ABAGOLD

INTEGRATED ANNUAL REPORT 2021

Abagold remains committed to ensuring a safe working environment and will not only comply with the Covid-19 regulations but will continue to have a positive impact on the lives of staff, their families and, in turn, the communities in which we work and live.

ABAGOLD TIMELINE

2021
505 tonnes of live equivalent sold into nine territories

2017–2020 Abagold recovery from the 2017 red tide

2014 Collaborative initiatives started in Oman and on the West Coast

2013–2015 Own feed production facility

2012–2015 Sulamanzi farm built with 360 tonne capacity

2007 Seaview farm expanded to 90 tonnes

2006 Processing facility completed

2003–2005 Bergsig farm built with 180 tonne capacity

1999 First 100 kg of live farmed abalone is exported

1996 Seaview farm built with 60 tonne capacity

1993 First permit to cultivate, harvest and sell abalone

1991 Pilot hatchery

THE EARLY YEARS
COMMERCIALISATION

SHAREHOLDERS' DIARY

Important reporting and meeting dates:

30
JUNE'21
Financial year-end

17
SEPT'21
Annual financial statements approved

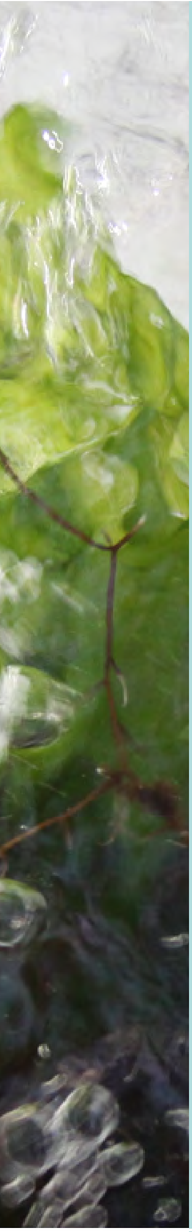
28
FEB'22
Interim financial statements for the half-year to 31 December 2021 to be distributed by 28 February 2022

11
DEC'21

ANNUAL GENERAL MEETING

DATE	Saturday, 11 December 2021
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 agribusiness with core competency in and focus on Aquaculture and a diversified global footprint, delivering premium-quality products through innovation, branding and partnerships.

Our Values

Integrity
Through purpose and principle we ensure natural and safe products

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

Quality
In everything we do and produce

Innovation
Striving for continuous improvement in all processes

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

It has been 18 months since the first case of Covid-19 was reported, and the world has subsequently battled four variants of the virus, with devastating impact, including loss of lives and livelihoods, nationally and across the globe. The race for a vaccine has resulted in multiple products reaching the market in record time, which is a testament to what is possible when the world is faced with adversity. As of the end of September 2021, approximately 6 billion vaccine doses have been administered and 44% of the world's population has received at least one dose of a Covid-19 vaccine.

Unfortunately, the roll-out of vaccination programmes across the globe will not be equally successful, and the economic recovery is expected to be stronger in the developed world, followed by the emerging market economies. From a regional perspective, the recovery is expected to be strongest in East Asia and the Pacific, primarily due to the strength and capability of China.

South Africa is currently in the grips of the third wave of infections, fuelled by the Delta variant of the virus. Unfortunately, South Africa's vaccination rate has only managed to reach 19% of our local population, which is significantly behind the global average and which has necessitated the enforcement of additional lockdown measures while other economies are relaxing measures and returning to full economic activity.

Abagold remains committed to ensuring a safe working environment and will not only comply with the Covid-19 regulations but will continue to strive to have a positive impact on the lives of staff, their families and, in turn, the communities in which we live and work. The impact on the business, due to lost productivity, has been significant over the past 18 months; however, this pales in comparison with the impact of losing a loved one.

Sadly, Nosikhokhele Ndinisa succumbed to Covid-19 on 31 December 2020. She was better known as Fese and joined Abagold in 2003. She was also a very active member of our Abagold Choir as a choral singer. She was loved and respected by many. Our heartfelt condolences go out to her family, as well as all affected staff, their families and loved ones during these difficult times.

The Covid-19 statistics at Abagold as at 21 September 2021 show a 99% recovery rate and are summarised below:

Total positive cases:	**112**
Total recoveries:	**110**
Active cases:	**1**
Fatalities:	**1**

In an attempt to make Covid-19 vaccinations more accessible, Abagold has collaborated with the local clinic to provide on-site vaccinations to staff on a voluntary basis. As a result, we have achieved a 55% employee vaccination rate, however our commitment is to continually evaluate our Covid-19 risk management measures to ensure that we are, at all times, responsive to the state of the pandemic. We believe that the Abagold values provide the necessary framework to ensure that we conduct ourselves not only in the best interest of the Company but also our stakeholders, colleagues and loved ones.

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 capital, manufactured capital, intellectual capital, human capital, social and relationship capital, and natural capital.

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. It is between human beings; it is also between human beings and the environment. *Empathy* – empathy requires us to look at things from other'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. It requires us to acknowledge the right to hold such views, positions, or actions accordingly. *Sensitivity* – requires us to be conscious of culture, traditions, religion and ethnicity. *Processes and Procedures* – all the processes and procedures that have been developed over 25 years of experience need to be respected. If we truly respect the history of this value, we have a duty to protect and improve our processes and procedures. *Empowerment* – empowerment is the process of allowing all to participate proactively within the boundaries defined over time by the organisation. *Correction* – accepting that there will be failures is a "given" but learning from such experiences is crucial. And finally, *Trust* – trust is not a "feeling" word in this context but rather a conscious act and it demands of us to be trustworthy too, 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.

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.

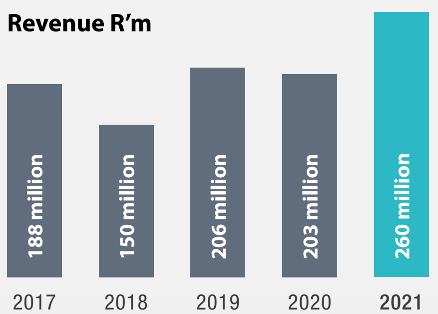
Innovation involves questioning the status quo in a constructive manner and looking for ways to be more efficient and productive. Since its inception, the Abagold Innovation Hub has delivered a combination of process improvements in the way we farm, technology process improvement in production and feeding, and many more initiatives in various stages of development. These will all help to 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 member and leader. They are the "how" of what we do, in striving to deliver stakeholder value.

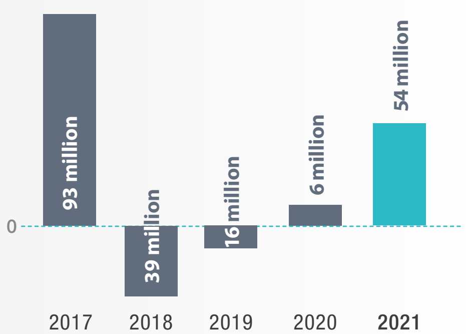
SALIENT FEATURES OF 2021

- Abagold produced **7,2 million** spat for the year and was able to adequately meet its own requirements.
- The balanced pipeline now reflects a full recovery from the 2017 red tide event and the farm delivered growth of **473 tonnes** in FY21 (FY20 546 tonnes), with an average abalone size of 136g at the end of the reporting period.
- Abalone tonnage sold increased by 14% to **505 tonnes** (FY20 444 tonnes) despite a market constrained by the effects of the Covid-19 pandemic.
- The average abalone selling price improved to **R380/kg** (FY20 R360/kg), with a significant recovery in the second half of the year, due to the sale of larger abalone.
- Abalone revenue improved by 26% to **R202 million** (FY20 R160 million) with a more balanced and improved sales mix across the pipeline, while the Group revenue improved by 28% to R260 million (FY20 R203 million).
- Gross margin improved by 35% to **R140 million (54% gross margin)** (FY20 R104 million and a 51% gross margin) as a result of an improved harvest performance with a reduction in third-party abalone purchases.
- Adjusted EBITDA improved by 86% to **R46 million** (FY20 R24,7 million) and excludes the impact of the fair value adjustments for the period under review.
- Cash generated from operating activities improved significantly to **R54 million** (FY20 R6 million) despite the negative impact of increased export costs for the year.
- Net debt (including cash reserves) reduced by 46% to **R41 million** (FY20 R76 million) as the business prioritised preserving cash during these uncertain times.

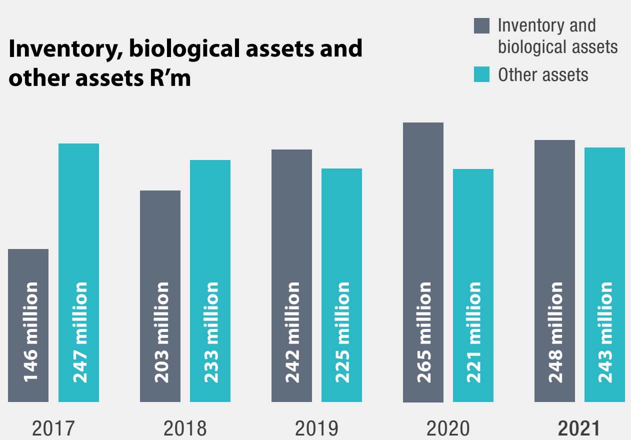
Revenue R'm



Cash generated from operating activities R'm



Inventory, biological assets and other assets R'm



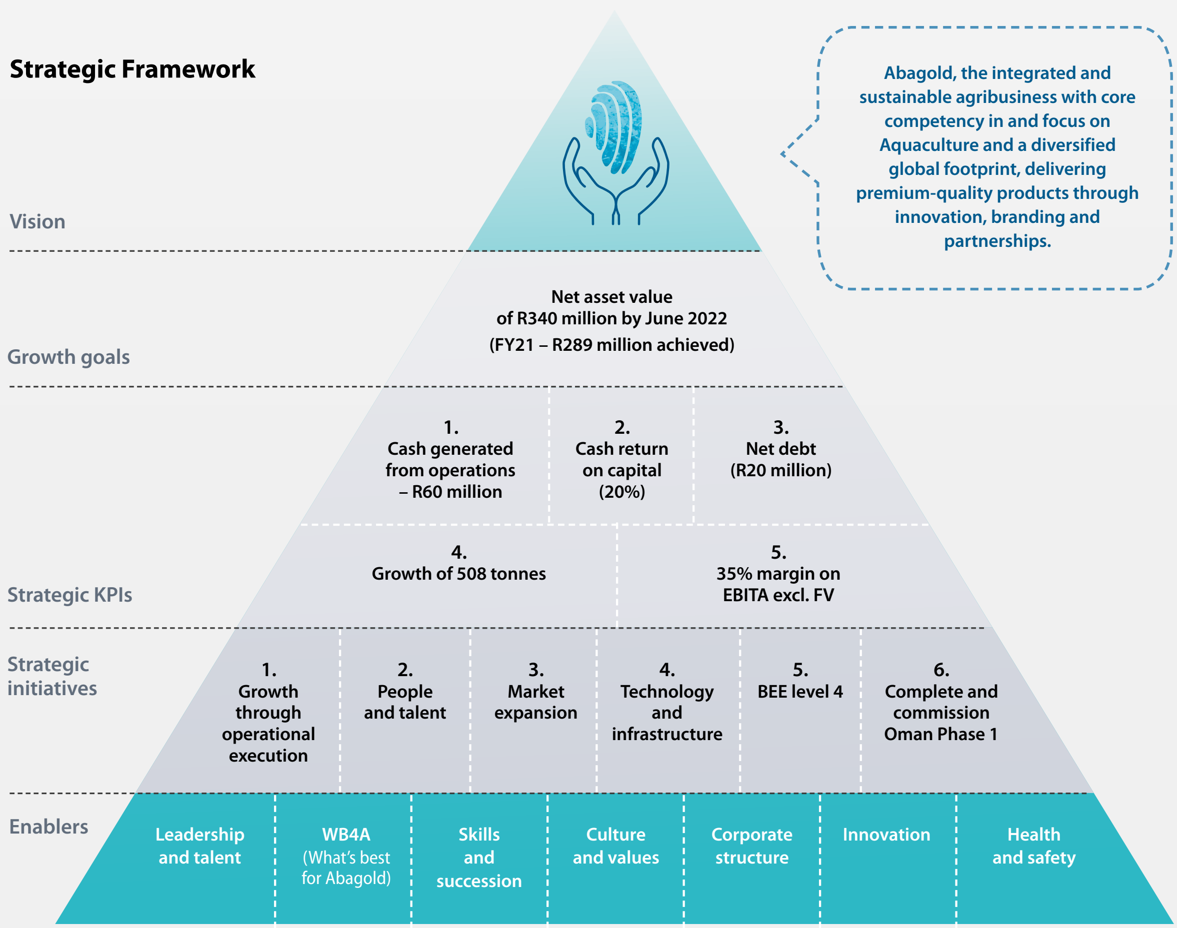
ABAGOLD STRATEGY

Abagold strategy has now clearly turned the corner from recovering and developing after the 2017 red tide event to managing and exploiting 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:

Strategic Framework



CHAIRMAN AND MANAGING DIRECTOR'S REPORT

Overview of and performance for the fiscal year to 30 June 2021

Abagold's performance in the fiscal year 2021 continued the progress and positive trends that have been consistently reported since the red tide event of 2017. The headway achieved since that event has now started to deliver improved bottom-line results. During the recovery period, it was essential that Abagold remained focussed and committed to the plan and objective of developing a balanced and diversified biological pipeline. By carefully managing resources and taking a customer-centric approach, our business has been able to meet the requirements of an evolving and dynamic market and deliver a solid set of results.

The long-term relationships with our sales partners globally, built over many years, laid the foundation for improved demand during a challenging year that was made even more difficult with the marketing and management team unable to travel and meet with customers. With base demand, especially in the "dried" format of sales, improving through the year and delivering a very strong second half, the key focus for the Abagold team remains to ensure the stability and flexibility of the biological pipeline for the future requirements of the market in all three formats – live, dried and canned. The Abagold team was able to achieve this balance successfully as reflected in the significant sales volume and revenue growth achieved. The notable reduction in debt, delivering a much stronger balance sheet, positions the business well for the years ahead.

Business overview (Group)

The general performance of the Group improved significantly over last year with strong contributions from both Abagold and Specialised Aquatic Feeds ("SAF") delivering revenue for the period of R260 million, an increase of 28% over the prior year. On an abridged EBITDA basis (excluding fair value adjustments), the Group delivered a healthy R45,8 million compared to R24,7 million in the prior year, an improvement of 86%.

Cash generated from operating activities improved significantly to R54 million (FY20 R6 million) despite the negative impact of lower selling prices in many formats and increased export costs, due to the global pandemic impact on freight expenses during the full year.

Net debt (including cash reserves) was reduced by 46% to R41 million (FY20 R76 million) with the short-term objective remaining to preserve cash during these uncertain times.

Financial summary

Fair value adjustments to biological assets and inventory have a material impact on the results, due to the effect of changes in selling prices and the impact of exchange rates reflected in these values. The "adjustments to stock and bio assets" of a R28,4 million loss, compared to a gain of R18,4 million in 2020 is an indication of the impact of both a strengthening rand and pressure on pricing in the abalone market.

To facilitate an improved understanding of the Company's core operational performance, an abridged income statement is presented below in a more traditional form and reconciled to the reported results of the business.

R'000	% Change	30 June 2021	30 June 2020
Revenue	28	260 199	203 064
Abalone sales	26	202 150	160 209
Other external sales	35	58 049	42 855
Cost of sales (excl. fair value adjustments)	21	(120 506)	(99 506)
Gross profit	35	139 693	103 558
Gross profit %		54%	51%
Other income	7	7 262	7 836
Net realised forex gain	1 253	13 311	984
Administrative expenses	6	(25 507)	(24 086)
Employment costs	39	(84 453)	(60 923)
Other operating expenses	67	(4 503)	(2 704)
Adjusted EBITDA	86	45 802	24 665
Depreciation	2	(15 154)	(15 507)
Adjustments to stock and bio assets	254	(28 370)	18 364
Net unrealised forex loss	4 056	3 006	(76)
Profit from operations	81	5 285	27 446
Finance costs	8	(7 809)	(8 520)
Equity accounted investments (losses)	36	(1 631)	(1 203)
Profit/(loss) before taxation	123	(4 155)	17 723
Taxation	106	394	(6 165)
Net profit from continuing operations	133	(3 761)	11 558
Gross profit %		**54**	**51**
Adjusted EBITDA %		**18**	**12**
NPBT %		**–2**	**9**

The overall performance of the business can be evaluated and assessed under the following headings:

Marketing and sales

Abagold achieved record sales volumes of 505 tonnes of live equivalent abalone in the year, further improving last year's volume by 13,7%. Total abalone sales revenue ended at R202 million, which is an increase of 26% over last year. Even though global economic conditions remain uncertain, and the industry was fundamentally impacted by the Covid-19 pandemic's effect on the hospitality industry, the average US$ selling price recovered strongly in the second half of the fiscal year to US$26/kg average for the year, an increase of 18,8% year on year.

Abagold produces and participates across all the sales formats, however, in 2021 a higher proportion was sold in the dried format, although the Abagold brand purposefully maintained its presence in both canned and live markets. Compared to the historical demand curve, the market is rewarding larger-sized abalone in predominately the dried and canned formats. This has resulted in further reviews of market engagement, farming focus, size profiles and sales strategy. The more robust and flexible abalone pipeline that was created at Abagold, as part of the recovery plan, positions the organisation well to react quickly to accommodate the ever-changing and evolving abalone market demand.

Demand for dried abalone continued to improve through the second half of FY21 and demand looks set to remain solid through the rest of the calendar year, leading up to Chinese New Year 2022, but the US$ price has still not fully recovered to pre-2012 levels. The traditionally large volumes of illegal (i.e. poached) South African abalone have been unable to reach the Chinese market this year and this is definitely influencing demand for farmed dried abalone positively.

Live abalone demand and price were impacted negatively in the early part of 2020 and further exacerbated during the Covid-19 pandemic. Demand has recovered somewhat, but excessive volumes from South Africa have continued to create price pressure in this category. Abagold's live product remains highly sought after, due to the consistent quality and supply to our traditional long-term customers.

Over the past year, the marketing and sales team continued with successful expansion into new territories and countries, reducing the overall dependence on Hong Kong to below 60% for the year. This commitment to sales partner development over the past five years is paying handsome rewards in these complicated and challenging times.

Cash generated from operating activities

Cash generated from operations is considered a key performance indicator and measure of Abagold's business health. Opportunities were identified from 2018, as part of the recovery plan to improve the overall health and efficiency of the organisation's working capital. Converting excess stock to cash, reducing debtors' days to below 20 days and better payment terms negotiated with suppliers are just a few of the disciplines currently adhered to. The result of these efforts can be seen in the healthy cash generated from operating activities, which increased 900% from R6 million last year to R54 million in 2021.

Cost containment

Cost control and management remain key focus areas and many additional operational initiatives are delivering encouraging results in this sphere. Production cost and total cost per kilogram did increase in line with inflation and were also impacted by the slower growth in the year; however, this area remains an opportunity to improve efficiencies and the overall profitability of the operation in the future.

Debt and banking facilities

During the year we achieved our objective of preserving cash in the short term, which together with improved cash generated from operations has resulted in the net debt (including cash reserves) position decreasing to

R41 million (FY20 R76 million). The investment in Phase 1 of the Oman project continued during the year; however, construction and related capex were delayed due to work stoppages from multiple Covid-19 lockdowns, resulting in the completion of Phase 1 now being scheduled for mid-FY22. Abagold Group's interest charges for the period decreased to R6,7 million from R7,4 million in the prior year. The net debt-to-equity ratio has improved to 14% compared with 26% in the prior year. The total unutilised funding facilities at year-end were R70 million relating to available bank funding plus cash reserves.

Operational overview

Production performance

Growth on the farms was severely impacted by the disruptions to staffing and operations during the extended period of Covid-19 lockdown and restrictions. Growth for the year ended at 473 tonnes, with standing stock of 621 tonnes. The new design, mature, ranged, and balanced pipeline, creates the flexibility required by the business to remain market facing in the approach to planning and servicing the market. The joint disciplines of planning and demand forecasting, implemented some years back and fine-tuned in 2020/1, have been rewarded this year as we timeously supplied the sizes, formats and volumes that the market demanded while maintaining a healthy balanced biological pipeline.

Processing facility

The performance of the processing factory when it comes to quality, consistent delivery and innovation has maintained the Abagold brand at the premium end of the abalone market. The factory processed a record 532 tonnes of abalone in the FSSC/ISO22000 certified facility. In the production year, minimal quality variations were experienced, due to the continuous focus in this area by the processing team. The team has continued to innovate within the category and the sauce and other by-products produced (liver pâté) are just some of the world-class products in full production now.

Abagold is well positioned for the year ahead where any future market fluctuations can be managed with moderate impact on profitability. The balance between canned, dried, frozen and live is considered in all growth projections.

Subsidiary and associated businesses

Ranching (Port Nolloth Sea Farm Ranching)

Abalone ranching is the placing of abalone spat into the ocean, in areas where the species does not occur or no longer occurs naturally, for harvesting five to

The new design, mature, ranged, and balanced pipeline creates the flexibility required by the business to remain market facing in its approach to planning and servicing the market.

seven years later when sufficiently mature. Abagold has a 20% shareholding in such an operation – Port Nolloth Sea Farms Ranching (Pty) Ltd ("PNSFR"). Abagold's co-shareholders are experienced ranching operators on the Northern Cape Coast with all the necessary government permits to ranch abalone at Kleinzee.

Spat stock, supplied to the operation since 2013, from the hatchery in Hermanus are now fully grown and the first 10 tonnes of full-sized abalone were received, processed and sold this fiscal year. The product size and dried format were delivered to the market and the selling price has already shown positive signs of improving as consistent supply and quality are delivered by Abagold as the processor and marketing arm for this operation.

Abagold plans to continue delivering approximately 40 000–60 000 juvenile abalone per month to the operation to ensure long-term sustainability and consistent volume flow for the future.

The monitored performance of the abalone planted in the ranching area since 2013 is encouraging and the high survival and growth rates indicate significant long-term potential. The harvest for the coming year is expected to increase to over 15 tonnes.

Specialised Aquatic Feed (SAF)

SAF ended the challenging financial year on a positive note by achieving the majority of its targets for the year. The negative impact of Covid-19 on all businesses made it complicated to manufacture products continuously, grow new markets and remain profitable. The SAF team remained positive, committed and acted responsibly throughout the year, constantly adjusting to the fast-changing environment with minimal resistance, but rather with positivity and renewed energy.

This commitment throughout the year resulted in full year sales of 3 712 tonnes, an increase of 24% year on year. External revenue of R58,1 million was a 35% improvement on FY20. Slightly higher expenses for the year resulted in a lower net profit before tax of R0,96 million; however, CGFO of R5,9 million for the full year was positively impacted by improved working capital.

SAF has dedicated itself over the past twelve months to diversifying its market and has opened up tilapia, catfish, koi and dog-food markets nationally and into Africa. This approach will help to reduce the reliance on the trout industry, which continues to perform inconsistently in the South African consumer market.

Abagold farm management is thankful for the continued improvements and innovation on the abalone feed, which is delivering impressive growth performance on the larger-sized abalone. The Company remains optimistic about the long-term prospects of this operation as a good diversification for Abagold.

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 statutory delays and disruptions linked to the global Covid-19 pandemic, will allow operations to commence mid-October 2021. The Phase 1 operation is scheduled to receive its first animals into the hatchery and to start stocking the first farming unit soon after.

The first sales from the operation are expected in FY23. The initial investment in Phase 1 aims for a limited volume operation, while 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. There is also a plan to facilitate a Ministry of Fisheries, state driven reseeding/ranching programme in the ocean in the region, which may create an additional revenue stream in the future.

Energy

Abagold's alternative energy projects were transferred to Mean Sea Level (Pty) Ltd in 2014, in exchange for a stake in that company. The intention was to enable the project to have the necessary focus and ability to raise funding as required, from existing and external sources, including 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, and has entered a state of "business freeze". It is uncertain if and when this project will start up again. Abagold had already written down its full investment in this venture in 2019.

Abagold will be implementing a solar PV installation on all three farms, to supply up to 18% of the total energy requirement of the operations. This will be implemented through a Power Purchase Agreement with the vendor and should be operational by the end of 2021. Abagold will continue to identify all other potential sources of renewable energy as part of its mandate to reduce costs and reliability on the constrained and expensive national power supply system.

Future outlook

Hatchery

The consistent production of the required volumes of high-quality spat as efficiently and cost-effectively as possible, to be provided to our farms, remains an essential basis for the sustainability of the biological pipeline. While the expansion of operations on other farms in the region led to demand for local spat sales, this demand for spat, unfortunately, has reduced significantly and the Abagold hatchery has already scaled back production capabilities as well as the space that the hatchery occupied on the farm. The focus of the hatchery is now on meeting Abagold's own demand with the production of larger spat, at lower cost, through innovation and focus. This is the springboard for the rest of the operation to achieve growth targets, competitive feed conversion rates and cost-effective growth rates.

Production

The Seaview, Sulamanzi, Amaza and Bergsig production systems are now full, with abalone maturing as per plan, enabling the operation to have access to larger-size product to harvest, as per forecast. The growth rates, targeted for FY22 in the period ahead, are in line with the performance expected from such a maturing pipeline and any risk of overstocking will be corrected through the sorting and harvest plan. The production team has implemented several

effective innovations within the operation, such as improved technology in tank cleaning, Radio Frequency Identification Tags on baskets, and automated sorting systems that have already reduced costs and improved efficiency across all the farming units. The focus and commitment in these areas will continue through 2022 and beyond. Further productivity improvements in the formulated feeds, genetic selection programme and innovative husbandry practices can be expected.

Sales and marketing

The market conditions through traditional channels and markets, especially in Hong Kong, have been challenging for the last eighteen months, with demand generally depressed. The further complications of pending political changes in Hong Kong, due to the new security laws implemented by the People's Republic of China, will require the sales and marketing team to remain innovative and in close contact with our loyal sales partners, to ensure continued efficient and profitable trading.

The improved offerings from the mature pipeline and the expected recovery of base canned and live abalone demand in our markets, together with good momentum in new and developing markets, have given the team the comfort that demand will improve further in the first half of 2022, which will allow the business to maintain the momentum achieved into the year ahead.

The increased sales volume for 2022, 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 trading and market conditions and have implemented controls and measures to manage these ever-changing conditions and the evolving business environment. The determined focus of this team is to continue to strengthen and grow the primary business and to deliver improved, consistent results while leveraging innovation and technology opportunities, reducing risk, and evaluating and investigating additional diversification to ensure long term sustainability for the overall business.

Dividend

Due to the impact of Covid-19, along with the reduction of expensive convertible debt and the recognition that Abagold needs to maintain a minimum threshold of funding headroom to support the business through such complicated times and events, the Board regrets that there will be no dividend for the 2021 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 2021 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 license, and as a result, the Board of Abagold ("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, setting out their full names and contact details where prospective sellers/buyers of Abagold shares may contact them. By sending this email to the company secretary of Abagold the shareholder agrees that its name and contact details may be sent to any prospective counter party.

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

For questions relating to this interim procedure, please contact Enver Manchest on 028 313 0253 or at enver@abagold.co.za.

Board of Directors

The Board appointed Tlhabeli Ralebitso, Johannes Hamman, and Sarah de Villiers as independent non-executive directors in 2021, and the Board looks forward to the positive impact that they will deliver as active members of the Board. In terms of the Memorandum of Incorporation, Sarah, Tlhabeli and Johannes are required to be re-elected by the shareholders at the next annual general meeting. Details of their qualifications appear on page 111 of this report.

Furthermore, the Board would like to express its gratitude to Conway Williams and Thoko Mokgosi-Mwantembe, who resigned during the year for personal reasons, and who contributed significantly over the past few years on both the Board and committees where they served. Conway was replaced by Sarah de Villiers.

The production team has implemented several effective innovations within the operation, such as Radio Frequency Identification Tags on baskets and automated sorting systems, that have already reduced costs and improved efficiency across all the farming units.

Acknowledgements

Our experienced and diverse Board members 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 wellbeing of Abagold is exemplary, and we are thankful for their commitment and energy. This includes the important area of open and timely communication with the Board on key matters, enabling fruitful interaction with and focussed oversight by, along with input from, the Board. This was further highlighted in the way that management managed the communication and impact of the Covid-19 pandemic on-site and on global markets and once again highlighted the importance of these processes. We look forward to working together, continuing to build a business of which shareholders and all other stakeholders can be proud.

Hennie van der Merwe
Chairman

Timothy Hedges
Managing Director

SUSTAINABILITY REPORT

MANUFACTURING CAPITAL

INTRODUCTION

The Group's manufacturing capital consists of a hatchery and three grow-out farms with 640-tonne capacity, a processing plant, as well as an aquaculture feed manufacturing facility.

Measurables

- The hatchery spat production for the year of 7,2 million spat, at competitive and affordable cost, was sufficient for Abagold's requirements.
- In FY21 we delivered 17 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 factory processed 554 tonnes of product in FY21 and resumed the in-house packing of live product for export.
- The feed factory manufactured 3 712 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.
- In 2017 the basket-making activity was spun off into Aquawomen (Pty), with majority ownership transferred to employee trusts with long-serving staff as the beneficiaries. In FY21 this entity produced and sold 3 900 new baskets and repaired 28 900 used baskets for Abagold.
- Since the devasting red tide 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 R300 per kg on a mature pipeline with an average size of 136g, with the aid of automation.
- Renew the ageing Bergsig farm infrastructure on a phased basis in order to improve farming efficiencies.
- Build a new under-roof live holding area with temperature-controlled facilities.
- Increase production capacity, through expansion, by adding 120 tonnes on the Sulamanzi farm.

Combined assurance

- The National Regulator for Certification Standards performs ongoing monitoring and evaluation of food safety standards at Abagold.
- Abagold holds a voluntary FSSC 22000 food safety certification.

NATURAL CAPITAL

INTRODUCTION

At Abagold, the cultivation of abalone (*Haliotis Midae*) includes brood stock management and grow-out on four farms.

Measurables

- **Compliance with local environmental laws:**
  - Permits held for integrated grow-out (engage in marine aquaculture): Sulamanzi, Bergsig, Seaview and Amaza farms.
  - Permits held to possess abalone brood stock, operate a hatchery and operate a marine aquaculture fish-processing establishment.
  - Rights held for coastal water discharge and the extraction of sea water.
  - Rights held to engage in marine aquaculture (for renewal in 2032).
- **Actively engaged resource management:** this includes energy efficiency and water stewardship via metering, monitoring and mitigation measures.
- **Long-term environmental monitoring:** this includes water sampling for nutrients, bacteria, biotoxins, drug residue, heavy metals, and phytoplankton both by in-house experienced specialists and by accredited third-party service providers. Additionally, high-tech monitoring equipment provides in-situ continuous water-quality data.
- **Animal health management:** this includes regular stock assessments, monitoring disease listed by the World Organisation for Animal Health via Polymerase Chain Reaction ("PCR") testing to comply with the Veterinary Procedural Notice ("VPN"), biosecurity audits and other animal health certificates. Farm biosecurity, in consultation with industry, government and a third-party service provider, is carefully managed and monitored to mitigate risk to operations and ensure optimal animal health.

NATURAL CAPITAL continued	
Activities to enhance outcomes	• Ongoing monitoring and effective contingency planning, to ensure resilience to environmental risks such as harmful algal bloom, diesel spills and warm water events. • Continued resource management and investment in energy efficiency and water stewardship feedback and maintenance plans, including active waste management and recycling initiatives and innovation as well as supplier accountability.
Goals	• Improve the digitalisation and automation of water-quality monitoring, where justified through an adequate return on investment. • Develop an effective monitoring and reporting protocol on resource use to ensure that mitigation and efficiency measures are maintained through policy and action. • Continue to participate and collaborate with industry associations, government initiatives and other stakeholders to ensure effective management of abalone and marine natural resources. • Maintain and expand on certifications and accreditations, embracing sustainable development. • Engaging UN Global Compact Principle 7, which calls for prevention rather than remediation, recognising our environmental responsibility in continued development of focussed vision, policies, strategies, targets and indicators to ensure a culture of resilience and adaptation.
Combined assurance	• Assurance over natural capital is provided through both internal and external monitoring and service providers. Abagold complies with compulsory permitted compliance protocols issued by the Department of Forestry, Fisheries and Environment ("DFFE"), including the provision of production, water-quality and food-safety monitoring data, and submitting to DFFE mandated and third-party voluntary biosecurity, stock inspection and food safety audits. Abagold holds an international Friends of the Sea sustainability certification.

HUMAN CAPITAL	**INTRODUCTION** **At Abagold we oversee workforce management and optimisation as well as ensuring alignment. Other directives include workforce planning and strategy, recruitment, employee training and development, and reporting and analytics.**
Measurables	• Our average headcount for FY21 was 396 employees, including permanent and fixed-term employees. The Covid-19 pandemic has significantly affected the absenteeism rate, which is currently 2.56% compared with the 1.59% in the prior year. • Agri-Seta approved two graduates and two apprentices, and these individuals form part of the recruitment talent pool within Abagold. Our current recruitment process has enabled us to attract and offer employment to a high percentage of these learners. • Additional financial benefits, including 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. • Employee engagement levels are directly linked to employee turnover and the effectiveness of our staff management. Together with other KPIs, improving our staff engagement will enable Abagold to improve productivity and performance. Abagold's staff turnover year on year has decreased to 1.77% in the current year, from 2.06% in 2020. • Wage negotiations with the new union, Commercial Stevedoring Agricultural & Allied Workers Union ("CSAAWU"), were finalised by the middle of May 2021, for the period 1 March 2021 to 28 February 2022.
Activities to enhance outcomes	• An on-site clinic supports our employees in terms of primary health care, especially during the Covid-19 pandemic, with the nursing sister working closely with two local doctors. We established a Covid-19 Work Committee to ensure broad representation across the business. This group is responsible for the overall upkeep of all legislative changes, implementation and training of SOPs, and ensuring compliance with regulations. • In 2021, 15 of our high-performing junior management are attending the Abagold Leadership Programme, which forms part of our talent management process to prepare and develop these employees into mid/senior management positions. • To enhance staff skills and development within the aquaculture sector, we have partnered with a leading agricultural training institute and introduced the Recognition of Prior Learning ("RPL") initiative to assess existing skills gaps. In the first year, 26 operationally experienced employees will attend the RPL initiative, and could qualify for an Animal Production certificate (NQF level 4).

HUMAN CAPITAL continued	
Activities to enhance outcomes	• Persons with disabilities are more likely to experience adverse socioeconomic outcomes such as lack of education, poorer health outcomes, lower levels of employment, and higher poverty rates. We have partnered with the Disability Units of Cape Peninsula University of Technology ("CPUT") and the University of Cape Town ("UCT") by offering bursaries to their students, and potentially offering internships and learnerships. • Our quarterly recognition awards programme recognises employees that are going above and beyond the call of duty and/or initiated cost-saving initiatives and improvements that benefitted the business. • We also hosted our annual long-service awards ceremony in May 2021, to ensure that our employees feel valued and that their loyalty towards Abagold is recognised.
Goals	• Develop effective coordination and communication within the organisation and teams. • Maintain, continually review and endeavour to improve our Level 5 B-BBEE status. • Commit to health, safety and environmental standards and improve and reduce the lost-time injury frequency rates. • Offer training and continuous development for employees, and make sure they are well equipped and continuously learning, which will enhance the level of productivity and boost morale. • Be an employer of choice, attracting and retaining talented employees, particularly from previously disadvantaged groups from the surrounding community.
Combined assurance	• The BEE rating agent provides an annual independent measure of compliance with the AgriBEE scorecard. • DOL review of BCEA conditions employment equity submissions and compliance with regional targets, and review of Temporary Employee Relief Scheme payments.

INTELLECTUAL CAPITAL	**INTRODUCTION** **Our intellectual capital refers to the expertise and industry knowledge gained over 25 years of operations, and 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. • Abagold has a dedicated Research and Development department and engages with tertiary institutions, government and industry research committees.
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, 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 for export to Europe and North America. • Combined global marketing expansion with the Oman joint venture, and develop the market for Oman Abalone. • Continued commitment to developing the knowledge base of abalone cultivation operations and associated industry.
Combined assurance	• Local assurance providers include DFFE, NRCS, Abalone Farmers Association of South Africa ("AFASA") and Amanzi Biosecurity.

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 R57 million to support SMMEs in the local community. • Abagold Development Trust financially supports students studying in various disciplines, including: Nursing Science, Computer Science, BA Law, BCom Accounting and Music. • Abagold has partnered with the YES programme and was allocated 24 students, of which 7 students were placed within the Abagold operations and the remainder with local early childhood development centres. This is a 12-month learnership contract, specifically for previously disadvantaged groups. Of the students placed within the Abagold operations we successfully retained more than 50% on a permanent basis.
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.
Combined assurance	• BEE rating agents provide an annual independent measure of compliance with the AgriBEE scorecard.

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 operating activities of R54 million compared with R6 million in the prior year. • Net debt reduced to R41 million from R76 million in the prior year. • Improvement of headroom in banking facilities for the SA operation. • Omani bank funding facilities for the Oman abalone farm, with the terms for both Phase 1 and Phase 2 facilities negotiated.
Activities to enhance outcomes	• Management review of monthly performance against agreed budgets and forecast, 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 an adequate funding headroom to enable the business to weather business disruptions and lower the overall cost of debt. • Provide an adequate return to shareholders and resume sustainable dividend payments when possible. • Implement the Board mandate with regards to enhanced long-term sustainability.
Combined assurance	• Annual external audit performed by an independent auditor, registered with the Public Accountants' and Auditors' Board of South Africa. Abagold has always maintained an unqualified audit, with no material misstatement in the financial results.

FIVE-YEAR REVIEW

	GROUP				
	2021 R'000	2020 R'000	2019 R'000	2018 R'000	2017 R'000
Statement of comprehensive income					
Continuing operations					
Revenue	260 199	203 064	206 351	149 990	187 687
Earnings before interest and tax (EBIT)	5 285	27 447	17 622	10 676	(45 049)
Net finance charge	(7 809)	(8 520)	(6 550)	(3 390)	(3 381)
Profit/(loss) before taxation	(4 155)	17 724	10 178	4 510	(49 121)
Taxation	394	(6 165)	(3 029)	91	15 783
Net profit/(loss) for the year from continuing operations	(3 761)	11 559	7 149	4 601	(33 337)
Loss from discontinued operations	–	(31)	(2 594)	(1 986)	–
Net profit/(loss) for the year	(3 761)	11 528	4 555	2 615	(33 337)
Fair value (loss)/gain on biological assets and inventory due to exchange rate and dollar price changes	(10 195)	(38 250)	(28 521)	11 615	(6 386)
Net profit/(loss) excluding exchange rates and dollar price changes	6 435	49 777	33 076	(9 000)	(26 951)
Statement of financial position					
Total assets	490 869	486 329	467 150	436 618	393 524
Total current assets	250 913	244 380	196 225	194 331	137 799
Total non-current assets	239 955	241 949	270 925	242 287	255 725
Total biological assets and inventory ("stock")	247 837	265 119	242 061	203 478	146 443
Non-current portion of biological assets	29 278	29 577	61 057	26 656	48 915
Total current liabilities	66 946	52 569	78 150	59 264	41 313
Total liabilities	202 124	193 824	208 076	182 021	147 557
Total equity	288 744	292 505	261 711	248 072	245 967
Statement of cash flow					
Cash generated from operations	58 205	11 278	(9 762)	(32 237)	99 426
Dividend paid	–	–	–	–	16 000
Purchases of property, plant and equipment	9 336	9 095	7 611	24 659	41 903
Financial ratios and exchange rates					
Solvency ratio	2.4	2.5	2.2	2.4	2.7
Current ratio	3.7	4.6	2.5	3.3	3.3
Acid test ratio	0.5	0.2	0.2	0.3	1.0
Return on equity	(1.3%)	3.9%	1.8%	1.1%	(13.6%)
Return on assets	(0.8%)	2.4%	1.0%	0.6%	(8.5%)
Operating (loss)/profit margin from continuing operations	(1.6%)	8.7%	4.9%	3.0%	(24.4%)
Financing cost cover (time) from continuing operations	0.68	3.22	2.69	3.15	(13.3)
Average exchange rate for the year (R/USD)	15.80	15.53	14.64	13.40	13.89
Closing exchange rate (R/USD)	14.29	17.30	13.75	13.75	13.05
(Loss)/earnings per share (cents) from continuing operations	(2.68)	8.38	5.36	3.45	(25.00)
(Loss)/earnings per share (cents) including discontinued operation	(2.68)	8.38	3.42	1.96	(25.00)
Dividends per share (cents)*	–	–	–	–	–
Weight on the farm (tonnes)	621	722	592	451	338

RISK COMMITTEE REPORT

Introduction

Abagold Ltd is committed to applying risk management principles that effectively manage uncertainty, related risks and opportunities, with the objective of achieving optimum shareholder value, while mitigating risks to the business. Risk management is part of the culture whereby risks are identified, evaluated, managed and mitigated as far as reasonably possible, by management, in order to ensure sustainability and leverage competitive advantage. Risks identified by management are monitored and reviewed quarterly by the Risk Committee ("the RiskCom"), which is a committee of the Board of Directors of Abagold Ltd ("the Board"). The risk management process is an iterative process with continuous improvements and updates aligned with changes to the business and the environment in which it operates.

Net debt-to-equity ratio has reduced to 14% at 30 June 2021.

Responsibility for risk management

The Board, through RiskCom, has delegated full responsibility for managing risks to management, while retaining accountability. 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 pertaining to its respective areas of involvement. This includes a review of the risks of the previous financial year and considering new or emerging risks. Facilitated workshops with all levels of management and, where required, presentations by industry experts or external consultants form part of the annual plan to ensure a broad information base is utilised in reviewing and updating the Risk Matrix.

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

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

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

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

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

Covid-19 pandemic

The June 2021 edition of Global Economic Prospects (a World Bank publication) expects a robust post-recession recovery to be uneven across countries, as major economies look set to register strong growth even as many developing economies lag. While growth for almost every region of the world has been revised upward for 2021, many continue to grapple with Covid-19 and what is likely to be its long shadow. Despite this year's pickup, the level of global GDP in 2021 is expected to be 3.2% below pre-pandemic projections, and per capita GDP among many emerging markets and developing economies is anticipated to remain below pre-Covid-19 peaks for an extended period.

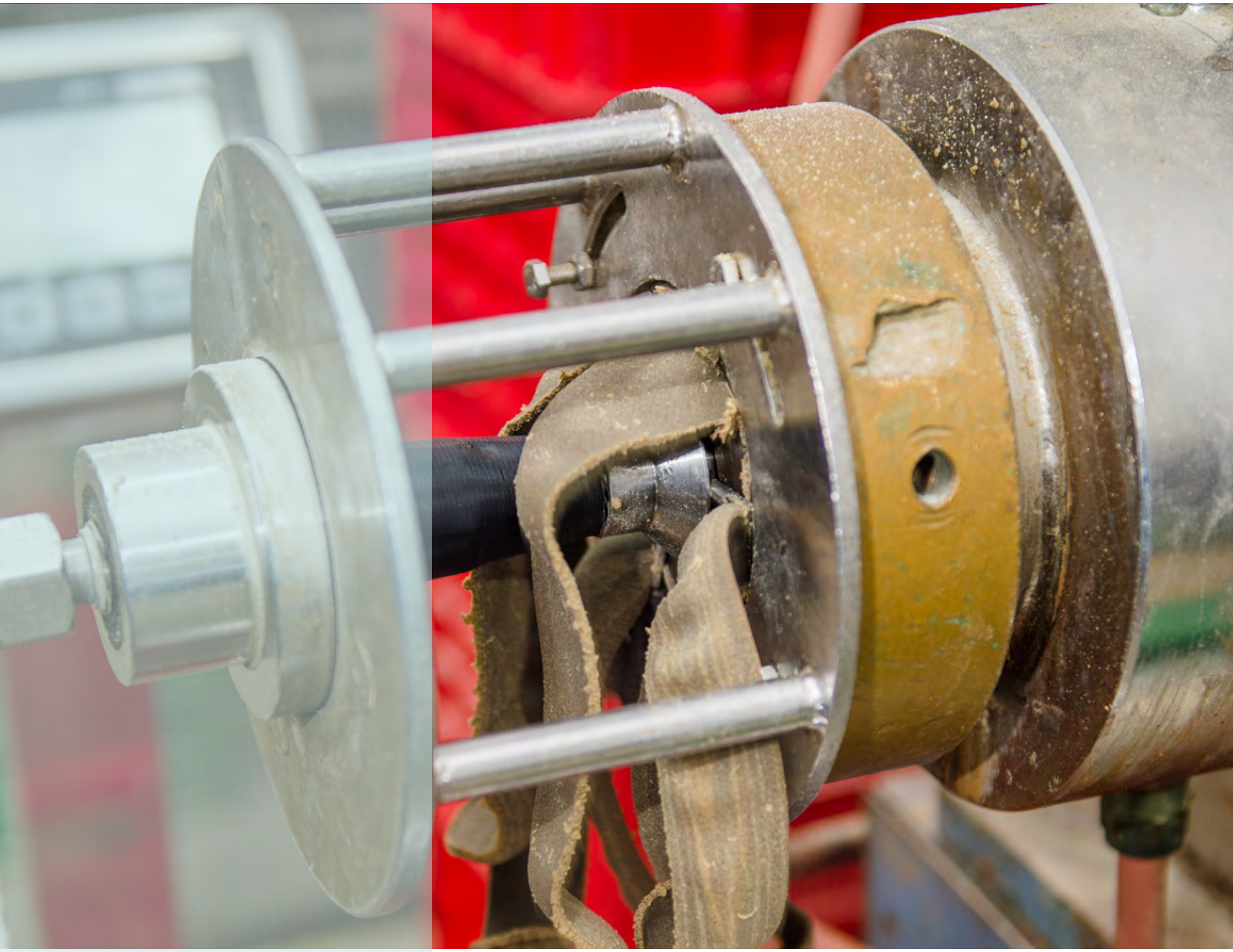
Abagold has experienced the negative impact of the pandemic and management and the Board are closely monitoring the impact on the business and staff. During this time, however, our main priority remains to ensure that our workplace is safe and that our staff are not placed at risk.

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 • Facilitate and coordinate the vaccination process for employees on a voluntary basis • Evaluate 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 inventions, such as masks, hygiene, physical distancing and staggered tea and lunch times 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 15% debt-to-equity ratio	• Take on a multi-bank model with banking facilities with at least two institutions • 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 the Oman expansion • Manage cost overruns on offshore projects and deliver Phase 1 targets	• Timing the repayment of the convertible loan funding provided by Futuregrowth • Considerable improvement in cash generated from operations • Select Capex projects based on critical infrastructure requirements and ROI • Annual renewal of banking facilities in November.
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. expand 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 • Continued harvest of larger animals that are saleable without compromising the pipeline sustainability
Adequate growth performance in biological assets	• Under performance against growth targets • Reduction in cash generated from operations	• Correct husbandry, sorting cycles, stocking density, 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 for all staff • Ongoing staff and union engagements to ensure that communication channels remain open and effective and build trust	• Planning for Bergsig infrastructure renewal in the short to medium term • Review of the growth and harvest targets • Further automation of manual processes in order to enhance efficiencies

KEY RISKS

Risk	Impact of risk	Proposed action to mitigate risk	Current status
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
Infrastructure and production capacity	• Reduction of standing stock below the infrastructure capacity. • Reduced output due to disease, theft or damage to property.	• Appropriate preventative maintenance to maximise the lifespan of infrastructure. • Renewal of the Seaview lease with the Department of Public Works (DPW). • Renewal of infrastructure that is not delivering the required output. • Expansion of production capacity with additional tanks on Sulamanzi. • Review of insurance cover, including Assets all risks and Aquaculture stock mortality insurance.	• Seaview lease expires in June 2022 and we have engaged with DPW regarding the lease renewal. • Phase 1 of the Bergsig renewal has commenced and will be completed in FY22. • Maintenance schedules are up to date and equipment performance is monitored and evaluated on an ongoing basis. • Annual renewal of insurance, covering all major risks, in November. • Review and upgrade to the security measures, including 24-hour surveillance, alarms, access control, and on-site armed response.



Employee engagement levels are directly linked to employee turnover and the effectiveness of our staff management. Abagold's staff turnover year on year has decreased to 1.77% in the current year.

BOARD OF DIRECTORS

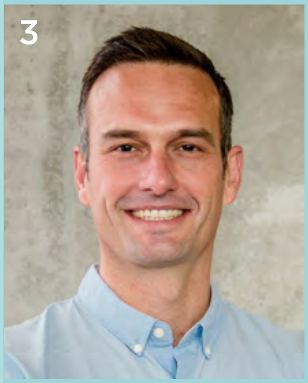
1/ **HR VAN DER MERWE,** *Chairman of the Board*
2/ **TR HEDGES,** *Managing director*
3/ **E MANCHEST,** *Financial director*
4/ **JN HAMMAN**, *Non-executive director*
5/ **JW WILKEN,** *Non-executive director*
6/ **S DE VILLIERS,** *Non-executive director*
7/ **TC RALEBITSO,** *Non-executive director*
8/ **W KEAST,** *Non-executive director*
9/ **YJ VISSER,** *Non-executive director*

The Seaview, Sulamanzi, Amaza and Bergsig production systems are now full, with abalone maturing as per plan, enabling the operation to have access to larger-size product to harvest.

EXECUTIVE MANAGEMENT TEAM

1


2


3


4


5


1/ **TR HEDGES,** *Managing director*
2/ **E MANCHEST,** *Financial director*
3/ **M HUGO,** *Chief operating officer*
4/ **W PIEK,** *Sales, marketing and processing executive*
5/ **J ENGELBRECHT,** *Managing director of Specialised Aquatic Feeds*

CORPORATE GOVERNANCE

Sound corporate governance remains a dominant theme throughout Abagold's business. The governing structures responsible for directing and controlling the pursuit of Abagold's strategic objectives have remained unchanged during 2021.

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

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

Compliance framework

Abagold Ltd aims to continually improve the structures that serve as lines of defence in order to strengthen our safeguards against breakdowns in governance. We recognise five lines of defence (see table) supporting the execution of the organisations risk management capabilities.

The Board is of the opinion that we have adhered to our board charter and that the Group has complied with the requirements of the King IV Report on Corporate Governance ("King IV") and the Companies Act, Act 71 of 2008 ("the Company's Act").

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

Companies Act, Act 71 of 2008

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

Continued awareness of, and compliance with, the requirements of the Companies Act in daily operations, corporate structuring and governance remained the focus for 2021.

The Board of Directors

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

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

<table>
<tr><th colspan="6">BOARD OF DIRECTORS</th></tr>
<tr><td>5th line of assurance</td><td>Audit committee</td><td>Risk committee</td><td>Remuneration committee</td><td>Nominations committee</td><td>Social and Ethics committee</td></tr>
<tr><td>4th line of assurance</td><td colspan="5">EXTERNAL AUDIT</td></tr>
<tr><td></td><td colspan="5">GROUP GOVERNANCE FRAMEWORK</td></tr>
<tr><td>3rd line of assurance</td><td>Internal control review</td><td>Global standard certifications</td><td>Regulatory audit inspections</td><td>Industry assurance providers</td><td>Other insurance providers</td></tr>
<tr><td rowspan="2">2nd line of assurance</td><td colspan="2">Executive governance</td><td rowspan="2"></td><td colspan="2">Risk governance</td></tr>
<tr><td colspan="2">CEO strategy meetings, manco meetings, departmental meetings, transformation forums</td><td colspan="2">Policies, procedures, insurance and internal controls</td></tr>
<tr><td>1st line of assurance</td><td colspan="5">GROUP AND DIVISIONAL MANAGEMENT</td></tr>
</table>

Composition and size

At the date of this report, the Board consists of seven 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 and senior managers 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 and senior managers are generally responsible for taking and implementing all operational decisions.

Abagold farm management is thankful for the continued improvements and innovation on the abalone feed, which is delivering impressive growth performance on the larger sized abalone.

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; and
- Coordinating the process of assessing the performance of the Board and its committees.

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

Board committees

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

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

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

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

  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, chief operating officer, and financial director 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 24.

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

Meetings and quorums

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

The Board meets on a quarterly basis or more frequently if circumstances require it. All its committees, except the social and ethics committee, meet at least four times a year.

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

Materiality and approvals framework

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

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

Remuneration principles

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

- Retaining the services of existing executive management and senior managers;
- Attracting potential executive management and senior managers;
- Providing executive management and senior management with remuneration that is just and fair; and
- Ensuring alignment between the interests of shareholders and executive management.

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

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

The following statements define our overall policy for each element:

Compensation: We aim to provide total remuneration at the median (50th percentile) of our selected comparator groups and for our relevant geographic area. It is a stated objective that guaranteed remuneration for executives will not be targeted at the median of the comparator group, but at a lower level as

	Board	Audit committee	Risk committee	Remuneration committee	Nominations committee	Social and ethics committee
Number of meetings held	**4**	**4**	**4**	**4**	**4**	**2**
Attendance by directors:						
TR Hedges (managing director)	4 /4	4/4*	4/4*	4/4	4/4	2/2
HR van der Merwe (chairman of the Board)	4/4	–	–	3/4	3/4 @	–
E Manchest #	4/4	4/4*	4/4*	4/4	4/4	2/2
WB Keast**	4/4	–	–	–	–	–
YJ Visser	4/4	4/4	4/4 @	4/4	4/4	2/2
JW Wilken	4/4	4/4 @	4/4	4/4 @	4/4 <	1/2
T Mokgosi-Mwantembe***	3/3	–	–	3/3	–	–
CIJ Williams ‡	2/3	2/3	2/3	–	–	–
JN Hamman #	2/2	–	–	–	–	–
CT Ralebitso #	2/2	1/1	1/1	–	–	–
SL De Villiers ^	1/1	–	–	–	–	1/1
P Kubheka	–	–	–	–	–	2/2

* Attended by invitation
** Attended in person or by sending an observer
‡ Resigned in February 2021
*** Resigned in March 2021
@ Chairman of the committee
# Appointed in January 2021
^ Appointed in February 2021
< Chairman of the Board for the February meeting

considered appropriate by the Remco. The gap in total remuneration, as measured against the median of the comparator group, is addressed by non-guaranteed incentive pay. This aligns remuneration with shareholder value delivery and also assists to retain and secure the service of key staff.

Performance and recognition: We utilise a performance management system that aligns individual objectives to that of the organisation. We also have a well-established short-term incentive programme, aligned to achieving positive cash generated from operations on a sustainable basis. In addition, the executive team participate in a Long Term Incentive Plan (LTIP) which is aligned with delivering longer-term shareholder value. The LTIP provides the opportunity to address the pay gap between guaranteed pay and the targeted median remuneration.

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

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

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

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

In accordance with these objectives, the remuneration and nomination committees review and evaluate, on an annual basis, the contribution of each executive manager and member of senior management, and determines their annual salary adjustments. For this purpose, the remuneration committee consider salary surveys compiled by independent organisations and will also refer to the PwC Executive Directors' Remuneration Trends Report.

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

Duties of directors

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

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

Directors' interests

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

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

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

Risk management and internal control

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

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

Share trading

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

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

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

Ethics

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

Going concern

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

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

The Board's opinion pertaining to the appropriateness, validity and disclosure of the annual financial statements and explanations are set out in the Directors' approval and declaration of the responsibility and approval on page 48 of this report.

Corporate governance statement

Application of the King IV 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 King IV Report on Corporate Governance ("King IV") 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 King IV.

Details on the Group's implementation of the King IV principles are highlighted in the table below:

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 conflict of interests disclosure 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. These 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 conflict 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 are all captured in our values.
	PRINCIPLE 3 *Responsible corporate citizenship*	Compliance with the laws of the country is monitored with any instances of non-compliance 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 into account stakeholder needs and expectations. The focus is on strategic outcomes that support the organisation'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 integrated annual report presents information to provide stakeholders and users with a holistic view of the Group's performance in a clear, concise and understandable manner. This report contains, amongst others, the annual financial statements, corporate governance, value creation and risk management disclosures. 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 custodian of governance, which includes annual board continuity and effectiveness reviews to improve the overall wellbeing of the organisation.
	PRINCIPLE 7 *Board composition*	The Board is satisfied that its composition reflects the 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 the 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 are managed through a formal delegation of authority processes and accompanying terms of reference. Board structures undergo an 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 2021 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 an MD 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 have 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. A Group 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 CFO 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 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.

Consolidated annual financial statements

for the year ended 30 June 2021

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 Financial Director 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 2021 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 17 September 2021, and signed on its behalf by:

HR van der Merwe
Chairman

TR Hedges
Managing director

Hermanus
17 September 2021

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 2021, 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
17 September 2021

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 financial reporting and 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 its charter and ascribed to it in terms of the Companies Act and King IV, as follows:

- Reviewed the interim, preliminary and abridged results as well as the year-end financial statements, culminating in a recommendation to the Board for approval. In the course of its review, the committee:
  - took the necessary steps to ensure that the financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act;
  - considered and, when appropriate, made recommendations on internal financial controls;
  - ensured that a process is in place to be informed of any reportable irregularities (as per the Auditing Professions Act, 2005) identified and reported by the external auditor; and
  - received and dealt appropriately with any concerns or complaints, whether from within or outside the Group, or on its own initiative, relating to the accounting practices, the content of the financial statements, and the internal financial controls of the Group or any related matter. During the financial year under review, no such material concerns or complaints were raised;
- Reviewed the external audit reports on the Group's annual financial statements;
- Verified the independence of the external auditors, BDO 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 17 September 2021, 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, or appointed by the Board in terms of section 94 (6) 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	16 Sept 2020	3 Dec 2020	11 Feb 2021	10 June 2021
Mr CIJ Williams*	Present	Present	Absent	n/a
Mr YJ Visser	Present	Present	Present	Present
Mr JW Wilken	Present	Present	Present	Present
Mr CT Ralebitso**	n/a	n/a	n/a	Present

* *Resigned in February 2021*
** *Appointed in March 2021*

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
21 September 2021

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 2021.

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 13 to the financial statements.

Dividends

During the year, the Company did not declare a dividend (2020: 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	(financial director)
YJ Visser	(non-executive)
JW Wilken	(non-executive)
W Keast	(non-executive)
CT Ralebitso	(non-executive, appointed in January 2021)
JN Hamman	(non-executive, appointed in January 2021)
CIJ Williams	(non-executive, resigned in February 2021)
SL De Villiers	(non-executive, appointed in February 2021)
T Mokgosi-Mwantembe	(non-executive, resigned in March 2021)

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 of 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 year-end 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 global Covid-19 pandemic has continued for the past 20 months, significantly impacting economies across the globe. Due to the uncertainty surrounding the duration of the pandemic and the success of the vaccinations programme, the impact 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 adequate available funding headroom in order to support the business during these unprecedented times.

Investment in subsidiaries

	2021	2020
Specialised Aquatic Feeds (Pty) Ltd	70%	70%
Abagold Mauritius Limited	100%	100%

Investments

	2021	2020
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 8.

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 11 December 2021 and will continue in office, subject to reappointment by shareholders at the 2021 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 102, which comprise the consolidated statement of financial position as at 30 June 2021, 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 2021, 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 2021", 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 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 4 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

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

22 September 2021

Consolidated statement of financial position

at 30 June 2021

	Notes	2021 R'000	2020 R'000
ASSETS			
Non-current assets		**239 955**	**241 949**
Property, plant and equipment	2	177 221	183 487
Right of use asset	3	3 178	3 443
Biological assets	4	29 278	29 577
Trademarks	5	100	152
Goodwill	6	7 979	7 979
Investments in associates	8	21 519	15 938
Loans receivable	9	680	1 373
Current assets		**250 913**	**244 380**
Biological assets	4	189 566	208 135
Inventories	10	28 994	27 407
Trade and other receivables	11	9 619	8 838
Derivative financial instruments	12	3 006	–
Cash and cash equivalents	19	19 728	–
Total assets		**490 868**	**486 329**
EQUITY AND LIABILITIES			
Equity		**288 744**	**292 505**
Share capital	13	21 637	21 637
Share premium		87 498	87 498
Retained earnings		172 514	176 502
Non-controlling interest	7.1	7 095	6 868
Total equity		**288 744**	**292 505**
Non-current liabilities		**135 178**	**141 255**
Lease liability	14	6 519	6 300
Deferred income tax	15	83 021	83 415
Deferred income grant	16	8 790	9 690
Borrowings	17	30 916	40 707
Trade and other payables	18	5 932	1 143
Current liabilities		**66 946**	**52 569**
Lease liability	14	1 025	949
Deferred income grant	16	900	900
Borrowings	17	29 872	9 137
Trade and other payables	18	35 149	15 438
Derivative financial instruments	12	–	76
Bank overdraft	19	–	26 069
Total liabilities		**202 124**	**193 824**
Total equity and liabilities		**490 868**	**486 329**

Consolidated statement of comprehensive income
for the year ended 30 June 2021

	Notes	2021 R'000	2020 R'000
Continuing operations			
Revenue	23	**260 199**	203 064
Other income	24	**7 108**	7 836
Interest Income		**153**	–
Fair value gains in financial instruments	25	**16 317**	908
Fair value gains on biological assets	4	**163 759**	192 217
Consumption of raw material		**(53 318)**	(43 156)
Fair value of sold abalone	10	**(199 807)**	(186 440)
Export costs		**(27 394)**	(12 654)
Production costs	26	**(31 512)**	(28 016)
Employee benefit expenses	27	**(84 453)**	(60 923)
Depreciation and amortisation		**(15 154)**	(15 507)
Other operating expenses		**(30 010)**	(26 789)
Impairment of loan receivable	9	**(603)**	–
Impairment of PPE	2	**–**	(3 093)
Profit from operations	29	**5 285**	27 447
Finance costs	30	**(7 809)**	(8 520)
Share of loss of equity accounted investments	8	**(1 631)**	(1 203)
(Loss)/profit before income tax		**(4 155)**	17 724
Income tax	15.1	**394**	(6 165)
(Loss)/profit for the year from continuing operations		**(3 761)**	11 559
Loss for the year from discontinued operations		**–**	(31)
(Loss)/profit for the year		**(3 761)**	11 528
Other comprehensive loss		**–**	(14)
Total comprehensive (loss)/income for the year		**(3 761)**	11 514
Total comprehensive (loss)/income for the year is attributable to:			
Owners of Abagold Limited		**(3 988)**	11 458
Non-controlling interests		**227**	56
		(3 761)	11 514
From continuing operations			
Basic (loss)/earnings per share (cents)	31	**(2.68)**	8.38
Diluted (loss)/earnings per share (cents)	31	**(1.51)**	8.38
Including discontinued operation			
Basic (loss)/earnings per share (cents)	31	**(2.68)**	8.38
Diluted (loss)/earnings per share (cents)	31	**(1.51)**	8.38

Consolidated statement of changes in shareholders' equity
for the year ended 30 June 2021

	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 2019	**7**	**87 498**	**(14)**	**165 044**	**6 812**	**259 347**
Non-controlling interest	–	–	–	–	56	56
Rights issue	21 630	–	–	–	–	21 630
Total comprehensive income for the year	–	–	14	11 458	–	11 472
Balance at 30 June 2020	**21 637**	**87 498**	**–**	**176 502**	**6 868**	**292 505**
Total comprehensive loss for the year	–	–	–	(3 988)	–	(3 988)
Non-controlling interest	–	–	–	–	227	227
Balance at 30 June 2021	**21 637**	**87 498**	**–**	**172 514**	**7 095**	**288 744**

[1] FCTR = foreign currency translation reserve

Consolidated statement of cash flows

for the year ended 30 June 2021

	Notes	2021 R'000	2020 R'000
Cash flow from operating activities		**53 671**	**5 999**
Cash received from clients	32.1	**266 526**	217 212
Cash paid to suppliers and employees		**(208 321)**	(205 934)
Cash generated from operations	32.2	**58 205**	11 278
Finance costs	30	**(4 534)**	(5 404)
Tax received		**–**	125
Cash flow from investing activities		**(15 840)**	**(20 014)**
Purchases of property, plant and equipment	2	**(9 336)**	(9 095)
Proceeds from disposal of property, plant and equipment	2	**625**	12
Loan granted to associate		**–**	(90)
Loan repaid by associate		**90**	–
Investment in equity accounted entities	8	**(7 213)**	(10 807)
Purchases of trademarks	5	**(6)**	(34)
Cash flow from financing activities		**7 966**	**24 022**
Increase in long-term borrowings	17	**8 848**	3 271
Proceeds from rights issue		**–**	21 630
Lease payments	14.1	**(882)**	(879)
Net cash flow for the year		**45 797**	**10 007**
Cash and cash equivalents – beginning of the year		**(26 069)**	(36 076)
Cash and cash equivalents – end of the year	19	**19 728**	**(26 069)**

Notes to the consolidated financial statements
for the year ended 30 June 2021

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 2021 for the Group, compromising Abagold Limited and its subsidiaries.

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

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 initially measures the non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

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, but not exceeding three months. The most recent available financial statements of the associate or joint venture are used by the entity in applying the equity method.

Any differences in accounting policies, and 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.

If there is an indication of impairment, the impairment test is carried out on the smallest group of assets relating to the associate and joint venture. 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. There were impairment indicators during the financial year; however, no additional impairments were deemed necessary.

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.

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 flow.

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.

Trade and other receivables

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

1.4 FINANCIAL LIABILITIES

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

Notes to the consolidated financial statements
for the year ended 30 June 2021 **continued**

1.4 FINANCIAL LIABILITIES (CONTIUNED)

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.

Convertible debt
The proceeds received on issue of the Group's convertible debt are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost until extinguished on conversion or maturity of the bond. The remainder of the proceeds is allocated to the conversion option and is recognised in the 'Convertible debt option reserve' within shareholders' equity, net of income tax effects. Refer to note 17 for further details.

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 a forward exchange contract is the 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 2021 **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 principal market for 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 IAS 41 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 2021 **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 receivables at amortised cost, the Group applies the simplified model in terms of IFRS9, and measures expected credit losses 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.

General approach
For other receivables the Group measures impairment losses on an individual basis in three stages. The Group classifies amounts outstanding for longer than 30 days as a significant increase in credit risk. The impairment provisions are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

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.

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.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- The initial recognition of goodwill;
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and
- Investments in subsidiaries, associates and joint arrangements where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

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.

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 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.

Notes to the consolidated financial statements
for the year ended 30 June 2021 **continued**

1.16 EMPLOYEE BENEFITS (CONTIUNED)

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 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.

1.18 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.

1.19 LEASES

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used.

On initial recognition, the right of use assets are initially measured at the amount of the lease liability.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

Refer to note 3 (Right-of-use asset) and note 14 (Lease liability).

1.20 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.

1.21 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.

Diluted EPS takes into account the effect of all dilutive potential ordinary shares outstanding during the period.

Weighted average number of shares in issue is calculated as the number of shares in issue at the beginning of the period, increased by shares issued during the period weighted on a time basis for the periods during which they have participated in the profit of the Group.

Notes to the consolidated financial statements
for the year ended 30 June 2021 **continued**

1.22 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

1.22.1 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:

- Significant influence over associates, including Aquawomen (Pty) Ltd, Mean Sea Level (Pty) Ltd, and Port Nolloth Sea Farm Ranching (Pty) Ltd ("PNSFR"): The percentage of voting rights in these entities is between 20–50%, and the rebuttable presumption of significant influence is supported by representation on the board of the investee. The only exception is with PNSFR, which has started its first year of trading and does not have audited results available. Refer to notes 8 for further details of these investments.
- Classification of Joint arrangements as joint ventures: The Group has a 50% (2020: 50%) interest in joint venture, Oman Aquaculture Co LLC, a separate entity incorporated and operating in Oman. The contractual arrangement provides the Group with only the rights to the net assets of the joint arrangement, with the rights to the assets and obligations for liabilities of the joint arrangement resting primarily with Oman Aquaculture Co LLC. Under IFRS 11 this joint arrangement is classified as a joint venture and has been included in the consolidated financial statements using the equity method. See note 8.1 for further details.
- Classification of the Convertible shareholder loan as a debt instrument: The conversion rights in terms of the shareholder loan are considered as significantly below the market value of the underlying shares, and as a result this loan has been classified as debt. Refer to note 17 for further details.

Significant estimates and assumptions 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. Refer to note 2 for more detailed update.

- *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. Refer to note 6 for more detailed update.

- *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.

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

1.22.1 Judgements and estimates (continued)

- *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. Refer to note 8 for a more detailed update.

- *Lease term*
  The termination of lease for the land lease in which the group is a lessee, including whether the Company is reasonably certain to exercise lessee options (note 14).

1.22.2 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), long-term incentive plan (note 28) and financial instruments (note 22).

Notes to the consolidated financial statements

for the year ended 30 June 2021 **continued**

1.23 RECENTLY ISSUED ACCOUNTING STANDARDS

New standards that have been adopted in the annual financial statements for the year ended 30 June 2021, but have not had a significant effect on the Group are:

- IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (Amendment – Disclosure Initiative – Definition of Material);

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the group. *The following is a list of other new and amended standards which, at the time of writing, had been issued by the IASB but which are effective in future periods*:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

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 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
Depreciation	–	(5 607)	(9 208)	(26)	(177)	(166)	–	(15 184)
Impairment	–	–	–	–	–	–	(3 093)	(3 093)
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)
Reallocate between categories	–	1 505	9 727	36	1 478	513	(13 261)	–
Cost	–	1 505	9 727	36	1 478	513	(13 261)	–
Accumulated depreciation	–	–	–	–	–	–	–	–
Additions	–	–	–	–	–	–	9 336	9 336
Disposal	–	–	(474)	–	–	(53)	–	(527)
Cost	–	–	(499)	–	–	(155)	–	(654)
Accumulated depreciation	–	–	25	–	–	102	–	127
Impairment	–	–	–	–	–	–	–	–
Depreciation	–	(5 802)	(8 570)	(28)	(243)	(187)	–	(14 830)
Adjustments	–	–	(66)	–	–	–	(178)	(244)
Book value at 30 June 2021	10 987	81 137	75 713	362	4 773	1 384	2 863	177 221
Cost at 30 June 2021	10 987	128 040	161 437	649	6 437	2 269	2 863	312 684
Accumulated depreciation and impairment	–	(46 903)	(85 724)	(287)	(1 664)	(885)	–	(135 463)

Notes to the consolidated financial statements
for the year ended 30 June 2021 **continued**

2. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Assets under construction at the end of the current year of R3 million (2020: R6 million) includes R1,9 million for SAF warehouse expansion and R1,1 million for infrastructure improvements for the Group.

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

Land 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 harbour land from the Department of Public Works. 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 14 (lease liability).

	2021 R'000	2020 R'000
Reconciliation of carrying value of right-of-use assets:		
Carrying value at beginning of period	3 443	–
Restatement of opening balance due to IFRS 16	–	3 708
Depreciation	(265)	(265)
Carrying value at end of period	3 178	3 443
Comprising:		
Land	3 178	3 443

4. BIOLOGICAL ASSETS

The Group owns biological assets in the form of abalone livestock, which are produced and cultivated in a land based flow-through system. Biological assets are measured at the best estimate of fair value less anticipated marketing and other related selling costs.

(a) Reconciliation

	2021 R'000	2020 R'000
Opening carrying amount	237 712	199 005
Net fair value adjustment for growth and mortalities	173 954	230 468
Fair value adjustment due to changes in US Dollar sales prices	37 435	(100 907)
Fair value adjustment due to exchange rate changes	(47 630)	62 657
Transfers to Port Nolloth Sea Farm Ranching (a related party)	(2 969)	(2 987)
Transfer to inventories	(179 659)	(150 523)
Closing carrying amount	218 843	237 712

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 (2020: 50g) are not considered as trading stock as they have not reached harvestable size based on prevailing market conditions.

	2021 R'000	2020 R'000
At 30 June:		
– Non-current biological assets	29 278	29 577
– Current portion of biological assets	189 566	208 135
	218 843	237 712

At 30 June 2021 there were 621 tonnes (2020: 721 tonnes) of live abalone on the three grow-out farms, Seaview, Bergsig and Sulamanzi.

	2021 Kg	2020 Kg
Weight of biological assets:		
Opening carrying weight	721 504	592 312
Growth	460 840	566 130
Harvested	(561 325)	(436 938)
Closing carrying weight	621 019	721 504

(i) Fair value hierarchy

The fair value measurements for abalone biological assets of R219 million (2020: R238 million) have been categorised as Level 3 fair values based on the inputs to the valuation techniques used.

Notes to the consolidated financial statements

for the year ended 30 June 2021 **continued**

4. BIOLOGICAL ASSETS (CONTINUED)

(ii) Level 3 fair values

The following valuation techniques and significant unobservable inputs are used in measuring fair value of abalone biological assets:

The fair value of biological assets are determined using the market comparison technique and is based on market export prices of abalone in a format representing the highest and best use of a similar size and breed, i.e. the export prices of live, canned and dried abalone are used when valuing biological assets per size category. The fair value of biological assets was determined using export prices for live, dried and canned formats as it represents the sales mix for abalone across the various sizes. Market prices are denominated in US Dollars. Biological assets are continuously counted and weighed in predetermined cycles and at reporting dates a formula is used to project the present weight of the abalone at each reporting date. The present weight is calculated by extrapolating the average weight of each of the baskets on the farms at a growth rate which is equal to its life-to-date growth rate. The abalone are then classified into weight classes for valuation purposes and valued using relevant selling prices for each weight class, adjusted for drip and purge losses, and cost to sell.

(b) Measurement of fair values

Smaller abalone (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 20 grams as no active export market exists for these sizes. Abalone in the weight classes from 21 grams to 450 grams are valued using the US Dollar selling price per kilogram (active market price) for each weight class in its principal market. As there is no active live market for larger abalone, and in order to be prudent, the value for abalone in the weight classes greater than 450 grams is capped at the value used for 450 gram abalone.

The drip (7%) and purge (5%) loss used in the valuation model for live exports is based on results from empirical tests and industry benchmarking.

At 30 June 2021, 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 R20 million (2020: R 23 million) higher. Conversely, if the US Dollar price decreased by 10%, the value of biological assets and profit would be less with the same amounts. This variation in profit would be due to the fair value adjustment of biological assets through profit or loss.

During the year, in response to changes in demand in the medium to large size abalone market, the reference selling price was changed to match the size profile of the principal market based on the sales mix. The impact of this change in sales mix was that the biological asset valuation was R3,4 million higher 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 2021, the value of smaller abalone included in biological assets was R19,5 million (2020: R10 million), excluding the abalone in the Hatchery.

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 Company 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 predominantly 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

	2021 R'000	2020 R'000
Reconciliation		
Opening carrying value	152	176
Cost	581	547
Accumulated amorisation and impairment	(429)	(371)
Additions	6	34
Amortisation	(58)	(58)
Closing carrying value	100	152
Cost	587	581
Accumulated amorisation and impairment	(488)	(429)

Notes to the consolidated financial statements
for the year ended 30 June 2021 **continued**

6. GOODWILL

	2021 R'000	2020 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	2021 %	2020 %
Discount rate	17.0	17.0
Terminal value growth rate	2.0	2.0

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.

The cash generating unit allocated to goodwill is the hatchery division, with the key assumption being the level of spat production and output. The forecasted production output of 8,4 million spat per annum from the hatchery delivers a R9,2 million value-in-use on a discounted basis. There must be a 11% reduction in production output in order for the value-in-use to equal the goodwill carrying value.

7. SUBSIDIARIES

The principal subsidiaries of Abagold Group, all of which have been included in these consolidated financial statements, are as follows:

Name	Country of incorporation and principal place of business	Proportion of ownership interest at 30 June	Non-Controlling interests Ownership/voting interest at 30 June
Specialise Aquatic Feeds (Pty) Ltd	South Africa	70%	30%
Abagold Mauritius Limited	Mauritius	100%	–

7.1 NON-CONTROLLING INTERESTS

Specialised Aquatic Feeds (Pty) Ltd, a 70% owned subsidiary of the Company, has material non-controlling interests (NCI).

Summarised financial information in relation to Specialised Aquatic Feeds (Pty) Ltd, before intra-group eliminations, is presented below together with amounts attributable to NCI:

For the period ended 30 June	2021 R'000	2020 R'000
Revenue	75 113	60 524
Cost of sales	(56 488)	(45 809)
Gross Profit	18 625	14 715
Other income	142	108
Employment costs	(9 286)	(7 290)
Depreciation	(2 338)	(2 283)
Other operating expenses	(6 212)	(4 756)
Operating profit	931	494
Finance costs	33	(305)
Profit before tax	964	189
Tax	(206)	(4)
Profit after tax	758	185
Profit/(loss) allocated to NCI	227	56
Other comprehensive income allocated to NCI	–	–
Total comprehensive income allocated to NCI	227	56
Dividends paid to NCI	–	–
Cash flows from operating activities	5 663	(391)
Cash flows from investing activities	(2 142)	(1 577)
Cash flows from financing activities	1 518	(13)
Net cash inflows/(outflows)	5 039	(1 980)
Assets:		
Property plant and equipment	18 611	18 807
Loan receivable	2 695	80
Inventories	5 506	5 705
Trade and other debtors	7 939	7 397
Cash and cash equivalents	2 164	–
Liabilities:		
Deferred Tax	2 825	2 618
Sahreholder loans	10 241	9 567
Trade and other payables	7 761	4 943
Loans and other borrowings	3 344	–
Accumulated non-controlling interests	7 095	6 868

Notes to the consolidated financial statements
for the year ended 30 June 2021 **continued**

8. EQUITY ACCOUNTED INVESTMENTS

8.1 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 in which the shareholders share in the net assets of the joint venture company. 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 commitments to increase the equity contribution by R13m in order to complete phase 1 in the next financial year.

The initial phase included a feasibility study and a pilot project. The first phase of commercial development has included an environmental impact assessment, full farm design and project management costs to date. Both parties have incurred certain costs related to the initial and first phases, of which Abagold's contribution at year-end is R24 million (2020: R16,8 million).

There were no indicators of impairment during the year under review; however, key operational milestones have been set for phase 1, which if not met, will be deemed as indicators of impairment.

	2021 R'000	2020 R'000
Investment in Oman Aquaculture Co LLC at cost	**23 968**	**16 757**

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.

	2021 R'000	2020 R'000
Fixed assets	45 128	14 422
Current assets (consisting of cash and cash equivalents)	2 541	1 846
Assets (100%)	47 669	16 268
Group's share of assets (50%)	**23 834**	**8 134**
Current liabilities	(79)	(80)
Long term liabilities	(28 431)	(91)
Group's share of liabilities (50%)	**(14 255)**	**(86)**
Group's share of net assets (50%)	**9 579**	**8 048**
Net loss (100%)	(3 261)	(2 407)
Group's share of net loss (50%)	**(1 631)**	**(1 203)**
Prior year equity-accounted loss (50%)	(6 610)	(5 407)
Group's share of accumulated net loss (50%)	(8 241)	(6 610)
Remaining net investment	**15 727**	**10 147**

8.2 INVESTMENT IN MEAN SEA LEVEL (PTY) LTD

At the end of the 2016 fiscal year, Abagold owned 31.95% in Mean Sea Level (Pty) Ltd ("MSL"). MSL pursues renewable energy projects, and its first two projects included the construction of a Energy Recovery Turbine ("ERT") which generates electricity from Abagold's return-water to the ocean, and a pilot Wave Energy project. During the 2015 fiscal year, Abagold had signed a guarantee over a R4,6 million loan from the IDC to MSL for the construction of the ERT. In addition to this, Abagold had entered into a Power Purchase Agreement with MSL to purchase electricity generated by the ERT at a fixed rate below the Eskom rate. In the 2017 fiscal year, Abagold paid for and took ownership of the ERT, and MSL have settled the outstanding loan with the IDC and released Abagold from the guarantee. The Power Purchase Agreement has accordingly 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. In 2020, this business temporarily ceased operations in order to raise additional funding and review the project design.

	2021 R'000	**2020 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:

Non-current assets	7 003	11 090
Current assets	47	274
Assets (100%)	7 050	11 364
Group's share of assets (23.08%)	**1 627**	**2 623**
Long-term liabilities	–	–
Current liabilities	–	(4)
Liabilities (100%)	–	(4)
Group's share of liabilities (23.08%)	**–**	**(1)**
Net assets (100%)	7 050	11 360
Share of net assets (23.08%)	**1 627**	**2 622**
Net profit (100%)	(1 291)	132
Group's share of net (loss)/profit (23.08%)	**(298)**	**30**
Prior year equity-accounted loss (23.08%)	(3 670)	(3 701)
Group's share of accumulated net loss (not recognised)	(3 968)	(3 670)
Remaining net investment	**–**	**–**

The unrecognised portion of the loss is R3,97 million and will be carried forward for recovery against future profits.

Notes to the consolidated financial statements
for the year ended 30 June 2021 **continued**

8.3 INVESTMENT IN PORT NOLLOTH SEA FARM

During the 2015 fiscal year, Abagold obtained 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 at market prices. Further supplies of spat were agreed to be at market-related prices.

	2021 R'000	2020 R'000
Investment in Port Nolloth Sea Farm Ranching (Pty) Ltd	5 123	5 123

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 and recorded its first sales in the second half of FY21. In the absence of audited financial results we have decided to continue to carry this investment at cost until such time that the appropriate governance structures are put in place by the board of the investee.

The following transactions between Abagold Ltd and PNSFR occurred during the year:

	2021 R'000	2020 R'000
Purchases from PNSFR	4 709	–

The following balances are outstanding with related parties at the reporting date:

	2021 R'000	2020 R'000
Trade payable to PNSFR	1 142	–

8.4 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.

	2021 R'000	2020 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:

Non-current assets	1 248	448
Current assets	424	1 542
Current liabilities	(678)	(730)
Long-term liabilities	(77)	(182)
Net assets (100%)	918	1 078
Share of net assets (45%)	**413**	**485**
Sales to Abagold	2 978	1 793
Expenditure	(2 470)	(1 464)
Net profit (100%)	508	328
Share of profit (45%)	**229**	**148**
Elimination of intergroup transactions	(229)	(148)
Net share of profit (45%)	**–**	**–**

Total investments

Opening balance	15 938	6 104
Investment – current year	7 212	11 037
Share of loss – current year	(1 402)	(1 025)
Elimination of intergroup transactions	(229)	(148)
Reversal of prior year losses	–	(30)
Total net investments	**21 519**	**15 938**

Notes to the consolidated financial statements
for the year ended 30 June 2021 **continued**

9. LOANS RECEIVABLE

	2021 R'000	2020 R'000
Aquawomen (Pty) Ltd	640	730
Doringbay Abalone (Pty) Ltd	–	603
A3M Manufacturing (Pty) Ltd	40	40
Loans receivable	**680**	**1 373**

These loans were made available to support local enterprise and supplier development, and are interest-free. The loans with Aquawomen and A3M Manufacturing have a 3–5 year term.

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 2021 the impairment allowances to Aquawomen (Pty) Ltd were not significant on account of a supply agreement to produce and repair 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 A3M Manufacturing (Pty) Ltd were not significant on account of a supply agreement in respect of pallets to the Group, which significantly mitigates the credit risk from these loans.

During the year the loan to Doringbay Abalone (Pty) Ltd was fully impaired as the loan will be written off as part of an enterprise development contribution.

10. 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.

	2021 R'000	2020 R'000
Reconciliation of abalone inventory		
Opening carrying amount	19 335	36 421
Transfer from biological assets	179 659	150 523
Purchases	8 931	12 475
Processing costs	4 063	6 356
Adjustments for stock transfers out at fair value	8 322	–
Fair value of Abalone sold	(199 807)	(186 440)
Closing carrying amount	20 503	19 335

The carrying amount includes work in progress of R5,4 million (2020: R1,3 million), which represents harvested abalone being processed but not yet in a final product ready for sale at the reporting date.

Processing costs including the material, labour and related costs of getting the product ready for sale.

Adjustments for stock transfers at fair value relate to transfers out on discounted product in the first half of the year.

10. INVENTORIES (CONTINUED)

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.

	2021 R'000	2020 R'000
Reconciliation of non-abalone inventory		
Raw materials	5 440	5 641
Machinery parts and spares	1 956	1 656
Finished goods – feed	1 095	774
Closing carrying amount	8 491	8 071
Total inventory	**28 994**	**27 407**

11. TRADE AND OTHER RECEIVABLES

	2021 R'000	2020 R'000
Trade receivables	6 257	5 558
Prepaid expenses	1 389	1 379
Sundry receivables	32	104
Value-added tax	1 942	1 796
	9 619	8 838

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

	2021 R'000	2020 R'000
South African Rand	9 489	9 999
US Dollar	130	(1 161)
	9 619	8 838

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 or general allowances were recognised on trade receivables for the year ended 30 June 2021 (2020: Rnil). The ageing analysis of trade receivables is as follows:

	30 June 2021		30 June 2020	
	Carrying value R'000	Impairment R'000	Carrying value R'000	Impairment R'000
Up to 1 month	5 947	–	3 756	–
1–2 months	246	–	1 694	–
More than 2 months	64	–	108	–
	6 257	–	5 558	–

Notes to the consolidated financial statements
for the year ended 30 June 2021 **continued**

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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.*

12. DERIVATIVE FINANCIAL INSTRUMENTS

	2021 R'000	2020 R'000
The derivative financial instruments at 30 June comprise:		
– Forward foreign exchange contracts – assets	3 006	–
– Forward foreign exchange contracts – liabilities	–	(76)
	3 006	(76)
Reconciliation of derivative financial instruments:		
Opening balance	(76)	(1 024)
– Contracts entered into	3 006	(76)
– Contracts expired	76	1 024
Closing balance	3 006	(76)

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 USD5,95 million (2020: nil) with forward rates ranging from R14.20/USD to R15.90/USD for periods up to 12 months. The notional principal amount of the outstanding forex collars at 30 June 2021 was nil (2020: USD5,4 million with floor rate of R16.19 and a ceiling rate of R19.50 in the prior year).

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

13. SHARE CAPITAL

	2021		2020	
	Number	R'000	Number	R'000
Authorised				
200 000 000 ordinary shares with no par value	200,000,000	10	200,000,000	10
Issued and fully paid up				
Opening balance ordinary shares of no par value	140,548,236	21 637	133,333,333	7
Rights issue in November 2019	–	–	7,214,903	21 630
	140,548,236	21 637	140,548,236	21 637

13. SHARE CAPITAL (CONTINUED)

In November 2019 the company made a rights offer to shareholders and issued 7,2 million new ordinary shares with no par value, raising equity funding of R21,6 million.

The Group did not declare a dividend this year (2020: Rnil).

Unissued

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

14. LEASE LIABILITY

The Company leases harbour land (Seaview 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 cost of capital of 16%.

14.1 RECONCILIATION OF LEASE LIABILTIES

	2021 R'000	2020 R'000
Reconciliation of lease liabilities:		
Carrying value at beginning of period	**7 249**	**–**
Additions value at end of period	–	6 990
Finance costs (note 30)	1 177	1 138
Lease payments	(882)	(879)
Carrying value at end of period	**7 544**	**7 249**
At 30 June:		
Non-current lease liability	6 519	6 300
Current portion of lease liability	1 025	949
	7 544	7 249

14.2 MATURITY ANALYSIS

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

	2021	2020
within one year	1 025	949
1 to 2 years	1 107	1 025
2 to 3 years	1 195	1 107
3 to 4 years	1 291	1 195
4 to 5 years	1 394	1 291
after five years	13 437	14 832
	19 450	**20 399**

In 2014, the lease was renewed for a further term of 8 years and 8 months to June 2022, 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 2021 **continued**

15. TAXATION

15.1 INCOME TAX

	2021 R'000	2020 R'000
Current tax – prior year	–	(125)
Deferred tax – current year	(429)	5 540
Deferred tax – prior year under provision	35	750
Total tax expense	(394)	6 165

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:

	2021 R'000	2020 R'000
Deferred tax liability		
– Property, plant and equipment	35 617	37 926
– Right-of-use asset	890	964
– Trademarks	28	42
– Prepaid expenses	389	386
– Biological assets	61 276	66 559
Deferred tax asset		
– Accumulated tax loss	(2 486)	(15 013)
– Inventory impairment	–	–
– Loss in equity accounted investments	(1 749)	(1 504)
– Government grants	(2 713)	(2 965)
– Provision for leave pay	(1 105)	(740)
– Loan receivable	(169)	–
– Lease liability	(2 113)	(2 030)
– Short-term share incentive liability	(644)	(210)
– Long-term share incentive liability	(4 200)	–
Net deferred tax liability	83 021	83 415

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 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
Charged/(credited) to profit or loss	(2 309)	(5 283)	12 527	(5 329)	(394)
Balance at 30 June 2021	35 617	61 277	(2 486)	(11 384)	83 021

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% (2020: 28%) as follows:

	2021 %	2020 %
South African normal tax rate	28.00	28.00
Adjusted for:		
– Non-taxable income	1.7	(0.7)
– Other permanent differences	(15.0)	2.7
– Tax rate differential	(4.3)	0.7
– Prior period under provision – deferred tax	(0.8)	4.2
Actual effective tax rate	**9.5**	**34.9**

In 2021 the "other permanent differences" relates to deemed livestock sold to PNSFR, deferred income recognised on Government grant received, Impairment losses and other permanent differences.

15.4 TAX LOSSES

	2021 R'000	2020 R'000
Estimated tax losses and capital development costs available for set-off against future taxable income	20 536	60 140

16. DEFERRED INCOME GRANT

	2021 R'000	2020 R'000
Current portion	900	900
Long-term portion	8 790	9 690
	9 690	10 590

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 the Sulamanzi farm expansions cost. 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. BORROWINGS

	2021 R'000	2020 R'000
ABSA Agri loan	23 431	27 809
Viking – shareholder loan	4 000	4 000
Commercial Property Finance ("CPF") loan	3 526	8 372
Term Loan	7 281	9 613
Vehicle and asset finance loan	2 611	50
Convertible shareholder loan	16 595	–
Covid-19 loan	3 344	–
Total borrowings	60 788	49 844

Notes to the consolidated financial statements

for the year ended 30 June 2021 **continued**

17. BORROWINGS (CONTINUED)

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

	2021 R'000	2020 R'000
Non-current portion of borrowings	30 916	40 707
Current portion of borrowings	29 872	9 137
Total borrowings	60 788	49 844

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 FY20, a portion of the overdraft facility was restructured into a Term Loan with a four-year repayment term at prime less 0.5%. In FY21, we acquired equipment and vehicles which ABSA financed on a four year repayment term at the prime lending rate plus 0,6%.

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. The loan is unsecured and interest free. The repayment of the loan is conditional on solvency and liquidity requirements and is at the option of the issuer.

In FY21 we acquired an automatic seamer and a replacement vehicle, both of which were financed through a four-year instalment sale agreement at the prime lending rate.

The convertible shareholder loan was secured in FY20 and has a maturity date of 30 June 2022. The loan has an interest rate of prime plus 5% payable on maturity, and is convertible into ordinary shares at the option of the issuer. The conversion rate is for a fixed price at R2 per share, which is considered by management to be a substantial discount to fair value. In addition, it is management's stated intention to settle the loan in cash and not to exercise the conversion. Consequently, all of the proceeds on the convertible loan have been classified as a financial liability.

As a result of the impact of the Covid-19 pandemic, the governement provided guarantee support to local business through term funding at favourable rates. In terms of this, ABSA granted a R3,3 million medium-term loan to SAF at the prime lending rate, which is repayable over four years, with a payment holiday for the first 6 months.

18. TRADE AND OTHER PAYABLES

	2021 R'000	2020 R'000
Trade and other payables comprise the following items:		
Trade payables	9 889	8 182
Accrual for leave	3 454	2 506
Other accruals	4 646	3 874
Trade receivables with credit balances	–	62
Other personnel accruals	17 378	814
Other payables	4 862	–
Loans payables*	852	1 143
	41 081	16 581

* *The loan payable is in respect of services and products acquired from Aquawomen (Pty) Ltd, which is payable on demand and attracts interest at 5% per annum.*

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

	2021 R'000	2020 R'000
Non current trade and other payables	5 932	1 143
Current portion of trade and other payables	35 149	15 438
	41 081	16 581

19. CASH AND CASH EQUIVALENTS

	2021 R'000	2020 R'000
Bank overdraft	–	(26 074)
Cash on hand	–	5
Cash and cash equivalents	19 728	–
	19 728	(26 069)

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.

Total approved banking facility includes a general banking facility of R36 million (2020: R36 million), an Agri-loan with access bond facility balance of R24 million (2020: R28 million), an amortising Term loan of R7,3 million (2020: R9,7 million), the CPF loan access bond facility balance of R18 million (2020: R18 million), Covid-19 loan of R3,3 million (2020: nil), and vehicle and asset finance of R2,6 million (2020: R50 k). The General Banking Facility also includes limits for entering into forward exchange contracts. The next facility review date is November 2021. Refer to note 20 for details on the security.

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 R5,8 million in favour of Specialised Aquatic Feeds (Pty) Ltd.

An unlimited cession and pledge in security of proceeds from book debts of Abagold and Specialised Aquatic Feeds.

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

An amount of R3,1 million (2020: R3,18 million) was recognised during the year as an expense in relation to the provident fund contributions.

Notes to the consolidated financial statements
for the year ended 30 June 2021 **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 2021:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Assets				
Biological assets (non-financial asset)	–	–	218 844	218 844
Foreign exchange contract assets	–	3 006	–	3 006
Total assets	–	3 006	218 844	221 850

The following table presents the Company'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 (non-financial asset)	–	–	237 712	237 712
Total assets	–	–	237 712	237 712
Liabilities				
Financial liabilities at fair value through profit or loss				
Foreign exchange contract liabilities	–	76	–	76
Total liabilities	–	76	–	76

Biological assets refer to note 4.

22.1 FAIR VALUE ESTIMATION (CONTINUED)

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 financial instruments for the year ended 30 June 2021 and 2020.

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.

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:				
Derivative financial instruments – asset	✔		✔	✔
Trade and other receivables	✔			✔
Cash and cash equivalents	✔		✔	✔
Financial liabilities:				
Derivative financial instruments – 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 and value-added tax) which exposes the Group to credit risk.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum “A” credit rating are accepted.

The Group uses derivative financial instruments in the form of foreign exchange contracts. Only financial institutions with a minimum independent credit rating of “BB”, following the recent downgrades 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 managed by performing credit checks on all clients prior to engaging in trade and enforcing strict payment terms. At year-end, the allowance for expected credit losses was nill as it was considered immaterial.

Notes to the consolidated financial statements

for the year ended 30 June 2021 **continued**

22.4 FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group applies the simplified approach mandated by IFRS9 *Financial Instruments* when measuring impairment loss allowances related to trade receivables, and accordingly the Company's impairment allowances on these financial assets are equal, at all times, to 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, 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 includes 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 these 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 2021:					
Trade and other payables	35 150	3 717	2 214	–	41 081
Derivative financial instruments	–	–	–	–	–
Borrowings	31 787	13 087	17 699	4 000	66 573
Bank overdraft	–	–	–	–	–
	66 937	16 804	19 913	4 000	107 654
At 30 June 2020:					
Trade and other payables	15 438	1 143	–	–	16 581
Derivative financial instruments	76	–	–	–	76
Borrowings	4 000	9 740	25 311	1 659	40 710
Bank overdraft	26 069	–	–	–	26 069
	45 583	10 883	25 311	1 659	83 436

22.6 INTEREST RATE RISK

The Group's cash and cash equivalents are exposed to changes in market interest rates and therefore give rise to cash flow interest rate risk. No portion of this debt has a fixed interest rate.

At 30 June 2021, 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 R545k lower (2020: R690k). Conversely, if interest rates were 1 percentage point lower, it would have an opposite effect on 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 2021, 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 R13k greater (2020: R0,16 million lower). Conversely, if the Rand strengthened 10%, the profit would be less with the same amounts. This variation in the profit would be due to restating foreign-denominated trade receivables to a different closing rate. 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.

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 or loss for the year. At 30 June 2021, 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 R8,6 million (2020: R2,8 million) less. Conversely, if the Rand strengthened 10%, it would have an opposite effect on profit with the same amounts.

Refer to note 12 on derivative financial instruments for details of the forward foreign exchange contracts.

Notes to the consolidated financial statements
for the year ended 30 June 2021 **continued**

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 cash return on capital (cash flow from operating activities divided by total equity) above 20%. In 2021, the return was 18.6% (2020: 3%). In comparison, the weighted average interest expense on interest-bearing borrowings was 7.1% (2020: 9.5%).

Consistent with others in the industry, the Group monitors capital on the basis of the net debt to capital ratio. Net debt is defined as the total borrowings less cash and cash equivalents. The Company's net debt to equity ratio at the end of the reporting period was 14% (2020: 23%), which is within the targeted range of 12%–15%.

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

23. REVENUE

	2021 R'000	**2020 R'000**
Revenue comprises of the following sales of abalone products and related services:		
– Processed abalone	143 965	108 709
– Unprocessed abalone	56 643	47 445
– Live baby abalone (spats)	1 543	4 055
– Animal feed (external sales)	58 048	42 855
	260 199	203 064

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

	2021 R'000	**2020 R'000**
Revenue comprises the following geographical regions:		
Asia	189 328	151 457
North America	7 886	3 763
Southern Africa	62 986	47 844
	260 199	**203 064**

24. OTHER INCOME

The following items are included in Other Income:

	2021 R'000	2020 R'000
– Shared infrastructure	1 152	1 323
– Deferred income on a government grant	900	900
– Profit/(loss) on disposal of fixed assets	98	(5)
– Processing fee	81	3 312
– Other	530	2 306
– Insurance proceeds due to the Covid-19 pandemic	4 348	–
	7 108	7 836

25. FAIR VALUE GAINS AND LOSSES IN FINANCIAL INSTRUMENTS

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

	2021 R'000	2020 R'000
– Realised foreign exchange gains	13 311	984
– Unrealised foreign exchange gains/(losses)	3 006	(76)
Net fair value gains on financial instruments	16 317	908

26. PRODUCTION COSTS

Production costs comprise the following:

– Utilities (electricity and water)	28 097	25 412
– Feed	431	416
– Consumables	1 980	1 367
– Chemicals	1 004	821
Total production costs	31 512	28 016

27. EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses comprise the following items:

– Wages and salaries	57 187	48 200
– Directors' remuneration	7 530	6 531
– Short term incentive schemes	390	2 430
– Long term incentive schemes	14 904	–
– Provident fund contributions	3 104	3 189
– Protective clothing	894	518
– Staff tea and welfare	56	53
– Recruitment costs	389	3
Total employee benefit expense	84 453	60 924

Notes to the consolidated financial statements
for the year ended 30 June 2021 **continued**

27. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

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

	2021 (R'000)					
	Basic salaries (including back pay)	Company contributions	Short term incentive relating to FY20	Short term incentive relating to FY21❖	Fees for meetings	Total
Executive directors:						
TR Hedges	2 756	26	431	904	–	**4 117**
E Manchest	1 746	52	271	430	–	**2 499**
Non-executive directors:						
HR van der Merwe	–	–	–	–	266	**266**
T Mokgosi-Mwantembe*	–	–	–	–	69	**69**
YJ Visser	–	–	–	–	142	**142**
JW Wilken	–	–	–	–	180	**180**
W Keast	–	–	–	–	89	**89**
CIJ Williams**	–	–	–	–	76	**76**
JN Hamman***	–	–	–	–	52	**52**
TC Ralebitso***	–	–	–	–	58	**58**
S de Villiers†	–	–	–	–	33	**33**
Total	**4 292**	**78**	**702**	**1 334**	**965**	**7 530**

❖ *Payable in full subject to approval of the annual results at the September 2021 board meeting.*
* *Resigned from the Board in March 2021.*
** *Resigned from the Board in February 2021.*
*** *Appointed to the Board in January 2021.*
† *Appointed to the Board in February 2021.*

	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**
T Mokgosi-Mwantembe	–	–	–	126	**126**
YJ Visser	–	–	–	178	**178**
JW Wilken	–	–	–	115	**115**
W Keast	–	–	–	105	**105**
CIJ Williams	–	–	–	163	**163**
Total	**4 896**	**86**	**510**	**1 038**	**6 531**

* *Resigned in December 2019.*
** *Appointed to the Board February 2021.*

Please refer to note 28 for details relating to the long-term incentive plans.

28. LONG-TERM INCENTIVE PLAN ("LTIP")

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

The liability was determined as R14,9 million with a portion relating to the second tranche payable beyond 12 months (2020: Rnil), and is classified as "other personnel accruals" under trade payables. The value per unit as at year end is R3,86 for Tranche 1 and R1,74 for Tranche 2, and both tranches had no value in the prior year.

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

	Number of units on which the right is based	
	2021 '000	**2020 '000**
Movement in the "LTIP units" awarded:		
Balance at the beginning of the year	2 411	3 742
Exercised during the year	–	–
Termination of rights – LTIP 2015	–	(1 331)
Additional units – LTIP 2018	5 055	–
Balance at the end of the year	7 466	2 411

The "award values" on 30 June are conditional on reaching Cash Generated From Operations targets on the following dates:

1 July 2021 (LTIP 2015 of the Long-Term Incentive Plan)	711	711
TR Hedges	541	541
Other executives	170	170
1 July 2021 (LTIP 2018 of the Long-Term Incentive Plan)	6 755	1 700
TR Hedges	4 072	1 000
E Manchest	1 871	400
Other executives	812	300
	7 466	2 411

An expense of R14,9 million was recognised in the statement of comprehensive income as employee benefits expense, based on the estimated LTIP unit performance for both the 2015 and 2018 tranches (refer note 27).

The remuneration payable to directors of the company are detailed in the table below:

	2021 R'000		
	Tranche 1 LTIP 2015*	**Tranche 2 LTIP 2018****	**Total**
Executive director:			
TR Hedges	3 114	7 081	10 195
E Manchest	–	3 253	3 253
	3 114	10 334	13 448

* *Payable in full subject to approval of the annual results at the September 2021 board meeting.*

** *Subject to approval of the annual results at the September 2021 board meeting, payable over a three year period on a 50%/30%/20% basis.*

Notes to the consolidated financial statements
for the year ended 30 June 2021 **continued**

28. LONG-TERM INCENTIVE PLAN (“LTIP”) (CONTINUED)

There were no long-term incentive plans payable in the prior year.

The “award values” indicated above bear no resemblance to any market value of Abagold’s physical shares and is merely a calculated value to be used for the purposes of this plan. Note that the additional “award values” indicated above is due to the alignment of remuneration to the benchmark remuneration as per the remuneration policy, which targets the 50th percentile remuneration for eligible executives. This “award value” is calculated such that it incentivises specifically cash generated from operations and other elements.

29. PROFIT/(LOSS) FROM OPERATIONS

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

	2021 R’000	2020 R’000
Auditor’s remuneration for audit services	510	541
Amortisation of trademarks	58	58
Depreciation	14 830	15 184
Maintenance	8 954	7 052
Professional fees	6 386	5 555
Legal fees	20	160

30. FINANCE COSTS

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

	2021 R’000	2020 R’000
Bank overdraft	1 787	3 499
Agri loan	1 741	2 624
Term loan	569	361
Lease liability (IFRS16)	1 177	1 138
Commercial Property Finance (“CPF”) loan	247	821
Loan from Associate	29	55
ABSA asset financing	161	22
Shareholder loan	2 097	–
Total finance costs	7 809	8 520

31. EARNINGS PER SHARE – BASIC AND DILUTED

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.

	2021		2020	
	Gross	Net	Gross	Net
Basic earnings – (loss)/profit attributable to ordinary shareholders including discontinued operation (R'000)	–	(3 760)	–	11 527
Interest saving on conversion of shareholder loan	2 097	1 510	–	–
Diluted earnings – (loss)/profit attributable to ordinary shareholders including discontinued operation (R'000)		(2 250)		11 527
Weighted number of ordinary shares (000s) at the beginning of the year		140 548		133 333
Weighted number of ordinary shares (000s) issued during the year	–		4 209	
Weighted number of ordinary shares (000s) issued for the year	140 548		137 542	
Potential shares (000s) on conversion of the shareholder loan		8 298		–
Weighted number of diluted ordinary shares (000s) issued for the year		148 846		137 542
Basic earnings per share including discontinued operations (cents)		(2.68)		8.38
Basic earnings per share from continuing operations (cents)		(2.68)		8.38
Diluted earnings per share including discontinued operations (cents)		(1.51)		8.38
Diluted earnings per share from continuing operations (cents)		(1.51)		8.38

32. NOTES TO THE STATEMENTS OF CASH FLOWS

32.1 CASH RECEIVED FROM CLIENTS

	2021 R'000	2020 R'000
Revenue	260 199	203 064
Other income	7 108	8 528
Plus: Receivables at the beginning of the year	8 838	16 489
Less: Receivables at the end of the year	(9 619)	(8 838)
	266 526	219 243

Notes to the consolidated financial statements
for the year ended 30 June 2021 **continued**

32.2 CASH GENERATED FROM OPERATIONS

	2021 R'000	2020 R'000
(Loss)/profit before tax from continuing operations	(4 155)	17 723
Loss before tax from discontinued operation	–	(31)
(Loss)/profit before tax	(4 155)	17 692
Adjustments for non-cash items	32 177	(19 372)
– Trademark amortisation	58	58
– Amortisation of deferred income grant	(900)	(900)
– Depreciation	15 095	15 184
– (Profit)/loss on sale of property, plant and equipment	(98)	5
– Fair value gains on biological assets	(163 759)	(192 217)
– Transfers out of biological assets	182 628	153 510
– PPE adjustments	–	1 640
– Impairment of PPE	–	3 093
– Loan impairments	603	–
– Share of loss in equity accounted investments	1 631	1 203
– Unrealised gain on revaluation of foreign exchange contracts	–	76
– Unrealised loss on revaluation of foreign exchange contracts	(3 006)	–
– Reversal of prior year loss on foreign exchange contracts	(76)	(1 024)
Separately disclosed items in statement of cash flow	7 809	8 520
– Finance costs	7 809	8 520
Changes in working capital:	22 374	4 438
– Decrease in inventory	(1 588)	15 649
– (Increase)/decrease in receivables	(781)	6 368
– Increase/(decrease) in trade payables	24 743	(17 578)
Cash generated from continuing and discontinued operations	58 205	11 278

32.3 NET DEBT

	2021 R'000	2020 R'000
Cash and cash equivalents	19 728	(26 069)
Borrowings – repayable within one year	(29 872)	(9 137)
Borrowings – repayable after one year	(30 916)	(40 710)
Net debt	(41 060)	(75 916)

32.3 NET DEBT (CONTINUED)

Reconciliation of Net debt	Shareholder loan	Cash and cash equivalents	Overdraft	Term Loan	ABSA Covid-19 Loan	Property Finance Loan	Asset Finance Loan	Net debt
Closing balance 30 June 2020	(4 000)	15	(36 091)	–	–	(39 205)	(1 414)	(80 696)
Proceeds	–	–	10 000	(10 000)	–	–	–	–
Cash movements/repayments	–	(15)	3 521	746	–	6 467	1 387	12 106
Interest charge	–	–	(3 499)	(359)	–	(3 445)	(22)	(7 325)
Closing balance 30 June 2021	(4 000)	0	(26 069)	(9 613)	–	(36 183)	(49)	(75 914)
Cash movements/repayments	502	19 728	27 856	2 901	135	11 212	313	62 647
Proceeds	(15 000)	–	–	–	(3 300)	–	(2 846)	(21 146)
Interest charge	(2 097)	–	(1 787)	(567)	(180)	(1 989)	(29)	(6 647)
Closing balance 30 June 2021	(20 595)	19 728	(9 755)	(7 279)	(3 344)	(26 959)	(2 611)	(41 060)

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 7 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 8.
- Abagold owns 23% of the shares in an associate, Mean Sea Level (Pty) Ltd, as documented in note 8.
- Abagold owns 20% of the shares in an associate, Port Nolloth Sea Farm Ranching (Pty) Ltd, as documented in note 8.
- Abagold Development Trust is public benefic organisation with Abagold as the main sponsor.
- 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 Feeds (Pty) Ltd and Abagold Ltd.

33.2 MATERIAL-RELATED PARTY TRANSACTIONS AND BALANCES

33.2.1 Transactions with subsidiary

Refer to note 38 for transactions with subsidiary.

33.2.2 Transactions with joint ventures

Refer to note 8 for transactions with joint ventures.

33.2.3 Transactions with associates

Refer to note 8 for transactions with associates.

Notes to the consolidated financial statements
for the year ended 30 June 2021 **continued**

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

	2021 R'000	2020 R'000
Donations to Abagold Development Trust	322	105

33.2.5 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, which was unchanged from the prior year:

	Number of shares ('000)		
Director	**Direct**	**Indirect**	**Total**
TR Hedges	545	–	545

34. COMMITMENTS

34.1 CAPITAL COMMITMENTS

	2021 R'000	2020 R'000
Authorised by the directors		
– Contracted for	595	5 795
– Not contracted for	24 785	15 000

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

The mandate from the Board is to maintain a minimum headroom of R30 million in unutilised and available banking facilties.

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. GOING CONCERN
The Group financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet the mandatory repayment terms of the banking facilities as disclosed in Note 19. The Group has recognised a positive cash generated from operations of R53,6 million for the year ended 30 June 2021 and, as at that date, current assets exceed current liabilities by R184 million. Banking facilities are subject to review by 30 November 2021, and there are unutilised banking facilities in excess of R30 million plus cash reserves of R19,7 million. Management believes that the repayment of the facilities will occur in line with the agreed repayment terms, and anticipates that this will be funded by the operational cash flow. Management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

37. CONTINGENT LIABILITY

There are no contingent liabilities.

38. 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 feed 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 2021 **continued**

38. OPERATING SEGMENTS (CONTINUED)

	2021			2020		
	ABAGOLD R'000	SAF R'000	Mauritius (discontinued) R'000	ABAGOLD R'000	SAF R'000	Mauritius (discontinued) R'000
External revenue	202 150	58 048	–	160 209	42 855	–
Inter-segment revenue	–	17 064	–	–	17 669	–
Segment revenue	**202 150**	**75 113**	**–**	**160 209**	**60 524**	**–**
Segment profit/(loss) before tax	(3 487)	964	–	18 543	189	(37)
Interest expense	(7 688)	(235)	–	(8 216)	(305)	–
Depreciation and amortisation	(12 816)	(2 338)	–	(13 459)	(2 283)	–
Share of profit/(loss) of equity-accounted investees	(1 631)	–	–	(1 025)	–	–
Changes in biological assets	163 759	–	–	192 217	–	–
Segment assets	**489 187**	**36 914**	**–**	**487 798**	**31 989**	**–**
Equity accounted investees	29 092	–	–	21 880	–	–
Capital expenditure	7 194	2 087	–	8 594	500	–
Segment liabilities	**190 077**	**24 171**	**–**	**183 317**	**20 003**	**–**

Reconciliation of information on reportable segments to IFRS measures

	2021 R'000	2020 R'000
Revenues		
Total revenue for reporting segments	277 263	220 733
Elimination of inter-segment revenue	(17 064)	(17 669)
Consolidated revenue	260 199	203 064
Profit before tax		
Total profit before tax for reportable segments	(2 523)	18 695
Elimination of inter-segment loss	–	37
Share of profit/(loss) of equity-accounted investees	(1 631)	(1 025)
Consolidated profit before tax	(4 154)	17 707
Assets		
Total assets for reportable segments	526 101	516 754
Elimination of inter-segment transactions	(56 753)	(46 349)
Equity-accounted investees	21 519	15 924
Consolidated total assets	490 868	486 329
Liabilities		
Total liabilities for reportable segments	214 247	203 321
Elimination of inter-segment transactions	(12 124)	(9 445)
Consolidated total liabilities	202 124	193 876
Other material items		
Interest expense	(7 809)	(8 520)
Capital expenditure	(9 336)	(9 095)
Depreciation and amortisation	(15 154)	(15 741)
Biological asset movements	163 759	192 217

Shareholder and administrative information

Analysis of shareholders at 30 June 2021

	Number of shareholders		% Holding	
Size of holdings	**2021**	**2020**	**2021**	**2020**
Less than or equal to 1%	45	45	6.0%	6.0%
More than 1% but less than or equal to 5%	4	4	11.5%	11.5%
More than 5% but less than or equal to 10%	4	4	38.8%	38.8%
More than 10% but less than 20%	4	4	43.7%	43.7%

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%
Weiveld (Pty) Ltd	10.6%
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 2021 annual general meeting ("the meeting") of the shareholders of Abagold Limited ("the Company") will be held at 09h00 on Saturday, 11 December 2021, at the "Heart of Abalone" shed, Seaview, Abagold, New Harbour, Hermanus.

Teleconferencing facilities will be available, and details will be provided to shareholders on written request to the Company secretary in the event that they want to utilise these facilities. Only shareholders or their proxies who have been fully vaccinated will be allowed to attend the meeting in person.

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.

Consideration of the annual financial statements
The consolidated annual financial statements of the Company for the year ended 30 June 2021 will be tabled for consideration by the shareholders.

Ordinary resolution 1: Re-appointment of the independent auditor and noting of 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 2: Re-election of directors appointed by the Board
Resolved that the following directors, who were appointed by the Board, are re-elected as directors each by way of a separate resolution:

2.1 Mr CT Ralebitso
2.2 Mr JN Hamman
2.3 Mrs SL De Villiers

The directors unanimously recommend the elections in terms of resolution 2.1, 2.2 and 2.3 by the shareholders of the Company.

Ordinary resolution 3: 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 11 December 2021 until the conclusion of the next annual general meeting.

3.1 Mr YJ Visser
3.2 Mr JW Wilken
3.3 Mr CT Ralebitso (subject to his re-election as director pursuant to resolution 2.1 above)

Notice of annual general meeting of shareholders
continued

Special resolution 1: Non-executive directors' remuneration

The directors' fees have remained unchanged for the past three years. Based on a review of directors' remuneration and a comparison with the fees paid to listed small cap entities, the below fee structure is proposed.

Resolved, as separate special resolutions, that the directors' fees, exclusive of VAT that may be attributable to the fees, payable to the non-executive directors of the company, from 1 January 2022, be approved as follows:

	Rand (excl. vat)
Retainer fee to be paid annually in two equal six-monthly instalments	
1.1 Non-executive chairman	250 000
1.2 Non-executive director	100 000
Fees per meeting payable to the chairman of the Board and chairpersons of the Board committees	
1.3 Board	27 500
1.4 Audit committee	12 500
1.5 Risk committee	12 500
1.6 Remuneration committee	7 500
1.7 Nominations committee	7 500
1.8 Social & Ethics committee	7 500
1.9 Ad-hoc committee	10 000
Fees to be paid to the non-executive directors, including the chairman of the Board and chairpersons of the Board committees, per meeting:	
1.10 Board	13 750
1.11 Audit committee	6 250
1.12 Risk committee	6 250
1.13 Remuneration committee	3 750
1.14 Nominations committee	3 750
1.15 Social & Ethics committee	3 750
1.16 Ad-hoc committee	10 000

The proposed fees for 2022 as set out above are exclusive of VAT.

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. Currently the number of board and scheduled committee meetings held during a year comprises four board meetings and four meetings of each of the committees, other than the Social & Ethics committee which meets twice a year.

ABAGOLD LIMITED
Registration number: 1995/070041/06

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.

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 will have a number of votes equal to the number of ordinary shares held or represented. As the Annual General Meeting will cater for electronic participation, it will not be desirable nor practical for voting to take place by way of a show of hands. Accordingly, the Chairman has determined that all voting will be by way of a poll.

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

Voting remotely through the electronic participation platform will not be allowed or possible. Shareholders are, however, reminded that they are still able to vote normally through proxy submission, despite deciding to so participate either electronically or not at all in the Annual General Meeting. Shareholders are strongly encouraged to submit votes by proxy in advance of the Annual General 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, 9 December 2021. 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

17 September 2021

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 11 December 2021 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
	Consideration of consolidated annual financial statements for the year ended 30 June 2021			
	Ordinary resolutions			
1	Reappointment of independent auditor			
2	Re-election of directors appointed by the Board, each by separate vote:			
	2.1 Mr CT Ralebitso			
	2.2 Mr JN Hamman			
	2.3 Mrs SL De Villiers			
3	Election of members of the audit committee, each by separate vote:			
	3.1 Mr YJ Visser			
	3.2 Mr JW Wilken			
	3.3 Mr CT Ralebitso			

Please turn over...

No.	Business	In favour of	Against	Abstain
	Special resolutions			
1	Approval of the non-executive remuneration from 1 January 2022			
	Retainer fee to be paid annually in two equal six-monthly instalments			
	1.1 Non-executive chairman			
	1.2 Non-executive director			
	Fees per meeting payable to the chairman of the Board and chairpersons of the Board committees			
	1.3 Board			
	1.4 Audit committee			
	1.5 Risk committee			
	1.6 Remuneration committee			
	1.7 Nominations committee			
	1.8 Social & Ethics committee			
	1.9 Ad-hoc committee			
	Fees to be paid to the non-executive directors, including the chairman of the Board and chairpersons of the Board committees, per meeting:			
	1.10 Board			
	1.11 Audit committee			
	1.12 Risk committee			
	1.13 Remuneration committee			
	1.14 Nominations committee			
	1.15 Social & Ethics committee			
	1.16 Ad-hoc committee			
2	Financial assistance to related or inter-related entities			

See qualifications of non-executive directors on the following page.

(Indicate instruction to Proxy by way of a cross in the appropriate space provided above)
Unless otherwise instructed, my Proxy may vote as he/she thinks fit.

Signed at: ______________________________ this __________ day of ______________________ 2021

Signature: ____

TABLE OF QUALIFICATIONS

Mr JW Wilken	B. Compt. (Hons.), CA (SA), MBL
Mr YJ Visser	B.LC LLB (Pret.)
Mr CT Ralebitso	B. Eng (Mech)
Mrs SL De Villiers	Chartered Financial Analyst (CFA)

NOTES

1. A member entitled to attend and vote is entitled to appoint a proxy to attend, speak and on a poll vote in his/her stead, and such proxy need not also be a member of the Company.
2. Should a proxy not be specified, the chairman of the meeting will act as the proxy.
3. An ordinary shareholder's instructions to the proxy must be indicated by inserting the relevant number of votes exercisable by him/her in the appropriate space provided above.
4. If any ordinary shareholder does not indicate on this instrument that his proxy is to vote in favour of or against any resolution or to abstain from voting, or give contradictory instructions, or should any further resolution(s) or any amendment(s) which may be properly put before the meeting be proposed, the proxy shall be entitled to vote as he/she thinks fit.
5. Documentary evidence establishing the authority of a person signing the proxy form in a representative capacity must be attached to this proxy form, unless previously recorded by the Company or waived by the chairman of the meeting.
6. This proxy form is requested to be completed and returned so as to reach the registered office of the Company, for ease of administration, by no later than 16h00 on Thursday, 9 December 2021 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 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:

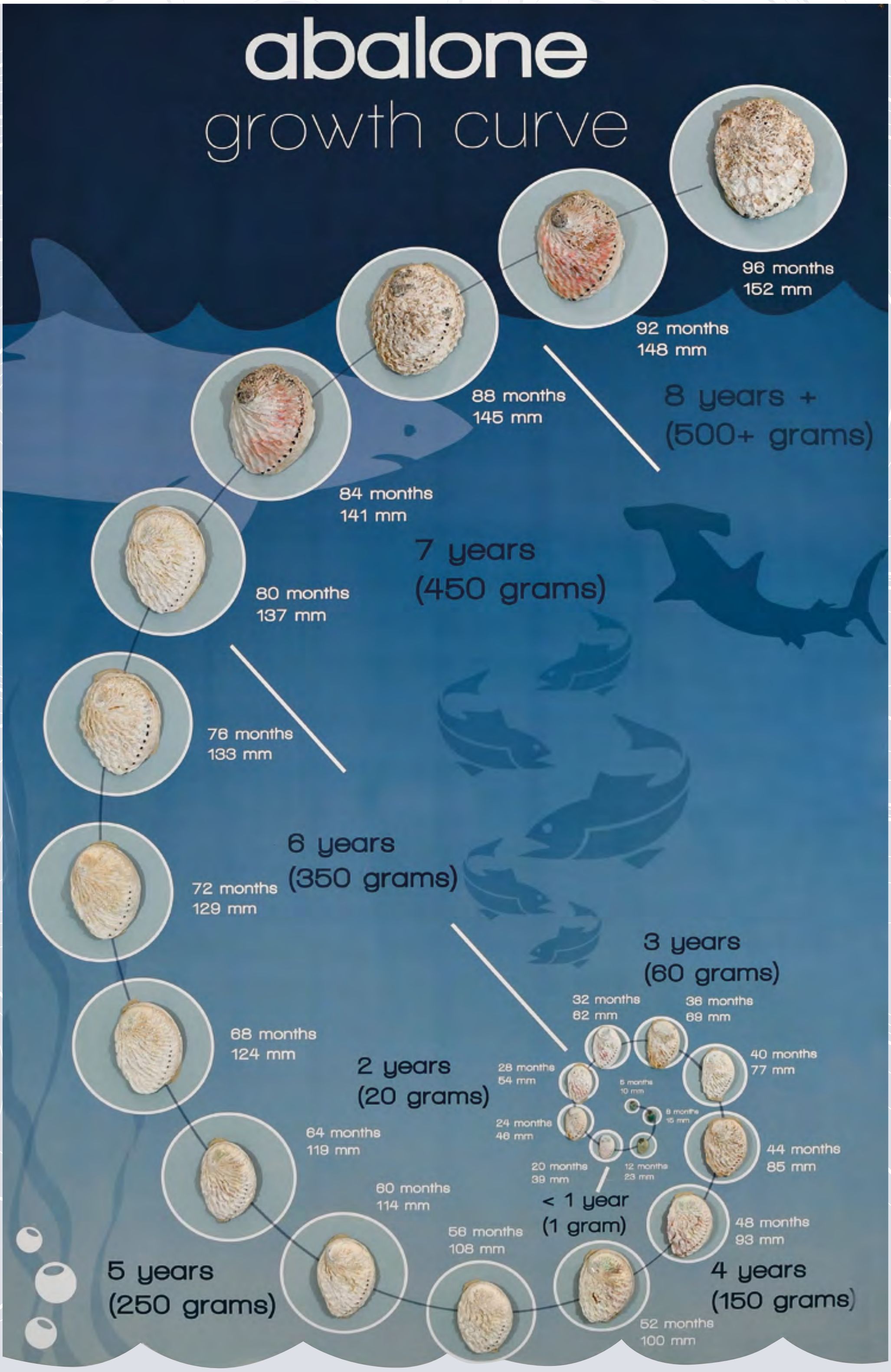
EITHER Deliver to:
The Company Secretary
Cnr of Church and Stil Streets
Hermanus
7200

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, 9 December 2021.

NOTES



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