due**
Asia region	0%	0%	0%	10%*
Southern Africa region	0%	0%	0%	15%*

**Historical loss rates adjusted for the impact of Covid-19 on economic activity.*

11. DERIVATIVE FINANCIAL INSTRUMENTS

	2020 R'000	**2019 R'000**
The derivative financial instruments at 30 June comprise:		
– Forward foreign exchange contracts – assets	–	–
– Forward foreign exchange contracts – liabilities	(76)	(1 024)
	(76)	(1 024)
Reconciliation of derivative financial instruments:		
Opening balance	(1 024)	(6 164)
– Contracts entered into	(76)	(1 024)
– Contracts expired	1 024	6 164
Closing balance	(76)	(1 024)

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 nil (2019: USD 3 million) with forward rates ranging from R14.17/USD to R14.78/USD in the prior year. In the current year, we entered into zero cost forex collars as the preferred hedging instrument and the notional principal amount of the outstanding forex collars at 30 June 2020 was USD 5,4 million (2019: USD3,85 million) with floor rate of R16.19 and a ceiling rate of R19.50 (2019: floor 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.

Notes to the consolidated financial statements
for the year ended 30 June 2020 **continued**

12. SHARE CAPITAL

	2020 R'000	2019 R'000
Authorised		
200 000 000 ordinary shares with no par value	10	10
Issued		
Opening balance of 133 333 334 ordinary shares of 0.005c each	7	7
Rights issue of 7 214 903 ordinary shares	21 630	–
	21 637	7

In November 2019 the company made a rights offer to shareholders and issued 7,2 million new ordinary shares, raising equity funding of R21,6 million.

The Group did not declare a dividend this year (2019: Rnil).

Unissued

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

13. LONG-TERM INCENTIVE PLAN

The Group has granted share-based compensation 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 (2019: Rnil), and is classified as "cash settled" under liabilities.

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

	Number of shares on which the right is based	
	2020	2019
Movement in rights to share-based payments (average award value is in brackets):		
Balance at the beginning of the year	3 742	1 397
Exercised during the year	–	–
Termination during the period	(957)	(5)
Issue of new LTIP shares unit	–	2 350
Balance at the end of the year	2 785	3 742

Rights to share-based 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)	785	1 392
1 July 2021 (Tranche 2 of the Long-Term Incentive Plan)	2 000	2 350
	2 785	3 742

13. LONG-TERM INCENTIVE PLAN (CONTINUED)

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 27).

14. LEASE LIABILITY

The Company leases farming land (Sea View and Amaza) from the Department of Public Works. The lease conveys the right to control the use of underlying leased assets for which the Company recognises the present value of future lease payments under the lease as lease liabilities. Future lease payments are discounted at an average borrowing rate of 16%. Refer to note 1.27 for further information on the Company's adoption of IFRS 16 Leases

14.1 RECONCILIATION OF LEASE LIABILTIES

	2020 R'000	2019 R'000
Reconciliation of carrying value of right-of-use assets:		
Carrying value at beginning of period	–	–
Restatement of opening balance due to IFRS 16	6 990	–
Finance costs (note 31)	1 138	–
Lease payments	(879)	
Carrying value at end of period	**7 249**	**–**
At 30 June:		
Non-current lease liability	6 300	–
Current portion of lease liability	949	–
	7 249	–

14.2 MATURITY ANALYSIS

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

	2020 R'000	2019 R'000
within one year	949	–
1 to 2 years	1 025	–
2 to 3 years	1 107	–
3 to 4 years	1 195	–
4 to 5 years	1 291	–
after five years	14 832	–
	20 399	**–**

In 2014 the lease was renewed for a further term of 8 years and 8 months and the agreement includes a option to renew the lease for a further 9 years and 11 months. The lease payments above include the optional renewal term.

Notes to the consolidated financial statements
for the year ended 30 June 2020 **continued**

15. TAXATION
15.1 INCOME TAX EXPENSE

	2020 R'000	2019 R'000
Current tax – current year	–	–
Current tax – prior year	(125)	–
Deferred tax – current year	5 540	3 038
Deferred tax – prior year under/(over) provision	751	(9)
Total tax expense	6 165	3 029

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

	2020 R'000	2019 R'000
Deferred tax liability		
– Property, plant and equipment	37 926	41 897
– Right-of-use asset	964	–
– Trademarks	42	49
– Prepaid expenses	386	211
– Biological assets	66 559	55 722
Deferred tax asset		
– Accumulated tax loss	(15 013)	(12 528)
– Inventory impairment	–	(958)
– Loss in equity accounted investments	(1 504)	(2 076)
– Government grants	(2 965)	(3 217)
– Provision for leave pay	(740)	(877)
– Operating lease liability	(2 030)	(919)
– Short-term share incentive liability	(210)	(196)
Net deferred tax liability	83 415	77 108

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 2018	44 055	48 809	(11 586)	(7 305)	73 973
Charged/(credited) to profit or loss	(2 158)	6 913	(942)	(677)	3 135
Balance at 30 June 2019	41 897	55 722	(12 528)	(7 982)	77 108
Charged/(credited) to profit or loss	(3 971)	10 838	(2 485)	1 927	6 307
Balance at 30 June 2020	37 926	66 560	(15 013)	(6 055)	83 415

15.3 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% (2019: 28%) as follows:

	2020 %	2019 %
South African normal tax rate	28.00	28.00
Adjusted for:		
– Non-taxable income	(0.7)	(1.4)
– Other permanent differences	2.7	21.1
– Current tax prior year correction	0.0	0.0
– Tax rate differential	0.7	(7.8)
– Prior period under provision – deferred tax	4.2	0.1
Actual effective tax rate	**34.9**	**40.0**

15.4 TAX LOSSES

	2020 R'000	2019 R'000
Estimated tax losses and capital development costs available for set-off against future taxable income	60 140	44 743

16. DEFERRED INCOME GRANT

	2020 R'000	2019 R'000
Current portion	900	900
Long-term portion	9 690	10 590
	10 590	11 490

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.

17. LONG-TERM BORROWINGS

	2020 R'000	2019 R'000
ABSA Agri Loan	27 809	30 628
ABSA Feed Loan	50	1 414
Viking – shareholder loan	4 000	4 000
Commercial Property Finance ("CPF") Loan	8 372	8 577
Term Loan	9 613	–
Total long-term borrowings	49 844	44 619

Notes to the consolidated financial statements
for the year ended 30 June 2020 **continued**

17. LONG-TERM BORROWINGS (CONTINUED)

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

	2020 R'000	2019 R'000
Non-current portion of long-term borrowings	40 707	37 859
Current portion of long-term borrowings	9 137	6 761
Total long-term borowings	49 844	44 619

The Agri Loan and the CPF Loan are access bonds with mortages registered over erf 11166 and erf 11068. 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 repayable in monthly instalments at 0.5% below the prime interest rate over a period of 20 years. During the 2019 fiscal year, the CPF Loan facility was granted and is repayable over 7 years and attracts interest at prime interest rate. During the current year a portion of the overdraft facility was restructured into a Term Loan with a four-year repayment term at prime less 0.5%.

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 repayable in monthly instalments over a term of 5.5 years at an interest rate of 1% below the prime interest rate. The Viking shareholder loan was granted to Specialised Aquatic Feed (Pty) Ltd as part of the initial investment when taking up their minority stake in 2017.

18. TRADE AND OTHER PAYABLES

	2020 R'000	2019 R'000
Trade and other payables comprise the following items:		
Trade payables	8 182	19 547
Accrual for leave	2 506	2 473
Other accruals	3 874	5 813
Other personnel accruals	62	706
Trade receivables with credit balances	814	–
Operating lease liability*	–	3 281
Other payables	–	4 835
Loans payables to Aquawomen	1 143	813
	16 581	37 469

*Refer to note 14 for IFRS 16 lease liability disclosure.

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

	2020 R'000	2019 R'000
Non-current trade and other payables	1 143	4 094
Current portion of trade and other payables	15 438	33 375
	16 581	37 469

19. CASH AND CASH EQUIVALENTS

	2020 R'000	2019 R'000
Bank overdraft	(26 074)	(36 000)
Cash on hand	5	9
Balance on credit cards	–	(101)
	(26 069)	(36 091)

Positive bank balances earn interest at market-related money market rates.

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

Total approved banking facility includes a general banking facility of R31 million (2019: R41 million), an Agri Loan with access bond facility balance of R28 million (2019: R32 million), a loan for the feed plant construction with a remaining facility of R0,1 million (2019: R1,4 million), an amortising term loan of R9,7 million (2019: nil), and the CPF loan access bond facility balance of R18 million (2019: R20 million). The General Banking Facility also includes limits for entering into forward exchange contracts and credit cards. The next facility review date is November 2020.

20. 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, second and third covering mortgage bond for R2,5 million, R7,5 million and R5 million over erf 11068; registered cession of reversionary rights in combined insurance policy.

A first and second mortgage bond has been registered for R35 million and R15 million over erf 11166 which serves as security for the Agri Loan and the Commercial Property Finance (CPF) Loan.

A general notarial bond of R10 million over movable assets and R20 million over all stock.

A cession of loan account limited to R5 million in favour of Specialised Aquatic Feeds (Pty) Ltd.

21. DEFINED-CONTRIBUTION PLAN

The Group 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 is paid on a fixed scale. Substantially all the Company's full-time employees are members of this plan.

An amount of R3,18 million (2019: R3,2 million) was recognised during the year as an expense in relation to the provident fund's contributions.

Notes to the consolidated financial statements
for the year ended 30 June 2020 **continued**

22. FINANCIAL INSTRUMENTS

22.1 FAIR VALUE ESTIMATION

Where fair value is applied in the statement of financial position, 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 judgment, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgment by the Group. The Group 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 Group's financial assets and liabilities that are measured at fair value at 30 June 2020:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Assets				
Biological assets	–	–	237 712	237 712
Total assets	–	–	237 712	237 712
Liabilities				
Foreign exchange contract liabilities	–	76	–	76
Total liabilities	–	76	–	76

22.1 FAIR VALUE ESTIMATION (CONTINUED)

The following table presents the Company's financial assets and liabilities that are measured at fair value at 30 June 2019:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Assets				
Biological assets	–	–	199 005	199 005
Total assets	–	–	199 005	199 005
Liabilities				
Foreign exchange contract liabilities	–	1 024	–	1 024
Total liabilities	–	1 024	–	1 024

Biological assets refer to note 4.

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 Group does not have any Level 3 instruments for the year ended 30 June 2020 and 2019.

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.

22.2 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.

Notes to the consolidated financial statements

for the year ended 30 June 2020 **continued**

22.3 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		✔	✔	

22.4 CREDIT RISK MANAGEMENT

Credit risk arises from financial instruments with banks and trade and other receivables (refer to note 11 excluding prepayments, sundry receivables and value-added tax) which exposes the Group to credit risk.

The Group uses derivative financial instruments in the form of foreign exchange contracts. Only financial institutions with a minimum independent credit rating of "BB", due to the downgrade resulting from the Covid-19 pandemic, 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 enforcing strict payment terms. At year-end allowance for expected credit losses was nil as it was considered immaterial.

The Group 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 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 Group'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 is 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 include macroeconomic factors, with the target country GDP per capita considered to most significantly affect the futureability of the Group's customers to settle their accounts as they fall due for payment. Due to the Group'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.

22.5 LIQUIDITY RISK MANAGEMENT

The Group'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 Group'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	More than 5 years R'000	Total R'000
At 30 June 2020:					
Trade and other payables	15 438	1 143	–	–	16 582
Derivative financial instruments	76	–	–	–	76
Borrowings	4 000	9 740	25 311	1 659	40 710
Bank overdraft	26 069	–	–	–	26 069
	45 584	10 821	25 311	1 659	83 375
At 30 June 2019:					
Trade and other payables	33 374	4 475	–	–	37 850
Derivative financial instruments	1 024	–	–	–	1 024
Borrowings	6 761	5 900	24 400	7 559	44 619
Bank overdraft	36 091	–	–	–	36 091
	77 251	10 375	24 400	7 559	119 585

22.6 INTEREST RATE RISK

The Group'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 2020, 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 R690 000 lower (2019: R656 000). Conversely, if interest rates were 1 percentage point lower, it would have an opposite effect on the profit with the same amounts.

22.7 CURRENCY RISK MANAGEMENT

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

22.7.1 Foreign trade receivables

At 30 June 2020, 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 R0,16 million (2019: R0,48 million greater) less. Conversely, if the Rand strengthened 10%, the profit would be 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 in the profit is attributable to an decrease in these trade receivables at year-end.

22.7.2 Forward foreign exchange contracts

The Group 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.

Notes to the consolidated financial statements
for the year ended 30 June 2020 **continued**

22.7.2 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 2020, 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 R2,8 million (2019: R4,4 million) less. Conversely, if the Rand strengthened 10%, profit would be higher by R8,7 million (2019: R4,4 million).

Refer to note 11 on derivative financial instruments for details of the forward foreign exchange contracts.

22.8 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. Capital consists of total equity. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Board of Directors seek to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Company's target is to achieve a return on capital above 16%, in 2020 the return is 3% (2019: 3.9%). In comparison, the weighted average interest expense on interest-bearing borrowings was 9,5% (2019: 9.7%).

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 23% (2019: 28%).

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.

23. REVENUE

	2020 R'000	2019 R'000
Revenue comprises of the following sales of abalone products and related services:		
– Processed abalone	108 709	102 618
– Unprocessed abalone	47 445	44 337
– Live baby abalone (spats)	4 055	11 652
– Animal feed (external sales)	42 855	47 744
	203 064	206 351

Revenue is recognised at a point in time when control is passed to the customer.

	2020 R'000	2019 R'000
Revenue comprises the following geographical regions:		
Asia	151 457	137 165
North America	3 763	2 342
Southern Africa	47 844	66 844
	203 064	206 351

24. OTHER INCOME

The following items are included in Other Income:

	2020 R'000	2019 R'000
– Shared infrastructure	1 323	1 663
– Insurance claim and rebates received	–	49
– ADEP grant	900	900
– Profit/(loss) on disposal of fixed assets	(5)	–
– Processing fee	3 312	–
– Other*	2 306	207
	7 836	2 819

** Other income includes a once-off supplier credit received for not meeting a performance obligation.*

25. 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	–	–
– Realised foreign exchange gains/(losses)	984	39
– Unrealised foreign exchange gains	–	–
– Unrealised foreign exchange gains/(losses)	(76)	(1 024)
Net fair value gains/(losses) on financial instruments	908	(985)

26. PRODUCTION COSTS

Production costs comprise the following:

– Utilities (electricity and water)	25 412	21 337
– Feed	416	758
– Consumables	1 367	3 063
– Chemicals	821	845
Total production costs	28 016	26 003

27. EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses comprise the following items:

– Wages and salaries	48 200	46 294
– Directors' remuneration	6 531	6 986
– Adjustment to share-based payment accrual	2 430	2 898
– Provident fund contributions	3 189	3 220
– Protective clothing	518	923
– Staff tea and welfare	53	121
– Recruitment costs	3	36
Total employee benefit expense	60 923	60 478

Notes to the consolidated financial statements

for the year ended 30 June 2020 **continued**

27. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

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

2020 (R'000)	Basic salaries	Company contributions	Severance pay	Fees for meetings	Total
Executive directors:					
TR Hedges	2 560	22	–	–	**2 582**
L-A Lubbe*	713	14	510	–	**1 237**
E Manchest**	1 623	50	–	–	**1 673**
Non-executive directors:					
HR van der Merwe	–	–	–	351	**351**
CIJ Williams#	–	–	–	126	**126**
JW Wilken	–	–	–	178	**178**
T Mokgosi-Mwantembe	–	–	–	115	**115**
W Keast	–	–	–	105	**105**
YJ Visser	–	–	–	163	**163**
Total	**4 896**	**86**	**510**	**1 038**	**6 531**

** Resigned in December 2019, ** Appointed in February 2019, # Appointed in June 2019.*

2019 (R'000)	Basic salaries	Company contributions	Fees for meetings	Total
Executive director:				
TR Hedges	2 461	23	–	**2 484**
CH van Dyk*	1 015	12	–	**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**
JW Wilken	–	–	161	**161**
P Davies**	–	–	90	**90**
S de Villiers***	–	–	147	**147**
T Mokgosi-Mwantembe	–	–	104	**104**
W Keast	–	–	101	**101**
YJ Visser	–	–	157	**157**
Total	**5 806**	**68**	**1 112**	**6 986**

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

Please refer to note 13 for details relating to the vesting of rights to executive directors in terms of the long-term incentive plans.

28. PROFIT/(LOSS) FROM OPERATIONS

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

	2020 R'000	2019 R'000
Auditor's remuneration for audit services	541	595
Amortisation and write-offs of trademarks	58	50
Depreciation	15 184	2 155
Maintenance	7 052	9 178
Rentals	599	599
Operating lease charges (IFRS 17)	–	529
Professional fees	5 555	2 159
Legal fees	160	10

29. FINANCE COSTS

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

	2020 R'000	2019 R'000
Bank overdraft	3 499	3 371
Agri loan	2 624	2 783
Feed loan	22	285
Term loan	361	–
Lease liability (IFRS16)	1 138	–
Commercial Property Finance ("CPF") loan	821	111
Loan from Associate	55	–
Total finance costs	8 520	6 550

30. 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.

	2020	2019
Profit attributable to ordinary shareholders including discontinued operation (R'000)	11 527	4 555
Weighted number of ordinary shares (R'000) at the beginning of the year	133 333	133 333
Weighted number of ordinary shares issued during the year	4 209	–
Weighted number of ordinary shares issued for the year	137 542	133 333
Basic earnings per share including discontinued operations (cents)	8.38	3.42
Basic earnings per share from continuing operations (cents)	8.38	5.36

There are no potential dilutive instruments as at 30 June 2020 (2019: none).

Notes to the consolidated financial statements
for the year ended 30 June 2020 **continued**

31. EARNINGS PER SHARE – HEADLINE

	2020 R'000	2019 R'000
Profit attributable to ordinary shareholders	11 527	4 555
Headline earnings including discontinued operation	11 527	4 555
Headline earnings per share including discontinued operation (cents)	8.38	3.42
Headline earnings per share from continuing operations (cents)	8.38	5.36

32. NOTES TO THE STATEMENTS OF CASH FLOWS

32.1 CASH RECEIVED FROM CLIENTS

	2020 R'000	2019 R'000
Revenue	203 064	206 351
Other income	8 528	2 819
Plus: Receivables at the beginning of the year	16 489	17 283
Less: Receivables at the end of the year	(8 838)	(16 489)
	219 243	209 963

32.2 CASH GENERATED FROM OPERATIONS

	2020 R'000	2019 R'000
Profit before tax from continuing operations	17 723	10 178
Profit before tax from discontinued operation	(31)	2 594
Profit before tax	17 692	7 584
Adjustments for non-cash items	(19 372)	(14 936)
– Trademark amortisation and write-offs	58	50
– Amortisation of deferred income grant	(900)	(900)
– Depreciation	15 184	14 848
– Loss on sale of property, plant and equipment	5	–
– Fair value gains on biological assets	(192 217)	(137 721)
– Transfers from biological assets to inventories	153 510	113 032
– PPE adjustments	1 640	–
– Impairment of PPE	3 093	–
– Share of loss in equity accounted investments	1 203	894
– Unrealised loss on revaluation of foreign exchange contracts	76	1 024
– Reversal of prior year loss on foreign exchange contracts	(1 024)	(6 164)
Separately disclosed items in statement of cash flow	8 520	6 550
– Finance costs	8 520	6 550
Changes in working capital:	4 438	(8 960)
– Increase in inventory	15 649	(13 895)
– Decrease in receivables	6 368	1 474
– (Decrease)/increase in trade payables	(17 578)	3 462
Cash generated from continuing and discontinued operations	11 278	(9 762)

Notes to the consolidated financial statements
for the year ended 30 June 2020 **continued**

32.3 NET DEBT

	2020 R'000	2019 R'000
Cash and cash equivalents	(26 069)	(36 076)
Borrowings – repayable within one year	(9 137)	(6 761)
Borrowings – repayable after one year	(40 710)	(37 859)
Net debt	(75 916)	(80 696)

Reconciliation of Net debt	Shareholder loan	Cash and cash equivalents	Overdraft	Term Loan	Feed Loan	Agri Loan	CPF Loan	Net debt
Closing balance 30 June 2019	(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)
Proceeds	–	–	10 000	(10 000)	–	–	–	–
Cash movements/repayments	–	(15)	3 521	746	1 387	5 440	1 027	12 106
Interest charge	–	–	(3 499)	(359)	(22)	(2 624)	(821)	(7 326)
Closing balance 30 June 2020	(4 000)	–	(26 069)	(9 613)	(50)	(27 812)	(8 372)	(75 916)

33. RELATED PARTIES

33.1 IDENTITY OF RELATED PARTIES

- Abagold Ltd owns 70% of the shares in a subsidiary, Specialised Aquatic Feeds (Pty) Ltd. See note 8 for the disclosure relating to Specialised Aquatic Feeds (Pty) Ltd.
- Abagold Ltd owns 50% of the shares in a Joint Venture, Oman Aquaculture LLC, an entity registered in Oman.
- Abagold owns 45% of the shares in an associate, Aquawomen (Pty) Ltd, as documented in note 7.
- Lou-Anne Lubbe is a director of Aquawomen (Pty) Ltd and Abagold Ltd.
- Mr TR Hedges is a director of Specialised Aquatic Feeds (Pty) Ltd, Mean Sea Level (Pty) Ltd and Abagold Ltd.
- Mr E Manchest is a director of Specialised Aquatic Feed (Pty) Ltd and Abagold Ltd.

33.2 MATERIAL-RELATED PARTY TRANSACTIONS AND BALANCES

33.2.1 Transactions with joint ventures
Refer to note 7 for transactions with joint ventures.

33.2.2 Transactions with key management
Refer to note 7 for transactions with associates.

33.2.3 Material-related party transactions
The following transactions occurred with related parties during the period under review:

	2020 R'000	2019 R'000
Donations to Abagold Development Trust	105	72

33.2.4 Securities issued to directors

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

	Number of shares ('000)		
Director	**Direct**	**Indirect**	**Total**
TR Hedges	545	–	545
L-A Lubbe	100	–	100
YJ Visser	–	120	120

34. COMMITMENTS

34.1 CAPITAL COMMITMENTS

	2020 R'000	2019 R'000
Authorised by the directors		
– Contracted for	5 795	599
– Not contracted for	15 000	11 601

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

35. EVENTS AFTER THE REPORTING DATE

The impact of Covid-19 on the business has been adequately managed and minimised up to the reporting date, with the Group having adequate liquidity and funding facilities. We do, however, draw attention to the uncertainty of the knock-on effects of the pandemic on customers, suppliers and other key stakeholders.

36. CONTINGENT LIABILITY

There are no contingent liabilities.

37. OPERATING SEGMENTS

Basis for segmentation

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

The following summary describes the operations of each reporting segment.

Reportable segments	Operations
Abagold Ltd	Breeding, farming, processing, marketing and selling abalone
Specialised Aquatic Feeds (Pty) Ltd	Producing abalone and non-abalone feeds
Abagold Mauritius Limited	Fish farming in Mauritius, which was terminated in 2019

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 2020 **continued**

37. OPERATING SEGMENTS (CONTINUED)

	2020			2019		
	ABAGOLD R'000	SAF R'000	Mauritius (discontinued) R'000	ABAGOLD R'000	SAF R'000	Mauritius (discontinued) R'000
External revenue	160 209	42 855	–	158 606	47 744	–
Inter-segment revenue	–	17 669	–	–	14 539	–
Segment revenue	**160 209**	**60 524**	**–**	**158 606**	**62 284**	**–**
Segment profit/(loss) before tax	18 543	189	(37)	2 229	1 578	(2 594)
Interest expense	(8 216)	(305)	–	(6 316)	(234)	–
Depreciation and amortisation	(13 459)	(2 283)	–	(12 796)	(2 105)	–
Share of profit/(loss) of equity-accounted investees	(1 025)	–	–	(894)	–	–
Other material non-cash items:						
Changes in biological assets	192 217	–	–	137 721	–	–
Segment assets	**487 798**	**31 989**	**–**	**463 707**	**32 906**	**15**
Equity accounted investees	21 880	–	–	10 843	–	–
Capital expenditure	8 594	500	–	6 035	1 577	–
Segment liabilities	**183 317**	**20 003**	**–**	**196 479**	**21 106**	**–**

Reconciliation of information on reportable segments to IFRS measures

	2020 R'000	2019 R'000
Revenues		
Total revenue for reporting segments	220 733	220 890
Elimination of inter-segment revenue	(17 669)	(14 539)
Consolidated revenue	203 064	206 351
Profit before tax		
Total profit before tax for reportable segments	18 695	1 213
Elimination of inter-segment loss	37	7 265
Share of profit/(loss) of equity-accounted investees	(1 025)	(894)
Consolidated profit before tax	17 707	7 584
Assets		
Total assets for reportable segments	516 754	496 629
Elimination of inter-segment transactions	(46 349)	(35 582)
Equity-accounted investees	15 924	6 104
Consolidated total assets	486 329	467 151
Liabilities		
Total liabilities for reportable segments	203 321	217 584
Elimination of inter-segment transactions	(9 445)	(9 508)
Consolidated total liabilities	193 876	208 076
Other material items		
Interest expense	(8 520)	(6 550)
Capital expenditure	(9 095)	(7 611)
Depreciation and amortisation	(15 741)	(14 900)
Biological asset movements	192 217	137 721

Shareholder and administrative information

Analysis of shareholders at 30 June 2020

	Number of shareholders		% Holding	
Size of holdings	**2020**	**2019**	**2020**	**2019**
Less than or equal to 1%	45	41	6.0%	6.79%
More than 1% but less than or equal to 5%	4	4	11.5%	11.62%
More than 5% but less than or equal to 10%	4	3	38.8%	27.73%
More than 10% but less than 20%	3	4	43.7%	55.86%

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

Entity	Holding
Old Mutual Life Assurance Company	17.3%
Agulhas Nominees (Pty) Ltd	15.7%
Evolution One	14.2%
Sea Yields Investments (Pty) Ltd	9.5%
Johan van Dyk Familie Trust	7.6%
Bonne Esperance Trust	7.4%

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 2020 annual general meeting (“the meeting”) of the shareholders of Abagold Limited (“the Company”) will be held at 09h00 on Saturday, 5 December 2020, at the “Heart of Abalone” shed, Seaview, Abagold, New Harbour, Hermanus.

Teleconferencing facilities will be available, and closer to the meeting date the company secretary will provide details and further information to shareholders in the event that they want to utilise these facilities.

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 2021 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 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 2020.

Ordinary resolution 2: Re-appointment of the independent auditor and noting of the 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 directors retiring by rotation
Resolved that the following directors, who retire by rotation, and being eligible and having made themselves available for re-election as directors of the Company, are re-elected as directors:

3.1 Mr HR van der Merwe
3.2 Mr W Keast
3.3 Mr JW Wilken

The directors unanimously recommend the elections in terms of resolution 3.1, 3.2 and 3.3 by the shareholders of the Company.

ABAGOLD LIMITED
Registration number: 1995/070041/06

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

4.1 Mr E Manchest

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 5 December 2020 until the conclusion of the next annual general meeting.

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

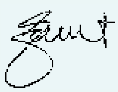
Voting and proxies
An ordinary shareholder entitled to attend and vote at the annual general meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. A proxy need not be a shareholder of the Company. For the convenience of registered ordinary shareholders of the Company, a proxy 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, 3 December 2020. 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 2020

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 5 December 2020 at 09h00 by ordinary shareholders who are unable to, or who do not wish to, attend the meeting in person or by teleconference, 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 2021			
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 2020			
2	Reappointment of independent auditor			
3	Re-election of director retiring by rotation, each by separate vote:			
	3.1 Mr HR van der Merwe			
	3.2 Mr W Keast			
	3.3 Mr JW Wilken			
4	Re-election of directors appointed by the Board:			
	4.1 Mr E Manchest			
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 nominated 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 ______________________ 2020

Signature: ______________________________

TABLE OF QUALIFICATIONS

Mr JW Wilken	B. Compt. (Hons.), CA (SA), MBL
Mr E Manchest	PGDA (UCT), CA(SA)
Mr CIJ Williams	BBusSc (Hons), CA (SA), MPhil, CDFA
Mr HR van der Merwe	BA (Law); LLB; LLM (Tax)
Mr YJ Visser	B.LC LLB (Pret.)

NOTES

1. A member entitled to attend and vote is entitled to appoint a proxy to attend, speak and on a poll vote in his/her stead, and such proxy need not also be a member of the Company.
2. Should a proxy not be specified, the chairman of the meeting will act as the proxy.
3. An ordinary shareholder's instructions to the proxy must be indicated by inserting the relevant number of votes exercisable by him/her in the appropriate space provided above.
4. If any ordinary shareholder does not indicate on this instrument that his/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, 3 December 2020 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.

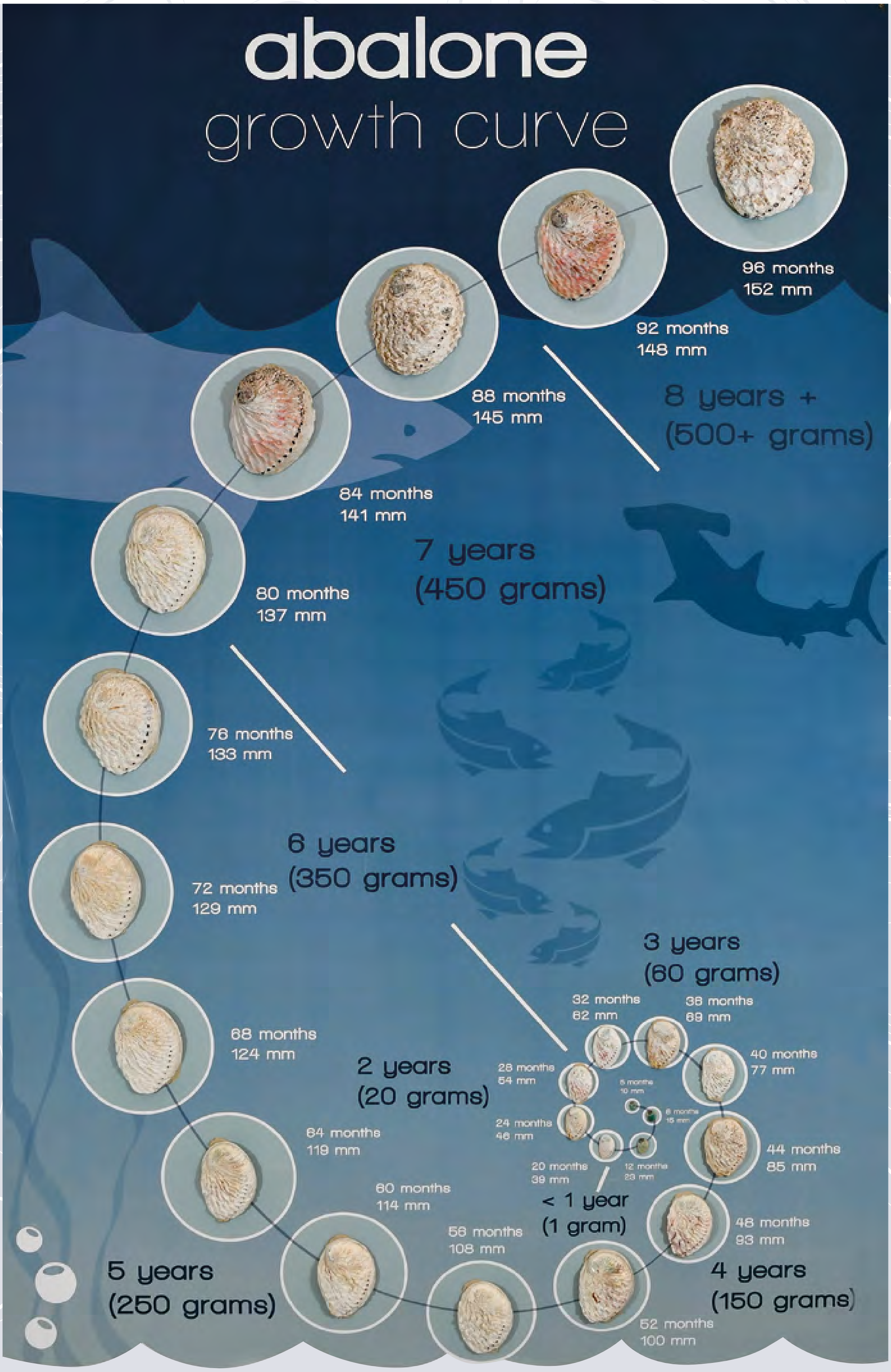
Return options:

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, 3 December 2020.



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Abagold Limited
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www.abagold.com