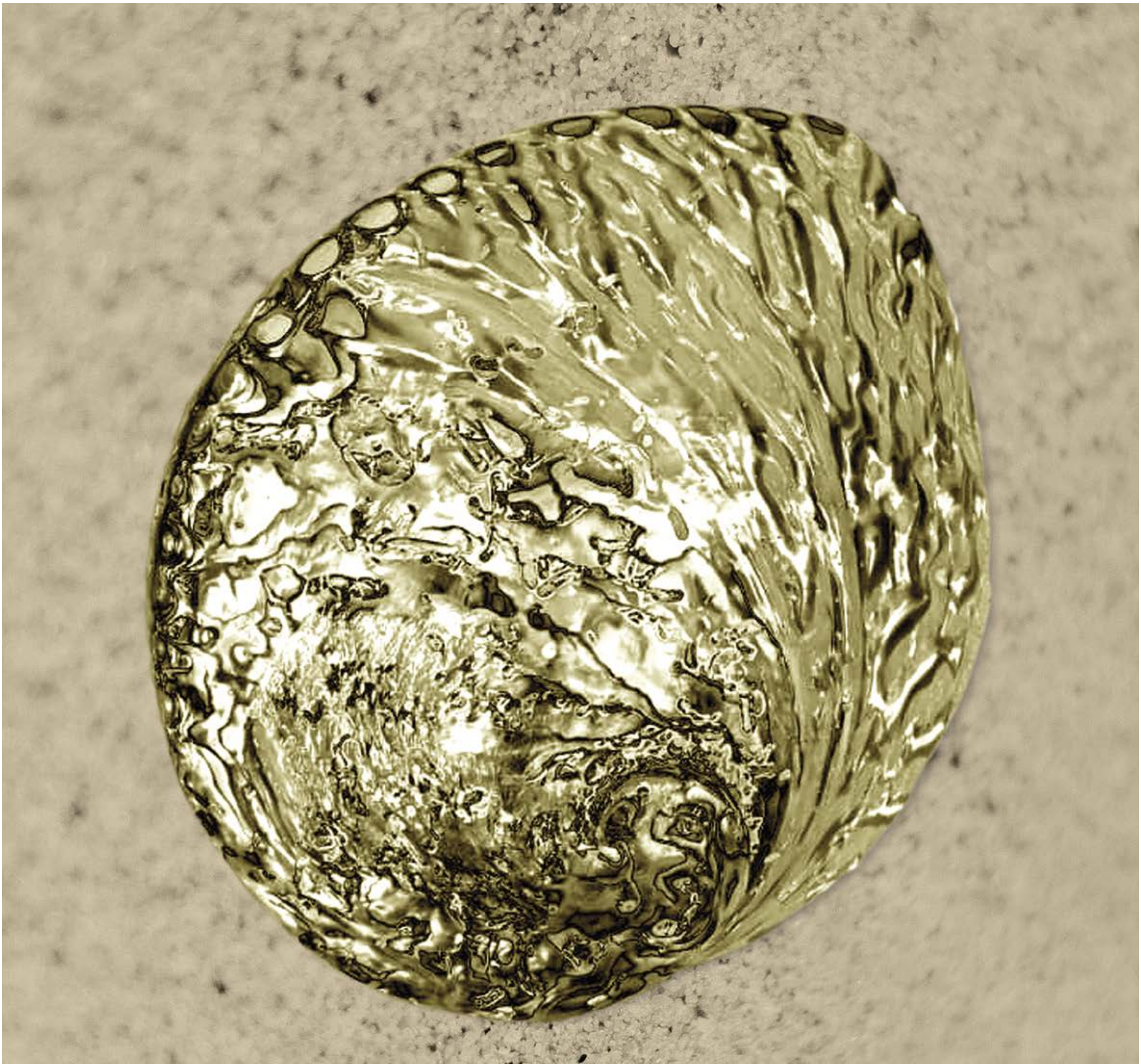
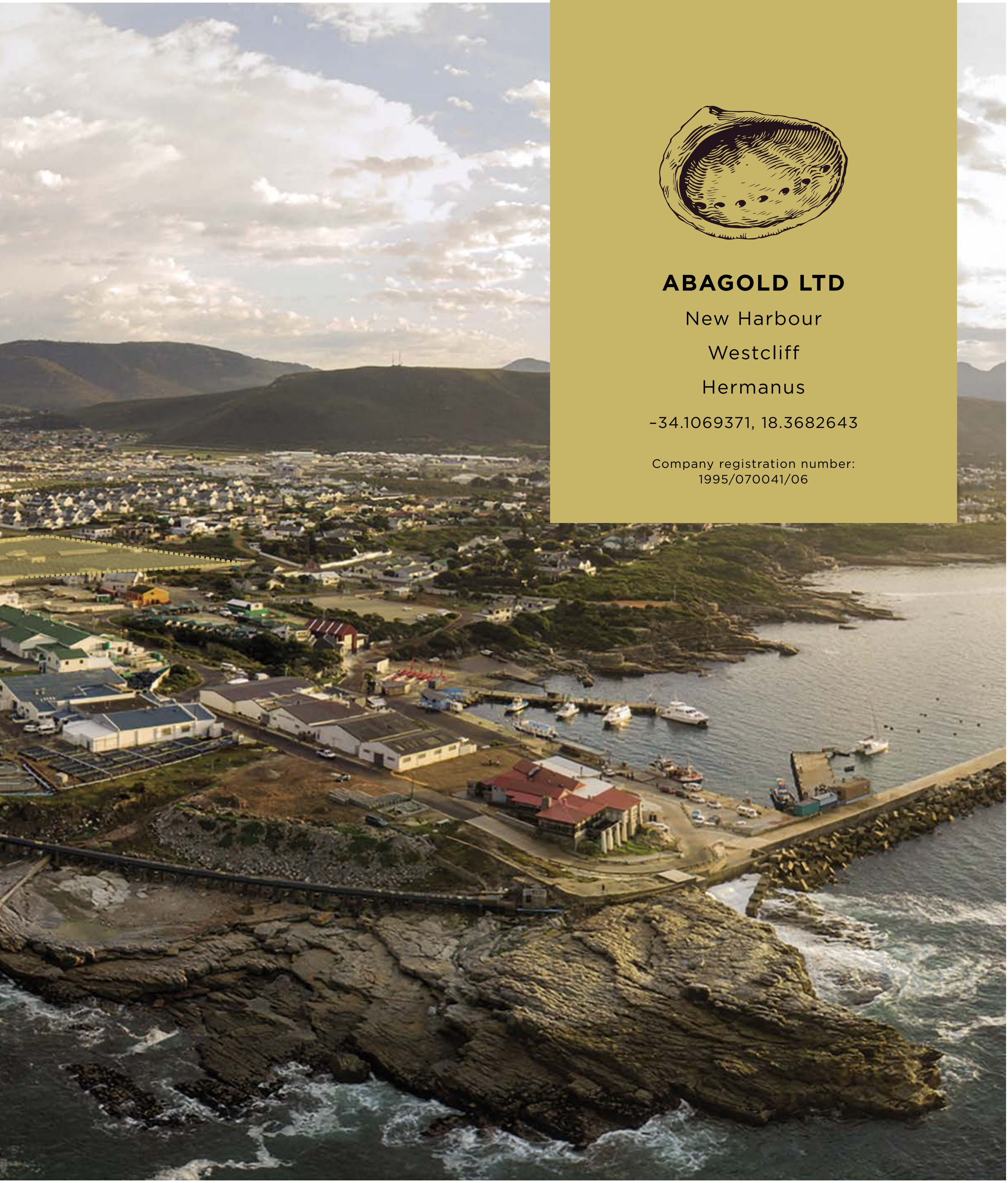


ABAGOLD

INTEGRATED ANNUAL REPORT 2023



ABAGOLD LTD

New Harbour

Westcliff

Hermanus

–34.1069371, 18.3682643

Company registration number: 1995/070041/06

TRIBUTE TO Pierre Hugo

RENAISSANCE MAN AND FATHER OF ABAGOLD

To simply label Dr Pierre Hugo as the founding father of Abagold, important as that was, would be to fall far short of describing a most extraordinary human being. He was a man who, according to his family, carried a book of ideas around with him wherever he went and kept it by his bedside at night. Whenever a new idea popped into his head, day or night, he would jot it down in the book and at the right time, if it seemed even vaguely implementable, he would give it a try. Some worked, some didn't; but it was the fun of trying that mattered. Unsurprisingly, his hero was Albert Einstein.

Pierre Hugo was a qualified vet. After completing his studies, he met and married his wife, Jane, in Hermanus, where his parents had a holiday house, before undertaking his two years of compulsory military service as a State Veterinarian in Lebowa. As Jane says, "Pierre was an innovator, and as much an entrepreneur as he was a scientist; he was always on the lookout for some new and challenging project to develop."

12 – 03 – 1953

21 – 08 – 2022

After completing his military service, his first venture was dairy farming near Krugersdorp. Not content to follow tried-and-tested methods of milk production, he developed a new, completely outlandish form of feed for the cattle (which worked), and then established his own bottling plant to cut down on costs. After six years, what he called his "restless spirit" drove him to move on to something else. So he, Jane and their three children (Johan, Marius and Jani) uprooted themselves and decamped to Hermanus, where Pierre's parents were living.

Here, he finally got down to doing what he had been trained to do: opening a private veterinary practice in partnership with Dr Andrew Southey. But, of course, for Pierre that wasn't enough. So, before long, he and Andrew had bought a printing works, followed by the *Times of Hermanus*, to operate in tandem. When Andrew left the practice to focus on the newspaper, Dr Sandy Waddingham joined Pierre and, together, they bought the thatched-roof house opposite the Hermanus Primary School, where the Hermanus Animal Hospital is located still today.

But, simultaneously, Pierre had already started with experiments to spawn abalone, eventually selling the veterinary practice to Sandy in order to devote himself full-time to this fascinating endeavour. Johan describes his father as an enthusiastic visionary for whom doing one thing at a time was never part of the playbook. By the time Pierre began experimenting with the notion of farming abalone on land, he had already invented a Kreepy Krauly-type lawnmower and a series of science kits for children called Technitoys.

In his spare time (!), he engaged in a hobby that enthralled him – flying. When his light aircraft was set on fire at the airstrip in Zwelihle, he put the R60 000 he was paid out in insurance towards starting Abagold, and took to paragliding instead – he loved it because it was "low and slow", smiles Johan, and "he could skim the waves".

But, back to his experiments with abalone, which started in the mid-1980s. Much has been written and spoken about his pioneering work in proving that abalone could be farmed on land, but for him, Jane and the children this became an all-consuming preoccupation for over 25 years. The idea was born out of Pierre's awareness that the wholesale poaching of perlemoen in the area was rapidly driving the mollusc to extinction, and, also, that the many local, small-scale fishers were struggling to make a living from the sea.

In his early experiments to spawn abalone, he worked from his backyard, getting the children to fetch buckets of water from the sea so that the animals could have fresh, aerated water. Experiments with feeds were accomplished with the help of Jane's kitchen mixer. When he was presented with the Aquaculturist of the Year award, the point was made that Pierre didn't think out of the box; for him, there was no box.

From his backyard, he moved to the Old Harbour, where he and his father, André, renovated two of the dilapidated, old stone buildings that had been there since the days when Hermanus was built around the fishing industry. Pierre felt strongly that the enterprise would only succeed if the wider community "owned" it and if it could add to the tourism potential of the area.

"So I became the tour guide", laughs Jane. "I can't tell you how many school groups I took around that small abalone farm, as well as locals and tourists." Pierre described Jane as "the light of my life", and as his daughter Jani says, "He always told us that he would never have achieved all that he did without her ongoing support. In fact, the community has always seen them as a team."

From the beginning, Pierre also had a strong sense of responsibility towards the wider community, and, for him, education and job creation were essential for the future development of Hermanus. This later led to his establishment of the Abagold Development Trust, with the aim of reaching out to support educational and job-creation projects in the disadvantaged communities of the Overstrand. In his private capacity, he was an active supporter of Hermanus Child and Family Services.

The rest, as they say, is history. With the support of five partners and several financial backers who bought into his dream, Abagold – which by then had moved to the New Harbour – was formally launched in 1990. Today, it consists of four separate farms, as well as a plant manufacturing abalone and other animal feed, all developed on Pierre's watch. It employs just under 400 workers, several of whom have been there since the beginning. As one of the biggest abalone farms in the country, Abagold produces in the region of 600 tonnes of abalone a year, exporting the bulk of it to 10, mainly Asian, countries.

As Johan – who for 10 years was the Financial Manager at Abagold, leaving to start his own tourism company, Heart of Abalone – comments, "Abagold could have failed a hundred times had it not been for Pierre's dogged determination. When there was a crisis, day or night, he was there to sort it out."

But this was not the end of Pierre's vision for Hermanus. One of the ideas in his little book was to build a plant that could harness the power of the ocean to generate electricity. Basing their experiment on some of the engineering principles required for the production of abalone, he and Marius, a trained engineer – and currently Abagold's COO – began to build a wave-energy converter near the Seaview abalone farm in the New Harbour.

They called the company Mean Sea Level. It was a fiendishly difficult exercise and took years of trial and error to develop the required, novel marine construction techniques, but it was well worth the effort. "Its time hasn't come yet", says Marius, "but I haven't given up on it and neither had Pierre. With the growing emphasis on green energy, we may still be on the right track to turn it into a commercial success."

Pierre Hugo lived life large, every minute of it. "Pierre was an extrovert; he took time to listen to people and made friends everywhere", smiles Jane. "But he loved nature, too. Having spent much of his childhood in the Bushveld, he found it quite difficult at first to get used to the fynbos of this area. But in the end he grew to love it, and his greatest joy was hiking in Fernkloof. We also visited our holiday home on the border of the Kruger Park as often as possible. I'm so glad Pierre was able to have his last happy time there as recently as a couple of months before his passing."

The family are also grateful that he managed to finish writing his book on physics (another passion). Entitled *Space – a Philosophical Overview*, which is currently being edited by his friend, Gert Claasen.

Because it was Pierre's wish that no memorial service be held for him, Jane and their three children invite his many friends and business associates to celebrate his life in their own special way.

Village News - wrtten by Elaine Davie

Shareholders' Diary

Important reporting and meeting dates

30
JUNE
2023

Financial year-end

15
SEPTEMBER
2023

Financial statements approved

9
DECEMBER
2023

Annual General Meeting

Date: Saturday, 9 December 2023
Time: 09h00
Venue: "The Heart of Abalone" shed, Seaview, Abagold, New Harbour, Hermanus

28
FEBRUARY
2024

Interim financial statements for the half-year to 31 December 2023 to be distributed by 28 February 2024

Contents

Abagold timeline

2017-2020

Abagold production recovery from the 2017 red tide event

2021-2022

500 tonnes of live equivalent sold per annum into nine territories for two consecutive years

Power purchase agreement signed for a 2 MWh photovoltaic system

Abagold receives a major global sustainability award

2023

In response to ongoing load shedding, Abagold acquired a 5,7 MVA battery energy storage system.

Oman phase 1 with Hatchery and 40-tons standing capacity now operational.

25-year anniversary abalone auction

2014

Construction started of the feed plant, Specialised Aquatic Feeds (Pty) Ltd Partnership created with Port Nolloth Sea Farms Ranching

Joint venture started in Oman for an abalone farm (*Haliotis mariae*)

2011

Construction begins on Sulamanzi Farm with 360-tonne capacity

2008

Abagold converts into a public company

2007

Seaview Farm expanded to 90-tonne capacity through the acquisition of the Amaza Farm

2006

Commissioning of the 720-tonne capacity processing factory. First dried abalone is exported

THE EARLY YEARS

COMMERCIALISATION

2002

Construction of Bergsig Farm started with 180-tonne capacity

1984

Dr Pierre Hugo starts researching the breeding of abalone (*Haliotis midae*) in captivity

1991

Pilot hatchery set up in Old Harbour, Hermanus

1993

First permit to cultivate, harvest and sell abalone

1996

Construction of Seaview Farm started with 60-tonne capacity

1999

First 100 kg of live farmed abalone exported

OUR 25-YEAR ANNIVERSARY AUCTION

Abagold hosted an industry-first abalone auction in Hong Kong, to celebrate its 25-year anniversary.

This premier event set a new standard of excellence in the industry, demonstrating Abagold's unparalleled expertise in the production of the world's finest-quality abalone, and making hand-selected, dried-abalone items available on auction to exclusive collectors, traders and invitees.

Each item on auction had a unique lot number and name, depicting a bit of the cultural origin.

Lot 1: Perlemoen

Manifesto and values

Lot 15: Voëlklip Beach

OUR MANIFESTO

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

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

For the first half of the year, China remained in regular covid-related lockdowns as it continued with a zero-tolerance policy, which was finally abandoned in December 2022. With Asia being our main export market, our customers and we ourselves continued to deal with the effects of the pandemic for more than half of the financial year.

Unfortunately, locally in South Africa, we also started experiencing unprecedented Eskom load shedding in this fiscal year, which resulted in 1 885 hours of load shedding during FY23. In response, and to keep the lights on, we operated our backup diesel generators and consumed more than 1,2 million litres of diesel in the process. And keep the lights on we did, which was only made possible owing to an outstanding contribution from the technical team with regard to generator uptime and the operational overtime requirements.

The increasing operational costs due to load shedding necessitated a deep-dive cost review, and, in February, we introduced "Operation Masonge – Let's Save Together". The Operation Masonge initiatives have delivered sustainable results which, once fully implemented, will reduce our cost of production by 10%.

Furthermore, the business also expedited the implementation of the sustainable energy supply roll-out, which started with a 2 MWh photovoltaic system in 2022 and has now been expanded in 2023 to include and integrate a 5,7 MWh battery-energy storage system (BESS). BESS is in the process of being commissioned early in FY24, including full integration with the existing Abagold energy infrastructure, and will be a valuable tool with regard to our objective of managing the rand cost per KWh.

Abagold celebrated its 25-year anniversary by hosting the Abagold 25K Investment Grade Abalone Auction Event in Hong Kong, which set a new standard of excellence in the industry. The introduction and launch of "investment grade" abalone demonstrate Abagold's expertise as a premier supplier of dried abalone in this very traditional market.


Lot 2: Hermanus


Lot 11: Southern Right


Lot 18: Kamma Baai

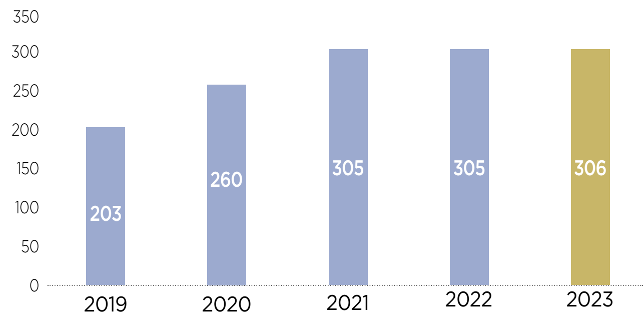
Lot 4: Birkenhead

Salient features of 2023

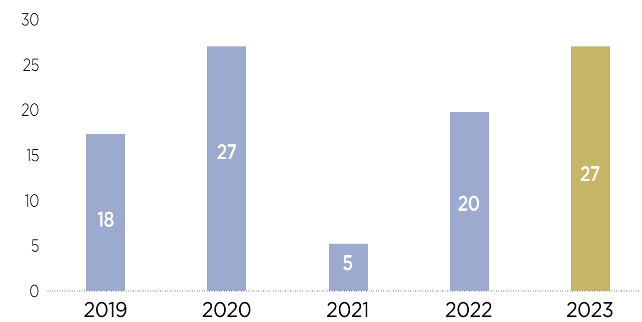
HIGHLIGHTS – FY23

- The farm delivered **growth of 504 tonnes** (2022: 452 tonnes).
- Abalone **tonnage sold** remained consistent at **491 tonnes** (2022: 501 tonnes).
- Average abalone **selling price** improved slightly to **R522/kg** (2022: R503/kg).
- **Abalone revenue** remained unchanged at **R256 million** (2022: R256 million).
- **Group revenue** remained unchanged at **R306 million** (2022: R305 million).
- **Gross margin** declined to **R165 million** and **54%** gross margin (2022: R179 million and a 59% gross margin).
- **Adjusted EBITDA** declined to **R21 million** (2022: 67 million).
- **Profit** from operations i**mproved by 31%** to **R27 million** (2022: R20 million).
- **Group cash** generated from operations declined to **R16 million** (2022: R58 million).
- **Net debt** (including cash reserves) increased to **R137 million** (2022: R39 million).

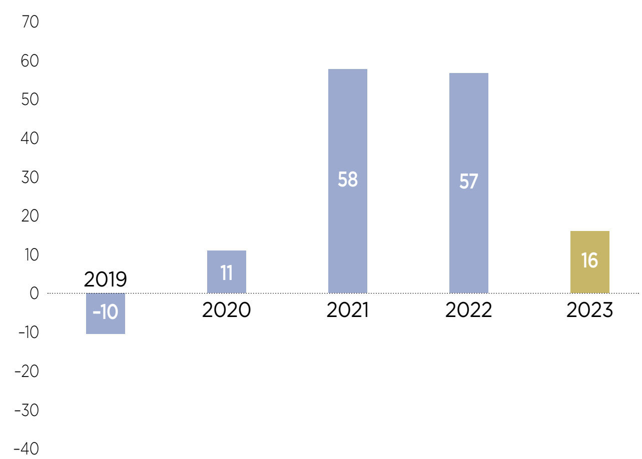
Revenue (R'mill)



Profit from operations (R'mill)



Cash generated from operations (R'mill)



Five-year review

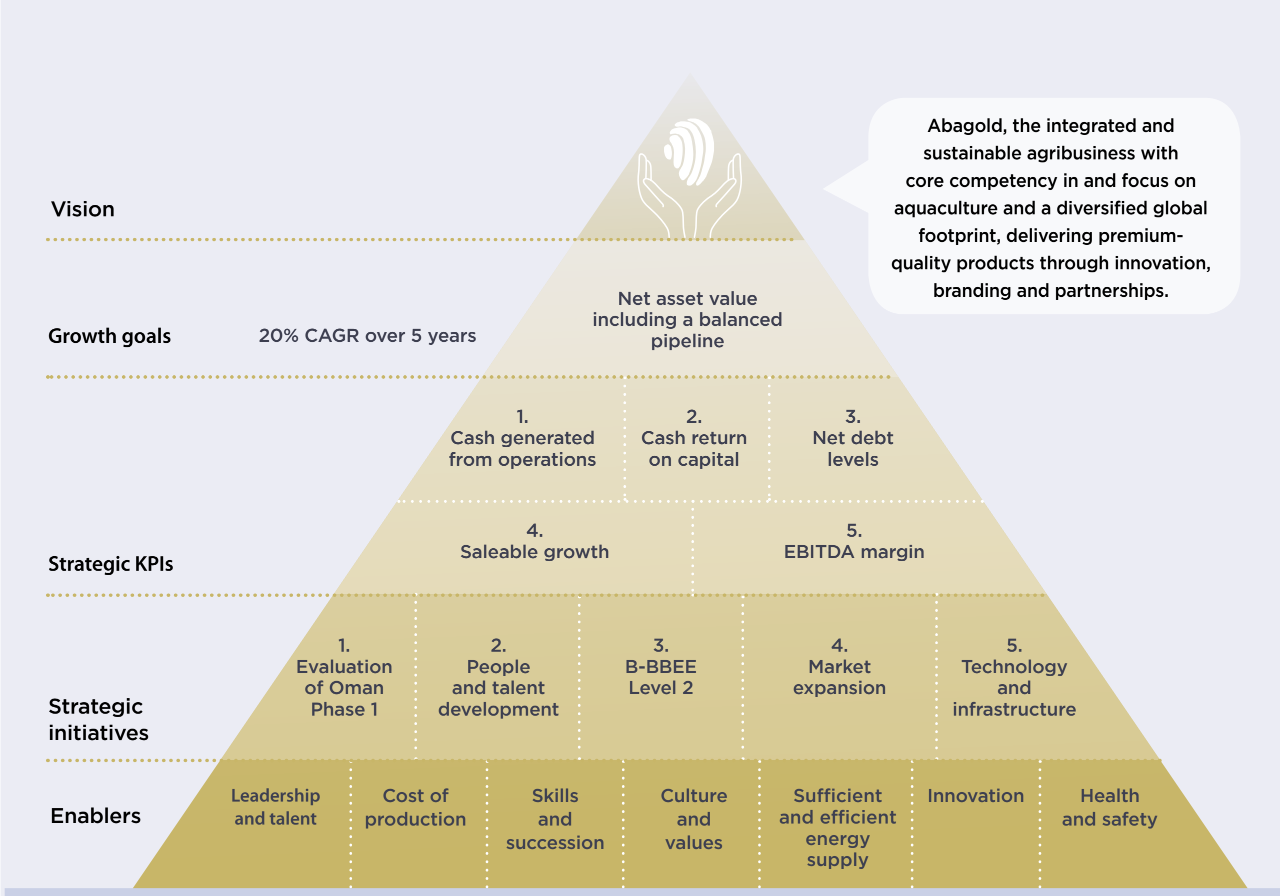
	GROUP				
	2023 R'000	2022 R'000	2021 R'000	2020 R'000	2019 R'000
Statement of comprehensive income					
Continuing operations					
Revenue	305 583	305 014	260 199	203 064	206 351
Adjusted EBITDA	21 074	65 421	45 803	24 665	3 131
Earnings before interest and tax (EBIT)	27 496	20 040	5 285	27 447	17 622
Net finance charge	(6 939)	(5 938)	(7 809)	(8 520)	(6 550)
Profit/(loss) before taxation	(154)	6 763	(4 155)	17 723	10 178
Taxation	(5 653)	(2 046)	394	(6 165)	(3 029)
Net profit/(loss) for the year from continuing operations	(5 807)	4 718	(3 761)	11 558	7 149
Loss from discontinued operations	–	–	–	(31)	(2 594)
Net profit/(loss) for the year	(5 807)	4 718	(3 761)	11 527	4 555
Fair value gain/(loss) on biological assets and inventory due to exchange rate and dollar price changes	25 268	(14 121)	(10 195)	(38 250)	(28 521)
Net profit/(loss) excluding exchange rates and dollar price changes	(31 076)	18 838	6 434	49 777	33 076
Statement of financial position					
Total assets	584 705	483 864	490 869	486 329	467 150
Total current assets	254 270	198 507	250 913	244 380	196 225
Total non-current assets	330 435	285 357	239 955	241 949	270 925
Total biological assets and inventory ("stock")	267 751	236 498	247 837	265 119	242 061
Non-current portion of biological assets	46 705	59 677	29 278	29 577	61 057
Total current liabilities	122 245	61 753	66 946	52 569	78 150
Total liabilities	307 162	192 167	201 997	193 824	193 823
Total equity	277 543	291 697	288 744	292 505	292 505
Statement of cash flow					
Cash generated from operations	15 741	57 228	58 205	11 278	-9 762
Dividend paid	7 027	3 514	–	–	–
Purchases of property, plant and equipment	37 919	27 955	9 336	9 095	7 611
Financial ratios and exchange rates					
Solvency ratio	1,9	2,5	2,4	2,5	2,2
Current ratio	2,1	3,2	3,7	4,6	2,5
Acid test ratio	0,3	0,4	0,5	0,2	0,2
Return on equity	(2,1%)	1,6%	(1,3%)	3,9%	1,8%
Return on assets	(1,0%)	1,0%	(0,8%)	2,4%	1,0%
Operating (loss)/profit margin on continuing operations	(0,1%)	2,2%	(1,6%)	8,7%	4,9%
Financing cost cover (times) on continuing operations	3,96	3,37	0,68	3,22	2,69
Average exchange rate for the year (R/$)	17,81	15,34	15,80	15,53	14,64
Closing exchange rate (R/$)	17,89	16,38	14,29	17,30	13,75
Earning/(loss) per share (cents) from continuing operations	(4,13)	3,36	(2,68)	8,38	5,36
Earning/(loss) per share (cents) including discontinued operation	(4,13)	3,36	(2,68)	8,38	3,42
Dividend per share (cents) – declared	–	7,50	–	–	–
Weight on the farm (in tonnes)	636	632	621	722	592

Abagold strategy

The Abagold strategy now includes the management of a maturing pipeline. We believe that a balanced, mature pipeline as well as developing a sustainable energy plan, will allow us to maintain our premium brand in the marketplace, while delivering superior-quality products.

The COVID-19 pandemic did not change our strategic objective. However, the effects of the pandemic 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 successful implementation of our strategy. The strategic framework is set out below:

STRATEGIC FRAMEWORK: COMBINED



Abagold business model

Abagold cultivates the abalone species, *Haliotis midae*, which is revered around the world and is unique to our coastline. We export our live, canned and dried abalone all over the world and build lasting relationships with our customers and consumers.

Our integrated supply chain comprises our hatchery, grow-out farms and processing factory, as well as a feed mill for sustainable feed supply and development. The business is supported by a range of central services, including finance, human resources, and information technology.

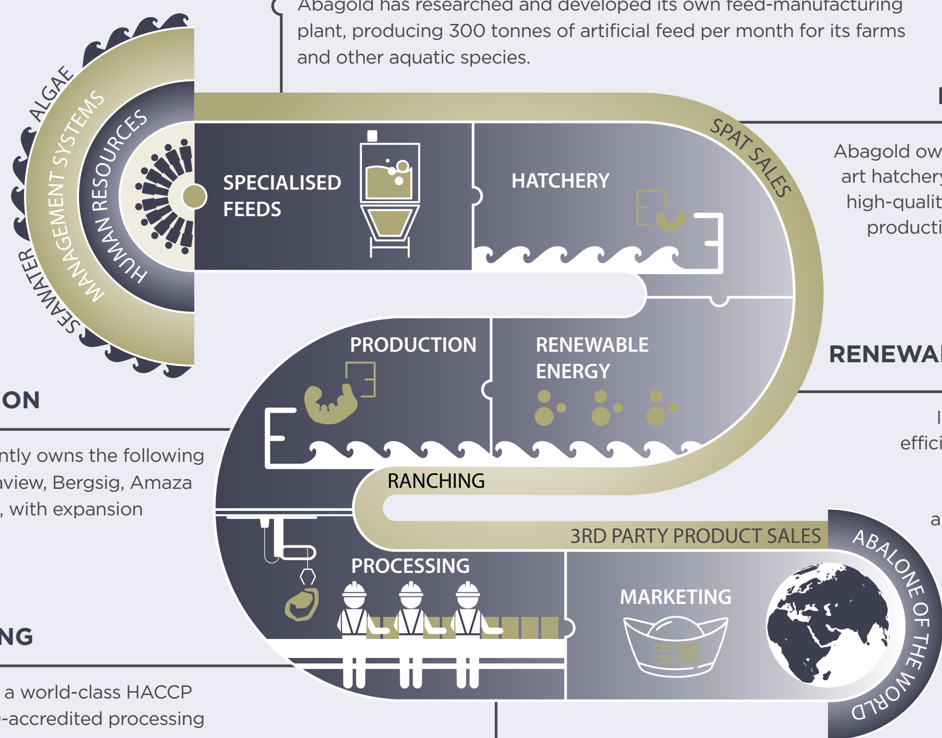
BUSINESS MODEL

SPECIALISED FEEDS

Abagold has researched and developed its own feed-manufacturing plant, producing 300 tonnes of artificial feed per month for its farms and other aquatic species.

HATCHERIES

Abagold owns a state-of-the-art hatchery which produces high-quality spat for its own production and for selling to other farms.



RENEWABLE ENERGY

Integrated energy efficiency programme includes a 2 MWs solar system and a 5,7 MVA battery-energy storage system.

PRODUCTION

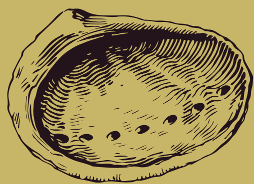
Abagold currently owns the following four farms: Seaview, Bergsig, Amaza and Sulamanzi, with expansion into Oman.

PROCESSING

Abagold owns a world-class HACCP and ISO22000-accredited processing facility which enables us to leverage off good customer relations to satisfy market needs.

MARKETING

Abagold markets its own product and is respected as a premium abalone producer from South Africa. This capability has developed to include marketing third-party product from other farms.



Chairman and managing director's report

Chairman's award, from left to right:
Ryan Weaver, Melony Lea, Hennie van der Merwe,
Philasande Ntlebi, Tim Hedges

OVERVIEW OF, AND PERFORMANCE FOR, THE FISCAL YEAR TO 30 JUNE 2023

Abagold's ability to weather significant challenges in fiscal year 2023, borne out by a strong second-half performance, lays a solid foundation for a robust outlook and performance in the years ahead. The business continues to build on the foundations built over the past number of years and reflects the efforts and positive trends reported recently. During this year, Abagold remained committed to the plan and strategies that have been at the core of everything that Abagold stands for. The values are entrenched and the focused attention to improving the ESG (environmental, social and governance) performance of the business will also deliver value and returns for shareholders in the medium term. By carefully managing resources and maintaining our customer-centric approach, the business has been able to meet the requirements of a challenging local production environment and international market in the last 12 months and deliver a solid set of results.

As advised in our previous annual report, it was with great sadness that we learned of the passing of Abagold's founder and the source of much inspiration for many, Dr Pierre Hugo, on Sunday 21 August 2022. Pierre dedicated his life to creating and then building Abagold into a profitable and sustainable business over his 25 years of active involvement. Even after his retirement from the Board of directors, Pierre remained a mentor to many of the Abagold team members while he continued to keep an active interest and focus on many areas of the business. The testimonial to Pierre now included in this annual report reflects in a small way the impact that Pierre had on Abagold over so many years. Pierre will be missed by all of us, but his legacy will live on for many generations to come.

The long-term relationships, built over many years with our sales partners globally, came to the fore very clearly in the first-ever, dried-abalone auction in June 2023 that was initiated by Abagold. The Abagold 25K Investment Grade Abalone Auction Event took place at the home of abalone, namely Hong Kong, in June this year. This premier event set a new standard of excellence in the industry, demonstrating Abagold's unparalleled expertise in the production of the world's finest-quality abalone, and making hand-selected, dried-abalone items available on auction to exclusive collectors, traders and invitees. The introduction and launch of "investment grade" abalone catapults Abagold to the forefront of this very traditional market. All 24 auction lots of investment grade abalone drew immense interest from over 65 international buyers, reaching record prices.

The most significant change at Abagold this past year was the investment in renewable and sustainable energy production on the property. The Board supported a significant investment in one of the largest independent energy-storage batteries in South Africa when it approved the investment in a 5,7 MW battery system that interfaces with the 2 MW operating solar system and the ever-necessary diesel generators that have been a stalwart of energy supply to Abagold. This integrated power system has improved energy security, but, more importantly, it has made the business less dependent on Eskom and has done so at a cost that will ensure the long-term sustainability of Abagold.

Although the improvement in general demand for abalone out of China was delayed by more than six months, as that country took so much longer to recover after COVID, the sales and marketing team performed excellently in the second half of the fiscal year in delivering 62% of the revenue for the year in this period. This strong recovery ensured that we were able to slowly improve the average selling price in Asia and China while maintaining consistent supply to all customers. The share of dried, live and canned sales, respectively, was the most balanced it has been in years, and this bodes well for the sales prospects in 2024.

Abagold continues its commitment to sustainability and, building on the success of the Friend of the Sea's 2022 Sustainability Award, has focused on multiple areas of improved sustainability. These include treatment and use of the effluent produced from the farming operations, a significant reduction of single-use plastics, investment in the use of local waste production to establish a black soldier fly larvae unit in Hermanus (as a source of protein for Specialised Aquatic Feeds' (SAF) feed production), and additional ranching projects. All of these initiatives reflect positively in the Company's ESG report, which is included in the annual financial report.

BUSINESS OVERVIEW (GROUP)

The general performance of the Group as a whole, from both a revenue and profitability perspective, encountered some headwinds in the last year, with a reduced positive contribution from Abagold, while SAF continued to navigate a "recovery" year in 2023. Overall satisfactory revenue results of R305 million were achieved for the period, flat compared with the prior year. On an abridged EBITDA (earnings before interest, taxes, depreciation and amortisation) basis (i.e. excluding fair value adjustments), the Group delivered R21 million compared with R67 million in the prior year, a decline of 69%.

Cash generated from operations ended positive for the year at R16 million (2022: R57 million), negatively impacted by R14 million in incremental costs due to the increased load shedding (average of 158 hours/month), as well as the forex hedge opportunity costs of R24 million and pricing pressure in the market resulting from the continued pandemic overhang in China.

Net debt (including cash reserves) increased to R137 million (2022: R39 million). This increased debt is directly linked to capital expenditure to improve operational efficiencies as well as to the investment in the battery system mentioned earlier. A key objective is to decrease the net debt through, inter alia, the completion of capital projects as well as improving operational cash flows.

HEALTH AND SAFETY

Safety is a core commitment at Abagold, and we are resolute in achieving our goal of zero harm. The safety and health of our employees and their families remain our top priority. In FY23, we continued our efforts to embed a proactive safety culture throughout the Company. The key safety metric is our lost-time injury frequency rate (LTIFR), which improved to 1,1 compared with 2,6 in FY22.

FINANCIAL SUMMARY

Fair value adjustments to biological assets and inventory have a material impact on the financial results due to changes in selling prices and exchange rates reflected in these values. The fair value adjustment gain for the year of R31,34 million, compared with the loss of R15,13 million in 2022, is an indication of the improved growth on the farms and efficiencies achieved by the operational team in the last year. This value is also improved by the continued weakness of the rand in the reporting period. Pricing started to improve, especially in the second half of the year, and particularly live abalone, but the canned market remained tight and prevented pricing from following the improvement in live pricing at the same pace.

R'000	% Change	30 June 2023	30 June 2022
Revenue	–	305 583	305 014
Abalone sales	–	256 216	255 812
Other external sales	–	49 367	49 202
Cost of sales	–12	(140 710)	(125 922)
Gross profit	-8	164 873	179 092
Gross profit %	–	54	59
Other income	–38	3 383	5 470
Net realised forex loss	-603	(24 597)	(3 500)
Administrative expenses	–16	(32 628)	(28 193)
Employment costs	–9	(81 418)	(75 700)
Other operating costs	17	(8 539)	(10 248)
Adjusted EBITDA	–70	21 074	66 921
Adjusted EBITDA %	–	7	22
Depreciation and impairments	11	(21 606)	(24 144)
Adjustments to bio assets and stock	307	31 346	(15 130)
Net unrealised forex gain/(loss)	56	(3 318)	(7 608)
Profit from operations	31	27 496	20 040
Profit from operations %		9	7

To facilitate an improved understanding of the Company's core operational and financial performance measures, an abridged income statement in respect of the adjusted EBITDA and profit from operations levels is presented alongside in a more traditional format and reconciled with the reported results of the Group.The financial performance of the Group in FY23 can be evaluated and assessed under the following headings:

Adjusted EBITDA

The Group delivered an adjusted EBITDA (excluding fair value adjustments) of R21 million (2022: R66,9 million) and a lower adjusted EBITDA % of 7% (2022: 22%), mostly impacted by logistics cost increases due to a change in the sales mix of more live exports, increased costs in respect of electricity generation of R14 million, and forex hedge opportunity costs of R24 million stemming from the Group's forex policy detailed below. Abagold Group recorded a percentage profit from operations of 9% (2022: 7%), with a positive margin contribution from Abagold of 10% (a slight increase from the prior year), while SAF delivered a negative percentage margin of –1% (2022: –5%).

A focused commitment and team effort with regard to cost management, labelled internally as Operation Masonge (which, translated, means "Let's Save Together"), are evident in reducing the impact of the R25 million additional diesel purchases to maintain electricity supply to the farm during over 200 days and over 1 885 hours of load shedding in the year. Abagold's production cost and total cost per kilogram did increase slightly in the year, in line with inflation and the load shedding challenges faced, and these were impacted by the flat growth in the year under review. This area of focus for management, along with continued technology and innovation initiatives, remains an opportunity to return the overall Group EBITDA margins to levels previously achieved.

The Group's forex policy is to hedge up to 75% of the budgeted sales, and in FY23 the average forward contract rate of R16,44 resulted in an opportunity cost of R24,5 million when compared with the average spot rate of R17,81. The forex policy helps to reduce the risk of a high operating leverage model and provides certainty with regard to expected rand income. The Board confirms that this policy remains appropriate.

Cash generated from operating activities

Cash generated from operations is considered a key performance indicator and a valuable measure of Abagold's business health. Opportunities are constantly being evaluated in order to improve the overall health and efficiency of the organisation's working capital. Appropriate stock management, debtors' days below 20 days at Abagold, and better payment terms negotiated with suppliers are just a few of the disciplines currently adhered to. The Group's cash generated from operations of R16 million decreased significantly from R57 million last year, largely due to increased energy costs and forex hedge opportunity costs.

Debt and banking facilities

During the year, the Group cash position deteriorated due to the installation of the energy-storage battery along with the completion of some critical improvement projects started in 2022. This, together with the slow recovery of Asia to normal trading, placed the business under some financial strain during the year. However, the strong fourth quarter reflected a return to pre-COVID performance and, with it, a more positive cash position by year-end, enabling the year to conclude with a debt-to-equity ratio of 33% excluding the battery loan (2022: 13%). Adequate bank financing, in the form of overdraft and loan facilities, is available to maintain financial headroom and manage any challenges that may occur while funding operations and expansion for the foreseeable future. The continued commitment to the Oman project required an additional planned investment of R14 million during the year, with operations for a full fiscal year taking place for the first time. The Group's finance costs for the period increased to R6,9 million from R5,9 million in the prior year. The total unutilised funding facilities headroom at year-end was R37 million (2022: R45 million), comprising available bank funding and cash reserves.

5,7 MVA battery-energy storage system

Marketing and sales

After a slow first half, Abagold experienced a strong recovery in volumes and revenue in the second half, delivering sales volumes totalling 491 tonnes of "live equivalent" abalone in the year. This included a reduced proportion of low-margin third-party sales, and total sales compare well with last year's sales volume of 501 tonnes. Total abalone sales revenue ended at R256 million, a negligible increase in revenue over that of last year. The average smaller sizes sold, due to increased live volumes, was somewhat offset by the rand weakness reflected in total revenue this year. Even though global economic conditions remain uncertain, and the industry continues to be impacted by the inflationary logistics environment, the average USD selling price weakened in the first half of the fiscal year and never fully recovered to pre-COVID pricing. This left the average selling price at USD29/kg average across all formats, a decrease of 14% year on year and reflecting the increased live sales and a slightly smaller size profile sold in the period.

Abagold produces and participates across all the abalone sales formats. This was reflected in the equal volume balance between all three formats in 2023. With this balanced approach, the team ensured that the Abagold brand maintained its presence in the dried, canned and live markets, even while some of these markets only really started to recover during the last quarter of the year. Compared with the historical demand curve, the market still rewards larger-sized South African abalone in the dried and canned formats. This has resulted in the continued focus on farming practices and abalone growth consistency, size profile management, and sales planning and forecasting, linked to strategy. The more robust and flexible Abagold pipeline achieved since 2017 now provides the organisation with multiple options to adapt quickly to the ever-changing market and consumer demands.

Demand for, and pricing of, dried abalone remained strong throughout the year, and USD pricing for this format stabilised after a flood of new entrants into the dried market comprising South African abalone farms with varying quality and consistency. The premium position of the Abagold brand was further endorsed by both the premium pricing achieved as well as the interest in, and success of, the first-ever dried-abalone auction in Hong Kong in June.

Live abalone demand and pricing have trended up in all markets during the year, delivering consistent monthly revenue from a wide range of customers in more than nine territories. Abagold's live-product quality has been enhanced by the recent upgrades to the processing and packing facility in Hermanus, and the Abagold live product is highly sought after owing to the consistent quality and supply to both new and traditional long-term customers in multiple geographies.

Over the past year, the marketing and sales team continued to focus on successful entry and expansion into new territories and countries, reducing the overall dependence on Hong Kong to below 55% of sales for the year under review. The expansion directly into China stalled during the delayed recovery in the region and China's challenges following COVID lockdowns. The positive response and feedback from social media and the public relations achieved following the Abagold 25K Investment Grade Abalone Auction have elevated the brand once again and set the business up well for further expansion and growth.

OPERATIONAL OVERVIEW

Production performance

Growth on the farms delivered strong results and built on the 2022 momentum achieved in operations. Growth for the year came to 504 tonnes, with standing stock of 636 tonnes at year-end. The well-designed, mature and balanced biological pipeline now creates the flexibility required by the business to remain market-facing in its approach to servicing market demand on a sustainable basis. The joint disciplines of planning and demand forecasting, implemented some years back, and further improvements in 2023, have been valuable this year as the business adapted to changes in both demand and format requirements and was able to supply the sizes, formats and volumes that the market demanded, while maintaining a healthy, balanced biological pipeline.

The production team includes the technical and maintenance department of Abagold, and the work done by this team in the past 12 months has been nothing short of exceptional. Keeping the pumps and blowers running in FY23 during more than 1 800 hours of load shedding and covering in excess of 250 days was a monumental task, and the incorporation of the generators, solar system and batteries in the last month of the year will be a great help and relief for the sustainability of the business long term. The Board and management congratulate Tremaine and his team for managing the situation so effectively and professionally.

New indoor live holding area, fully fitted with chillers and ozonators

Processing facility

The performance of the processing factory when it comes to quality, consistent delivery and innovation has cemented the position of the Abagold brand at the premium end of the abalone market. The factory expansion and addition of the state-of-the-art live holding and packing area have created a level of flexibility for the organisation, and the product-quality performance in the last quarter of 2023 is linked to the success of this addition and investment. The factory processed 487 tonnes (2022: 494 tonnes) of abalone in the FSSC/ISO22000-certified facility during the production year. There were zero quality variations experienced due to the continuous focus on, and attention to detail in, this area by the processing team. The team has continued its processing innovations in respect of canned products, and the improved and varied dried product and quality standard, delivered over the last two years, were on show at the Hong Kong abalone auction. There have also been some very good new product introductions in 2023, including improvements in sauce and other by-products.

SUBSIDIARY BUSINESSES

Ranching (Port Nolloth Sea Farms 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 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 PNSFR since 2013 from the Abagold hatchery in Hermanus, is now being harvested for the third year, and an additional 12 tonnes (2022: 10 tonnes) of full-sized abalone were harvested at PNSFR and were processed and sold by Abagold this fiscal year. The full-size product is sold predominantly in the dried format and also formed part of the offerings at the Abagold auction, increasing both value and demand for this class of abalone product in the market.

Selling prices for this product remained stable in 2023, as consistent supply and quality ranched product were delivered.

Abagold continues delivering approximately 1,5 tonnes of juvenile abalone per month to the PNSFR operation at market-related value, where the stock is planted into the ocean 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 remains encouraging and the high survival and growth rates of more recent plantings indicate significant long-term potential. The harvest for the coming year is expected to increase to 15 tonnes.

Specialised Aquatic Feeds (SAF)

SAF ended another challenging financial year with a slight reduction in total revenue and volumes. The negative impact of commodity prices on feed ingredients, and the general economic environment where most of SAF's customers operate, placed the operation under pressure. The efficiency improvements and good management allowed SAF to deliver a positive cash flow for the year, while profitability ended close to break-even. SAF has balanced its offerings, reducing its reliance on the South African trout-farming market and building a more sustainable pet food market together with the rapidly growing koi and tilapia markets. The full recovery of SAF to a sustainable profit-making operation will be directly linked to this diverse product and market approach. The SAF team remains committed and positive and acted responsibly throughout the year, while adjusting to the fast-changing environment and global conditions.

This commitment throughout the year resulted in full-year sales of 3 116 tonnes, a decrease of 4% year on year. Total revenue of R73 million was 5% more than in 2022. The inflationary pressures on business and reduced gross profit margin for the year resulted in a net loss before tax (LBT) of R0,9 million (2022: R3,9 million LBT), with a positive cash generated from operations of R1,7 million for the full year (2022: R1,9 million negative).

SAF remains a critical and strategic partner to Abagold and is committed to diversifying its offering, producing feed for the abalone, tilapia, catfish, koi, pigeon and pet food markets nationally and into Africa.

Abagold farm management appreciates the continued improvements and innovation with regard to the abalone feed produced by SAF, which is delivering impressive growth performance, especially in respect of the larger-sized abalone. We remain optimistic regarding the long-term prospects of this operation as a valuable 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 50:50 joint venture with an Omani partner, Muscat Overseas Group (MOG), in a then newly formed Omani entity, Oman Aquaculture Co LLC. The construction of Phase 1 was completed in February 2022 and abalone production started in April 2022 in the state-of-the-art hatchery and single-unit grow-out farm in Mirbat. The farming unit received its first spat from the hatchery in August 2022, and has been farming the unit effectively since that time.

The abalone growth on the unit in Oman has been impressive, scaling the majority of the expected growth hurdles in the financial plan. As a result, the first abalone harvest and sales from the operation are planned for November 2023. The initial investment in Phase 1 aimed for a limited-volume operation to complete the proof of concept and to evaluate the operational and unique local challenges of the region and species. The planned future infrastructure, expected to start in 2025 subject to Board approval, will support further expansion towards the full implementation of a 600-tonne production farm. Success in the first phase, and is being measured against key performance milestones agreed with management and the joint venture partner. The opportunity to also implement a fully diversified ranching project in the ocean in the region has passed a number of key hurdles set by local and national government bodies, and this project should move into the execution phase by late FY24. This option will provide an additional highly profitable stream of revenue in the future.

Energy

Abagold has implemented a large solar photovoltaic (PV) installation on all three farms in order to supply up to 18% of the total energy requirement of the operations. Added to this is the most recent installation of a 5,7 MW battery system that integrates the solar and generator systems with the Eskom supply and manages the total energy supply to the Seaview Farm in a seamless process. The battery system was implemented by means of an outright purchase through an engineering procurement and construction contract with full financing by our bank. Abagold will continue to identify all other potential sources of renewable energy as part of its mandate to reduce costs and to provide reliable energy supply to help offset the longer-term risks of a 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 the farms remains essential to ensure the sustainability of the Abagold biological pipeline. As the expansion of operations on other farms in the region gathers pace again, there has been demand for an increased supply of local spat. This demand for spat is traditionally inconsistent, but, when the Abagold hatchery has any additional spat beyond the base needs of our own operations, these can easily be converted into cash by selling to the other farms. However, the focus of the hatchery remains on first meeting Abagold's own requirements through the production of larger spat, at lower cost, through innovation and improved performance. The hatchery operation is the springboard for the rest of the organisation to achieve growth targets, competitive feed conversion rates, and larger-sized abalone consistently.

Production

The Seaview, Sulamanzi, Amaza and Bergsig farming operations are currently at 80% capacity (purposefully reduced to ensure the active management and most efficient pumping and energy cost structure), with abalone maturing and enabling the operation to have access to larger-size product to harvest throughout the year, as per forecast. The growth rates, targeted for 2024 and the period beyond, are pushing the upper boundaries of the long-term performance measures, and this is possible with new technology, the influx of the genetic-selection programme, and improved consistency in feeding and service delivery to the tanks. The production team implemented several effective innovations within the operation, such as improved technology in tank cleaning, radio frequency identification tags on baskets, and paperless sorting systems that have already reduced costs and improved efficiency across all the farming units, and these improvements are built into the forecast-production models. The upgrade of old tank designs and aged infrastructure of the production unit on Bergsig Farm is 50% complete. The addition of another production unit on Sulamanzi was also completed in FY23 and is in full production already. The focused improvements, measurement, analysis and efficiency across all production units will continue to deliver enhanced performance through FY24. Further formulation improvements in the abalone feeds, the genetic-selection programme, and innovative husbandry practices are already delivering encouraging results.

The consistent production of the required volumes of high-quality spat as efficiently and cost-effectively as possible to the farms remains essential to ensure the sustainability of the Abagold biological pipeline

Abagold hosted the inaugural abalone auction held in Hong Kong

Sales and marketing

The market conditions through traditional channels and markets, especially Hong Kong, opened up in the last quarter of FY23, with demand strengthening. The indication of political stability in Hong Kong and China's slow return to normal trading conditions bode well for the new fiscal year. The sales and marketing team is ready to react quickly, and remain innovative and in close contact with the loyal sales partners to ensure continued efficient and profitable trading.

From a dried-abalone perspective, although large volumes from South Africa have dampened demand somewhat, the response to, and support for, the Abagold brand after the abalone auction in June this year is enabling the brand to maintain premium pricing and improved demand. The team remains focused on expanding demand in Mainland China. The organisation is confident that, with a return to more consistent Asian tourist travel and hospitality habits, demand for canned product should recover completely by the second quarter of FY24, and the consistent demand for live product looks promising. The business is expecting a strong run up to Chinese New Year 2024. Although inflation and potential recession fears globally may influence dollar strength, we are forecasting USD pricing to improve in the short term. The traditionally large volumes of illegal (i.e. poached) South African abalone are reaching the Chinese market again through Hong Kong, and this does have an impact on demand for farmed dried abalone.

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 and risk. The determined focus of this team is to maintain the base established for the primary business and to build in improvements in order to deliver consistent results while leveraging innovation and technology, managing risk, evaluating potential new opportunities, and investigating additional diversification to ensure long-term sustainability for the overall business.

DIVIDEND

Due to the impact of this most recent challenging year, including the impact of load shedding and the slow market recovery in Asia, along with the recognition that the business needs to maintain a minimum threshold of cash reserves to support it through such complex times and events, the Board regrets to announce that there will be no dividend for the 2023 financial year. The management and Board of Abagold remain committed to enhance shareholder value with a credible, consistent and effective dividend policy, but also believe that all shareholders will understand the decision in this regard for the 2023 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 third-party service provider.

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

As communicated previously, 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 Phindile Kubheka, the company secretary of Abagold, at phindile@abagold.co.za setting out their full names and contact details where prospective sellers/buyers of Abagold shares may contact them. By sending this email to the company secretary of Abagold, the shareholder agrees that its name and contact details may be sent to any prospective counterparty.

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

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

Consul General in Hong Kong, Mr Mogono, with Abagold executives and directors who attended the inaugural Abalone Auction.

BOARD OF DIRECTORS

Johannes Hamman retired from the Board after serving his second term on the Board, and Abagold would like to express its appreciation for Johannes's dedication and contribution to the activities of the Board and for the guidance and mentorship he has provided at both management and Board level. Johannes has many years of experience and, as one of the founder members of Abagold, has been directly involved in resolving so many of the challenges and achieving so many of the successes of Abagold.

Furthermore, the Board would like to express its appreciation to Kearon Gordon, who resigned as director during the year for personal reasons, and who contributed significantly on both the Board and committees where he served. Kearon will be replaced by Fareez Davids, as Futuregrowth representative, and he will be proposed for election by shareholders at the AGM.

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

ACKNOWLEDGEMENTS

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

The dedication of management and staff to the well-being of Abagold is exemplary, and we are thankful for their commitment and energy. This includes the important area of open and timely communication with the Board on key matters, enabling fruitful interaction with, and focused oversight by, the Board, along with input from the Board. This was further highlighted by the way that management maintained communication with the Board on components like load shedding and energy-supply challenges as well as changing market conditions and critical operational components, when necessary. This open communication is appreciated by the Board. We look forward to working together, while continuing to build a business of which shareholders and all other stakeholders can be proud.

Signed on behalf of the Board of directors at Hermanus on 15 September 2023.

Hennie van der Merwe
Chairman

Timothy Hedges
Managing Director

Sustainability Report

MANUFACTURING CAPITAL	NATURAL CAPITAL	HUMAN CAPITAL	INTELLECTUAL CAPITAL	SOCIAL AND RELATIONSHIP CAPITAL	FINANCIAL CAPITAL

Abagold has adopted the "Six Capitals" model, as recommended by the International Integrated Reporting Council, which demonstrates the various components of value that form the basis of the organisation's value-creation process. The organisation's business model draws on various capital inputs and shows how its activities transform them into outputs.

The availability, quality and affordability of the Six Capitals may impact the long-term viability of an organisation's business model and, therefore, provide a broader view of the ability of the business to provide sustainable economic value to its key stakeholders. Reporting this information is critical to a meaningful assessment of the long-term viability of the organisation's business model and strategy.

MANUFACTURING CAPITAL

The Group's manufacturing capital consists of a hatchery and three grow-out farms with 670-tonne capacity, a processing plant, as well as an aquaculture feed manufacturing facility.

Measurables	▪ Abagold has completed the factory expansion and live holding area project, which includes a seawater cooling and seawater disinfection system. The project comprises a new, live holding facility compliant with food-safety regulations, a live packing facility, a new shucking area, and a new live sorting area. By introducing this new facility, Abagold has improved processing capacity, thereby increasing the potential throughput and manufacturing ability of the canning, drying and live packing processes. In addition, this project ensures compliance with all required health standards, mitigating long-standing risks and potential National Regulator for Compulsory Specifications (NRCS) findings and allowing Abagold to manufacture at this standard into the foreseeable future. ▪ As a continuation of the energy supply strategy, and in response to the excessive load shedding during 2022/3, Abagold has purchased a 5,7 MWh battery-energy storage system which is in the process of being commissioned early in FY24. Energy assurance and efficiency are key to the manufacturing capability of Abagold Ltd, and this flagship project is critical to managing the KW/h cost of electricity. ▪ The solar-to-diesel generator integration, which allows Abagold to fully leverage the benefit of the previously installed solar system during load shedding, has been completed. There is a high level of complexity with regard to the Abagold electrical infrastructure which requires significant innovation in order to enable the seamless integration between the different energy-generation units. ▪ Abagold has increased its farming capacity by 6% with the addition of 40-tonne standing capacity on Sulamanzi. ▪ Abagold's digitisation journey continued with the inclusion of data on sorting abalone, which data is now captured digitally at the source. Abagold developed an in-house application and hardware solution, interchangeable with barcode or radio frequency identification (RFID) technology, thereby mitigating errors and improving data flow. ▪ Hatchery tank replacements, improved lighting, genetic holding area upgrades, and expanding our broodstock rooms are some of the many capex projects undertaken within the hatchery. Investing in the hatchery is key to protecting our biological-asset pipeline and creating future saleable growth. ▪ Oman Aquaculture (OAC) has continued to mature since the commercial asset started operations late in FY22. The OAC team has made significant strides in the spawning and settlement of spat, raising juvenile abalone within the nursery. The grow-out unit is expected to reach full capacity early in 2024. As part of the requirement for feed security and commitment to innovation, feed manufacturing occurs onsite in the containerised feed plant developed and supplied by Specialised Aquatic Feeds (SAF). ▪ The hatchery spat production for the year of 6,5 million spat, at a competitive and affordable cost, was sufficient for Abagold's requirements. Abagold sold around 500 000 spat to Viking Abalone (a Sea Harvest subsidiary) for its farming facility in Kleinzee in the Northern Cape. ▪ In FY23, Abagold delivered more than 10 tonnes of small abalone to a ranching project on the West Coast, in which we own an interest, and which serves as a model for further sustainable development. ▪ The factory processed 510 tonnes of product in FY23, which includes dried, live and canned product for export. ▪ The feed factory manufactured 3 100 tonnes of feed in FY23 and will aim to manufacture 4 000 tons in FY24. This includes Abalone feed, which provides Abagold and other abalone farms with a secure source of feed. Sustainability is enhanced by producing other aquaculture, pet and specialised feeds for sale.

MANUFACTURING CAPITAL CONTINUED

Measurables	■ More than 100 tonnes of different varieties of natural seaweed were produced during the year. ■ In 2017, basket-making was spun off into Aquawomen (Pty) Ltd, with majority ownership transferred to an employee trust with long-serving staff as the beneficiaries. In FY23, Aquawomen (Pty) Ltd produced and sold 8 673 (2022 = 5 521) new baskets to, and repaired 22 581 (2022 = 30 491) used baskets for, Abagold.
Activities to enhance outcomes	■ Ongoing innovation and efficiency improvements in the processing factory in order to deliver improved yield results. ■ Infrastructure renewal on the farms to support and improve capacity and abalone growth rates. ■ Innovation enhancements to lower the lost of production and improve control of biological assets. ■ Maximising the benefit of the new 5,7 MWh battery-energy storage system as a powerful tool to ensure consistent supply of water and air to the farms while helping to lower the cost of production during periods of load shedding. ■ Planning and designing the expansion of the Oman farming operation as part of the Phase 2 expansion, which is scheduled to start in 2024 subject to Board approval.
Goals	■ Evaluate and measure the key milestones as part of Phase 1 of the business plan for the Oman abalone farm. ■ Facilitate the detailed design and tender documentation of Oman Phase 2. ■ Decrease production costs to R340 per kg on a mature pipeline with the aid of automation and improved productivity. ■ Continue on the paperless journey through the roll-out of digitisation projects that improve the efficiency of data management and the flow of information.
Combined assurance	■ The NRCS performs ongoing monitoring and evaluation of food-safety standards at Abagold. ■ Abagold holds a voluntary Food Safety System Certification (FSSC 22000). ■ Abagold is registered with the globally recognised organisation, Friend of the Sea, and holds its sustainability certification.

NATURAL CAPITAL

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

Measurables	■ Compliance with national fisheries and environmental regulations: Rights held to engage in marine aquaculture (for renewal 2032). Permits held for integrated grow-out: Sulamanzi, Bergsig, Seaview and Amaza farms. Permits held to possess abalone broodstock, operate a hatchery and operate a marine aquaculture fish-processing establishment. Permits held for coastal water discharge and extraction of seawater. ■ Actively engaged resource management: This includes energy efficiency and water stewardship via metering, monitoring and mitigation measures. ■ Long-term environmental monitoring: This includes water and tissue sampling for nutrients, bacteria, biotoxins, drug residue, heavy metals, and phytoplankton both by in-house experienced specialists and accredited third-party service providers. In addition, high-tech monitoring equipment provides continuous water-quality data feed. ■ Animal health management: This includes dedicated and frequent third-party stock assessments, histopathology assessments, and polymerase chain reaction (PCR) monitoring of diseases listed by the World Organisation for Animal Health in compliance with the Veterinary Procedural Notice (VPN) and other animal health certificates and protocols. Farm biosecurity, in consultation with industry, government and a third-party service provider, is carefully managed, monitored and audited in order to mitigate risks to operations and ensure optimal animal health.
Activities to enhance outcomes	■ Ongoing monitoring and effective contingency planning to ensure resilience with regard to short-term environmental risks such as harmful algal bloom, diesel spills and warm-water events. ■ Continued resource management and investment in sustainable production, embracing a sustainability-focused circular economic model, including energy efficiency, engaging alternative energies, and water stewardship via feedback and maintenance plans, active waste management, recycling initiatives, innovation, and supplier accountability. ■ Continued investment in animal health management and biosecurity.
Goals	■ Improve the digitalisation and automation of water-quality monitoring where justified through an adequate return on investment. ■ Continue to streamline and develop effective monitoring and reporting protocols in respect of resource use and systems management in order 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 United Nations (UN) Global Compact Principle Seven, which calls for prevention rather than remediation, by recognising our environmental responsibility towards the continued development of a focused 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 mandated Department of Forestry, Fisheries and the Environment (DFFE) compliance protocols, including the reporting of production, water-quality and food-safety data, mandated and third-party voluntary biosecurity audits, health management outputs and food-safety audits. Abagold holds an international Friend of the Sea Sustainability Certification and was awarded the prestigious Friend of the Sea 2022 Sustainability Award.

HUMAN CAPITAL

"Human capital" refers to the knowledge, skill sets, and experience employees and prospective employees have. At Abagold, the concept of human capital has evolved into the realisation that the quality of work can also have an impact on the improvement of productivity and on engagement within the organisation.

Measurables	■ Our average headcount for FY23 was 402 employees, including permanent and fixed-term employees. Also, during the year, the absenteeism rate reduced to 1,89% per month (FY22: 2,56%). ■ The voluntary Abagold Stokvel Incentive Programme (ASIP) has been operational for two years, with over 80% consistent participation. It rewards participating employees for saving, and includes additional incentives for improved productivity benefitting the business. The programme helps to align the entire business around an important key performance indicator (KPI), and participation is limited to eligible employees based on human resource (HR) records. In FY23, the ASIP paid out more than R1 million in added incentives due to the business achieving operational targets. ■ In March 2022, Abagold concluded a three-year wage agreement with the Commercial, Stevedoring, Agricultural and Allied Workers Union (CSAAWU). ■ Additional financial benefits include retirement benefits, death and disability benefits, and long-service awards. Bursaries and study assistance funding are provided in order to enhance the relationship with, and long-term sustainability of, human capital. ■ AgriSETA approved seven graduates, 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.
Activities to enhance outcomes	■ An on-site clinic supporting our employees in terms of primary healthcare, with the nursing sister working closely with two local doctors, who are subsidised in Hermanus, and the local community clinic. ■ Ongoing collaboration with third parties to improve the level of employee engagement through initiatives with the South African Revenue Service (SARS) Mobile Unit, as well as wellness days with our local clinic. The wellness days provide employees with the convenience of onsite primary healthcare with minimal interruption to productivity. ■ An inclusive workplace valuing all employees for their strengths. It offers employees with disabilities, whether visible or invisible, an equal opportunity to succeed, learn, be compensated fairly, and advance. We have partnered with the New Hope Training Organisation, which is locally based and focused on sustainable development and growth. Ten students with disabilities studying towards their National Qualifications Framework (NQF) Level 4 in Animal Production completed their practical training at Abagold. ■ Improved communication through the *Masithethe* (translated as "Let's Talk") newsletter, which serves as a feedback and information tool to ensure that employees are kept up to date and informed. ■ A six-month mentoring programme assigning all new joiners to high-performing employees and a senior manager as mentors who are strategically linked with the mentees. ■ Maintain communication in the alignment of Abagold objectives, and continuous improvement regarding overall engagement. ■ Commit to health, safety and environmental standards, and improve and reduce the lost-time incidence (LTI). ■ Establish accredited animal production courses to ensure that our employees are developed and groomed for future promotions. These will be accredited by the relevant Sector Education and Training Authority (SETA) and will be completely owned by Abagold. This process will be undertaken in partnership with a regional training solutions provider and is expected to take about 18 months. ■ Be an employer of choice, attracting and retaining talented employees, particularly from previously disadvantaged groups, and including people with disabilities from the surrounding community.

Combined assurance	■ The BEE (black economic empowerment) rating agent provides an annual, independent measure of compliance with the AgriBEE scorecard. ■ The Department of Labour review of conditions of employment in terms of the Basic Conditions of Employment Act (BCEA) and of equity submissions, as well as compliance with regional targets.

Educational trip to the local botanical gardens

INTELLECTUAL CAPITAL

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

Measurables

- The 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.
- The first-ever, dried-abalone auction that was initiated by Abagold and the Abagold 25K Investment Grade Abalone Auction Event took place at the home of abalone, namely Hong Kong. This premier event set a new standard of excellence in the industry, demonstrating Abagold's unparalleled expertise in the production of the world's finest-quality abalone and making hand-selected, dried-abalone items available on auction to exclusive collectors, traders and invitees.
- Accreditations include Food Safety System Certification (FSSC 22000), Hazard Analysis Critical Control Point (HACCP) compliance, National Regulator for Compulsory Specifications (NRCS) compliance, and Friend of the Sea certification.
- A permit is held for Marine Aquaculture Scientific Investigations and Practical Experiments.
- Abagold has a dedicated research department and engages with national and international tertiary institutions and research institutes, government, and industry research committees.

Activities to enhance outcomes

- Genetic improvement programme: Through genotyping and genetic selection, the operation is committed to the continual development of profitable and biologically efficient abalone production with improved utilisation of feed, land and water resources via high-performance, high-yield broodstock.
- Feed product development is aligned with protocols to ensure optimal growth and animal health whilst mitigating effects on the environment through the continued commitment to sourcing traceable and sustainable ingredients, all of which while investing in research such as fishmeal replacements, seaweed inclusion, and alternative proteins, thereby maintaining the "all natural" commitment.
- Ongoing delivery of juvenile abalone to the ranching project in order to ensure an adequate pipeline and stock for future harvesting.
- Ongoing commitment to multidisciplinary research and collaboration locally and internationally.

Goals

- Market access for export to new geographies such as Europe and North America.
- Combined, global marketing expansion together with the Oman joint venture, and develop the market for Oman abalone.
- Continued commitment to developing the knowledge base in respect of abalone-cultivation operations and the associated industry globally.
- Improvement in growth rates of 5 to 10% resulting from the genetic programme.

Combined assurance

- Local assurance providers include DFFE, NRCS, the Abalone Farmers Association of South Africa (AFASA) and Amanzi Biosecurity.

SOCIAL AND RELATIONSHIP CAPITAL

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

Measurables	■ Abagold remains the largest private-sector employer in the Overstrand with 402 (2022: 393) permanently employed staff. ■ Abagold introduced its first-ever Employee Share Ownership Plan (ESOP), which purchased 10% of the share capital of the business through a vendor-financed arrangement with a 15-year time horizon. The beneficiaries are Abagold employees, and units are allocated based on years of service. ■ As part of our procurement policies, we spent R86 million in supporting small, medium and micro enterprises (SMMEs) in the local community. ■ The Abagold Development Trust supports high school and tertiary-level students through bursaries, mentorships and holiday programmes across various disciplines, including accounting, law, information technology (IT) and music. ■ Abagold supports early childhood development centres through the initiatives of the Abagold Development Trust. ■ The Abagold Development Trust embarked on multiple community initiatives at schools and early childhood development centres in the local community and enlisted the help of Abagold employees. One of the projects delivered more than 600 LED lanterns to matriculants as well as Grade 12 teachers at local schools in Zwelihle, Hawston and Gansbaai, to help “keep the lights on” while studying and preparing for their final exams during high levels of load shedding.
Activities to enhance outcomes	■ Active management of local procurement spend with the objective of promoting the development of local SMME suppliers. ■ Ongoing community engagement and investment through the Abagold Development Trust comprising trustees who are active in the community. ■ The primary mandate of the Abagold Development Trust is education, and specifically early childhood development.
Goals	■ Contribute to the development of the talent pipeline in the community. ■ Upskill and ensure safe and effective local early childhood development centres. ■ Promote the shared objective of education development in the community through various community initiatives.
Combined assurance	■ External BEE rating agents provide an annual, independent measure of compliance with the AgriBEE scorecard. With the last review, Abagold achieved a Level 2 broad-based black economic empowerment (BBBEE) rating.


Abagold choir performing at the local festival

FINANCIAL CAPITAL

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

Measurables	■ Group cash generated from operations fell to R16 million compared with R57 million in the prior year. ■ Abagold experienced a significant increase in operating costs due to the impact of load shedding on energy costs. In response, the business implemented "Operation Masonge "Let's Save Together!", a company-wide initiative to increase efficiencies and reduce wastage. ■ Group net debt increased to R137 million as at year-end from R39 million in the prior year despite an increase in investing activity during the year. ■ The net debt-to-equity ratio was 33% excluding the battery loan compared with 13% in the prior year. ■ Omani bank-funding facilities for the Oman abalone farm were maintained, with the terms for both Phase 1 and 2 facilities renegotiated.
Activities to enhance outcomes	■ Monthly management review of monthly performance against agreed budgets and forecasts, including funding requirements. ■ Quarterly Board review of performance and of strategy implementation, including funding requirements. ■ Review and evaluation of the key milestones for Oman Phase 1, and provision of ongoing operational support. ■ Extracting maximum value from the battery-energy storage system in order to make funding repayments to the bank.
Goals	■ Maintain adequate funding headroom to enable the business to weather business disruptions, and lower the overall cost of debt. ■ Provide an adequate return to shareholders with sustainable dividend distributions. ■ Implement the Board mandate with regard to enhanced long-term sustainability.
Combined assurance	■ Annual external audit performed by an independent auditor registered with the Independent Regulatory Board for Auditors. Abagold has always maintained an unqualified audit, with no material misstatement in the financial results.

LED lanterns handed to matriculants at Hawston High

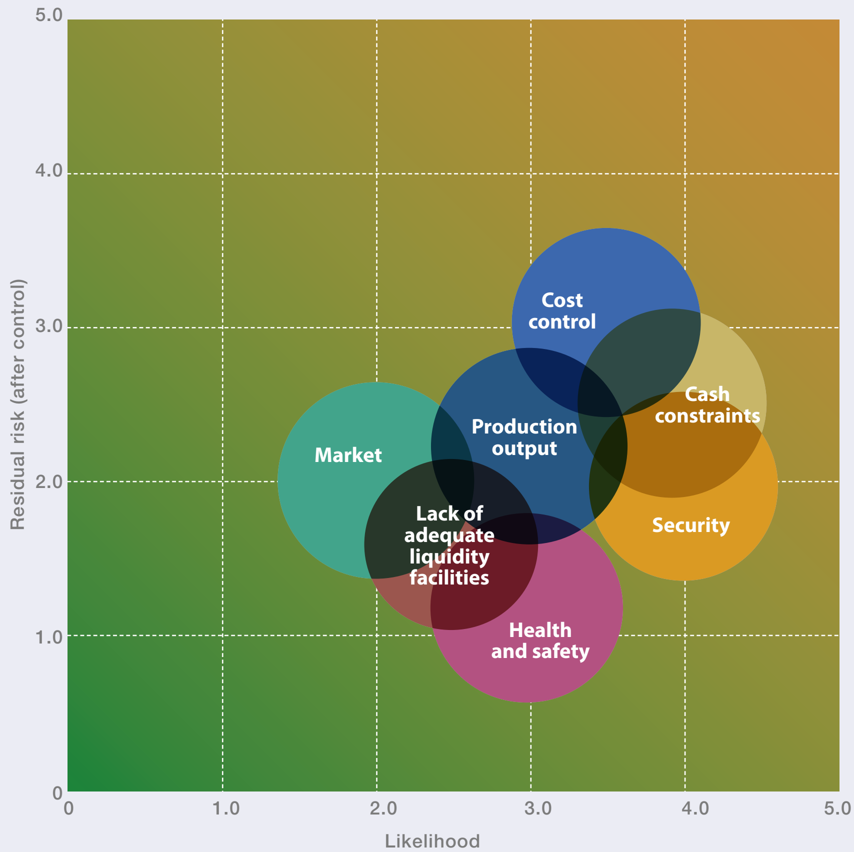
Blanket drive at a local early childhood development centre

Risk committee report

INTRODUCTION

Abagold Ltd is committed to upholding robust risk management principles that effectively measure uncertainty and the related risks and opportunities, with the objective of achieving optimum shareholder value while mitigating risks to the business. The integration of risk management into our organisational culture ensures that risks are diligently identified, assessed, managed, and minimised to the greatest extent possible by our management team. This approach guarantees the long-term sustainability of operations and the leveraging of Abagold's competitive edge. Risks identified by management are monitored and reviewed quarterly by the risk committee, which is a committee of the Board of directors of Abagold Ltd ("the Board"). The risk management methodology is an iterative process with continuous improvements and updates aligned with changes to the business and the environment in which it operates.

TOP RISKS - HEAT MAP



RESPONSIBILITY FOR RISK MANAGEMENT

The Board delegates full responsibility to management, while retaining accountability for risk management. The Board has delegated specific responsibility through the risk committee to management. The risk committee, 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 risk committee 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 major 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 alongside.

Rating	Risk Impact (RI)		Likelihood of Occurrence (LO)
1	Minimal	Loss < R2,5 m	Unlikely – 1
2	Moderate	R2,5m < 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 considers the impact on the Six Capitals that underpin the organisation's value-creation process and assigns a potential financial loss to the organisation for each item. The Likelihood of Occurrence Index Rating reviews the probability of the risk materialising.

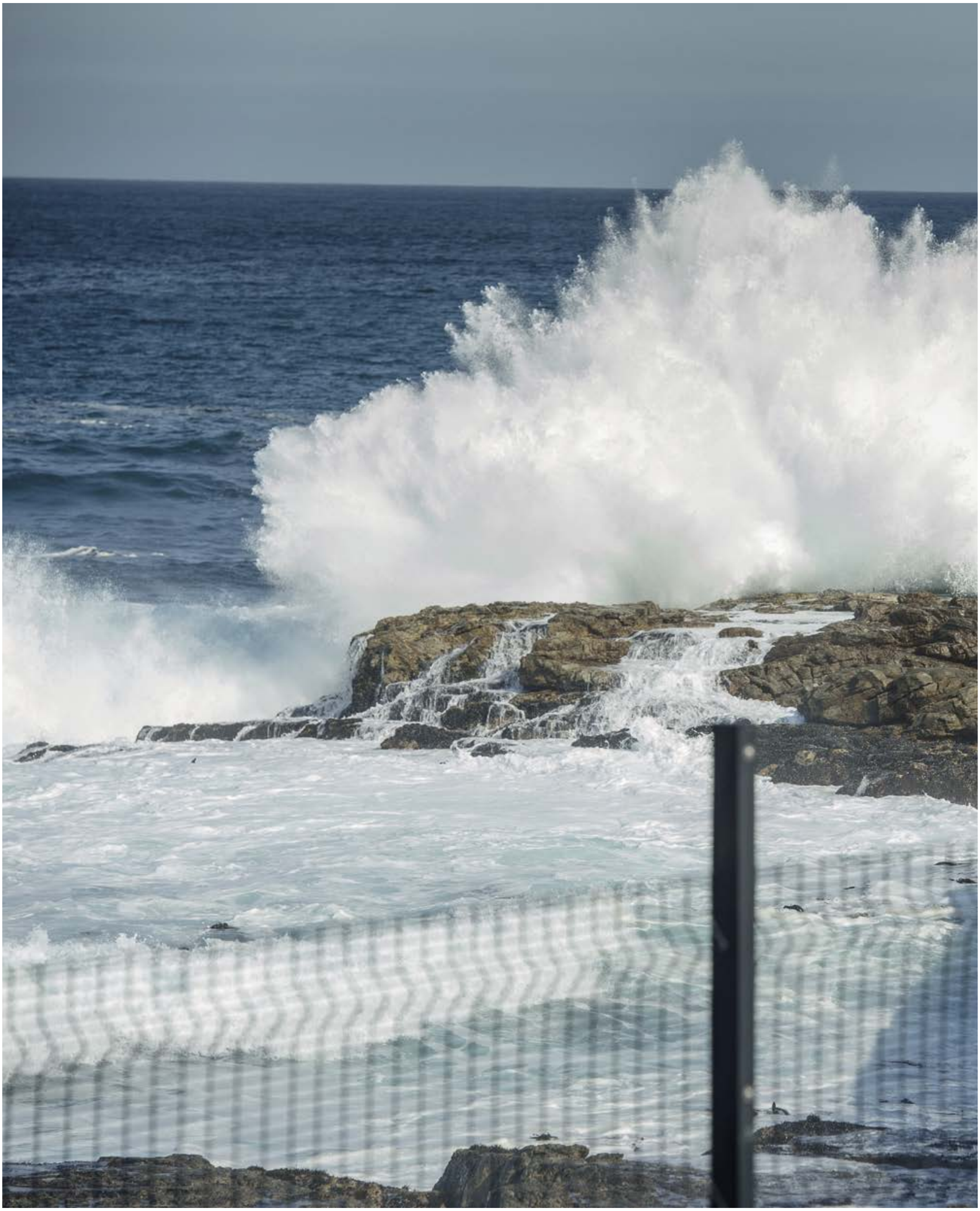
Once the risks have been captured and the pre-control ratings assigned, the existing mitigating controls are evaluated, the risk is then reassessed, and a new post-control rating is assigned, based on the same table as above. The Risk Matrix remains a working document and management reviews and updates the document on a continuous basis in line with changes in the risk profile, environmental conditions, and 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 risk committee 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.

KEY RISKS			
Risk	**Impact of risk**	**Controls to mitigate risk**	**Current status**
Health & safety (H&S)			
• Unsafe work environment.	• Injury, loss of life or limb. • Ultimate non-compliance with Occupational Health and Safety Act, leading to site shutdown. • Negative impact on safety culture and reduced employee productivity and morale.	• H&S committee, safety representatives and monthly audit. • Weekly safety toolbox. • Board, executive and senior management commitment to H&S. • Collective agreement with union to collaborate towards a safe working environment. • Continued improvement of occupational health and safety system and documentation required to achieve a safety culture.	• Continued improvements in safety culture at Abagold with collaboration between all staff at every level. • Abagold's Lost Time Injury Frequency Rate (LTIFR) dropped from 2.6 in FY22 to 1.1 in FY23.
Production output			
• Grid collapse and excessive disruption in energy supply by Eskom or municipality (total interruption and/or shortage in national generation capacity). • External threats such as disease or damage to property. • Lapsing of permits, concessions or leases.	• Loss of production due to disruptions in energy supply. • Legal/compliance issues resulting in inability to farm/ process/export. • Reduced standing stock impacting production capacity.	• Integrated energy plan in place and reviewed annually. • Actively engaging the Department of Public Works (DPW) regarding the lease renewal of the Seaview property in New Harbour. • 2 MW solar PV rollout complete and able to contribute to reduction in diesel consumption during load shedding.	• "Grid collapse" methodology defined to "keep pipeline alive" for 2–3 weeks without any diesel supply. • Ten generators on site which are able to meet 100% of the energy requirement during load shedding. • Diesel supply contracts in place as well as storage capacity for over 48 hours of energy generation at full capacity. • Aquaculture mortality insurance in place together with operational defence mechanisms, including reticulation.
Cost control			
• Increased production cost due to Eskom load shedding and inflationary pressures, resulting in potential margin erosion. • Delay in construction, and capex cost overruns.	• Excessive cost per kg of growth, thus increasing the operating costs. • Long-term sustainability at risk as margin is squeezed. • Increasing energy cost due increased diesel usage.	• Cost per kg of growth measured against a benchmark. • All major cost drivers linked to production output with the aim of driving efficiency. • Improved efficiency through automation and paperless technologies. • Improved growth performance and production output through innovation and automation. • Appropriate key performance indicators and incentive programmes that reward improved productivity.	• Successful cost reduction initiatives during Operation Masonge (meaning "Lets Save!") contributed to a 5% reduction in the cost of production. • Acquired a 5,7 MVA battery-energy storage system (BESS) on an engineering, procurement and construction (EPC) contract, which is being tested and commissioned early in FY24. • Overall improved growth performance from focused attention to detail in the farming operations – water, air, feed and stocking density. • The introduction of the paperless SABIO project expands the digital solutions to include the daily sorting process on the farm.

KEY RISKS

Risk	Impact of risk	Controls to mitigate risk	Current status
Lack of adequate liquidity facilities			
• Insufficient and inadequate funding facilities. • Expensive and mismatched funding lines resulting in renewal risk.	• Not having the appropriate capital structure to support the operations. • Insufficient operational cash flows to fund the business's operational and growth requirements. • Inability to fund critical capex.	• Ongoing review of funding headroom and cash flow projections by management and the Board. • Signed bank facility agreements that are renewed annually. • Capex control through internal structure and a strict authorisation matrix. • Working capital and pipeline management focused on ensuring a minimum funding headroom.	• Debt-to-equity ratio of 33% excluding the battery loan. • Operation Masonge has been implemented across the business with a focus on reducing the cost of production.
Market			
• Blocking of market access for South African abalone due to conditions outside of our control. • Changes in market conditions and buying patterns.	• Lower demand, loss of market share, price drop to lower than production cost, order size and frequency. • Reduction in revenue due to loss in market share.	• Ensure that compliance in respect of local, international and statutory components are up to date and above global standards. • Manage and maintain good client relationships and service. • Ensure quality standards of product established by consumer environment. • Widen pool of customers and geography to reduce concentration of risk. • New product development and innovation and niche market identification.	• Abagold has adopted a balanced-pipeline approach that gives the business an ability to quickly adapt the biological pipeline in response to shifts in the market. • Well-diversified customer base and geographies with over 21 customers and nine territories. • Recent results and visits to Hong Kong indicated that markets and demand have started to recover. • To celebrate Abagold's 25-year anniversary, Abagold held the first ever abalone investment grade auction in Hong Kong.
Security			
• Physical loss of finished goods, causing potential major losses to the business. • Security breach or syndicate attack (theft). • Community unrest linked to service delivery or politics.	• Financial loss due to damaged or stolen fixed assets or stock. • Threat to employees and assets.	• Security systems in place and well-defined stock control to limit small-scale pilferage. • Adequate level of all-risk insurance and marine cargo insurance cover. • Regular physical checks/searches of premises. • Effective communication with law enforcement and emergency agencies. • Maintaining and improving coverage by onsite tactical team in association with neighbouring farms.	• Full-time security manager evaluating and managing potential security gaps and breaches. • Camera upgrade with the capability of remote/smart monitoring in progress. • Critical Event Management Plan (Strike Action Plan) in place. • Security company support with set protocols and 24-hour armed guards.



Board of directors

H van der Merwe (76)

Independent non-executive chairman – appointed to the Board in December 2008

Qualifications: BA (Law); LLB; LLM (Tax)

Role at Abagold: Chairman of the Board, chairman of the nominations committee and member of the remuneration committee

Directorships in other entities: Director of Bell Equipment Limited (JSE-listed); chairman of Master Drilling Group Limited (JSE-listed) and director of Klein Karoo (Pty) Ltd and its subsidiaries

Previous positions held include chief executive officer of Trencor Limited (JSE-listed) and director of Textainer Group Holdings Limited (NYSE-listed)

TR Hedges (60)

Managing director, executive director – appointed to the Board in April 2015

Qualifications: BSc (Agric) Hons (Stell.)

Additional roles at Abagold: Member of social and ethics committee

Attends various committees by invitation and attends various subsidiary and associate Company Board meetings as a director and Specialised Aquatic Feeds as chairman

A Archary (61)

Independent non-executive director – appointed to the Board in June 2022

Qualifications: B PAED (SA); MA (Psychology)(SA); Leading Change and Organizational Renewal (Harvard)

Additional role at Abagold: Chairman of the social and ethics committee

Directorships in other entities: Anisha is the former HR Director of Old Mutual and was instrumental in taking the company to Top Employer status in SA and 13 countries on the African continent

K Gordon (34)

Non-executive director – appointed to the Board in June 2022 (resigned in June 2023)

Qualifications: BBusSci; PGDA (UCT); CA (SA)

Directorships in other entities: Kearon is a full-time employee of Futuregrowth, which manages the investment in Abagold on behalf of OMLACSA

In his capacity as investment analyst, he represents the interests of Futuregrowth on various boards of unlisted companies

W Keast (53)

Non-executive director – appointed to the Board in February 2015

Qualifications: BCompt (Hons); ACA CA(SA)

Directorships in other entities: In 2008, Wayne cofounded and became the managing partner and an Investment Committee member of the Evolution One Fund, a USD100 million Southern African renewable energy and ESG Fund

Board of directors

E Manchest (50)

Financial director – appointed to the Board in February 2020

Qualifications: BPharm (UWC); BCom & PGDA (UCT); CA (SA)

Additional roles at Abagold: Member of social and ethics committee

Attends various committees by invitation and attends various subsidiary and associate Company Board meetings as a director

CT Ralebitso (53)

Independent non-executive director – appointed to the Board in January 2021

Qualifications: BEng (Mech.)

Additional role at Abagold: Member of the audit committee and member of the risk committee

Directorships in other entities; Tlhabeli is presently the chairman of Ralco Investments and the chief executive officer of the Vulatel Group, which he cofounded on behalf of Ralco Investments in July 2017
He is also an independent member of the investment committee of the STANLIB Infrastructure Funds

YJ Visser (56)

Independent non-executive – appointed to the Board in June 2000

Qualifications: BLC LLB (Pret.)

Additional roles Additional roles at Abagold: Chairman of the risk committee and member of the remuneration committee, nominations committee and audit committee

Directorships in other entities: Managing director of Bremer Investments, vice-chairman of Acorn Agri and Food Ltd and Director of Heelbo Boerdery

Cobus serves on various intergroup boards as well as on boards of various investee companies in primary agriculture, agri-processing, aquaculture, food production, healthcare and investment management

JW Wilken (62)

Independent non-executive – appointed to the Board in December 2008

Qualifications: BCompt. (Hons); CA (SA); MBL

Additional roles at Abagold: Chairman of the audit committee, chairman of the remuneration committee and member of the nominations committee and risk committee

Directorships in other entities: Executive partner, 360 Troy & Old Mutual iWYZE, Old Mutual Direct Insurance Holdings. Previous directorships include: Telesure Investment Holdings,
Auto & General Insurance, Dial Direct Insurance, Budget Insurance, First for Women Insurance, 1Life Insurance, Credit Guarantee, Santam & Santam subsidiaries

P Kubheka (31) - Company secretary

Company secretary – joined Abagold in May 2018

Qualifications: B. Com & PGDA (UCT); PGDip (Tax) (Unisa); CA(SA)

Roles at Abagold: Member of social and ethics committee

Phindile is the financial controller for the Abagold Group

After completing articles with KPMG, she joined Abagold as the financial manager for Specialised Aquatic Feeds and was later promoted to financial controller for the Abagold Group

Executive management team

TR Hedges (60)

Managing director, executive director – Appointed to the Board in April 2015

Qualifications: BSc (Agric) Hons (Stell.)

Tim joined McCain Foods in 1996 and worked in Argentina, the UK, Holland and Canada where he fulfilled a variety of senior positions in management, sales, marketing and supply chain, before returning to South Africa in 2006 as Director of Agriculture

Before joining Abagold in 2015, Tim performed CEO roles for a number of organisations, including Incolabs and Fry Group Foods

E Manchest (50)

Financial director – appointed to the Board in February 2020

Qualifications: BPharm (UWC); BCom & PGDA (UCT); CA (SA)

Enver completed his articles with Ernst & Young and in 2003 joined Standard Bank Structured Finance Division as finance manager and later pricing manager. Before joining Abagold in 2018, he also held roles as finance manager at Eqstra "Rest of Africa" division as well as divisional CFO (equipment leasing)

Japie Engelbrecht (59)

Managing director of Specialised Aquatic Feeds (Pty) Ltd – joined Abagold in October 2016

Qualifications: National Engineering Diploma

Japie's previous roles include vegetable and potato supply manager at McCain Foods (2010 to 2016). Prior to that he was general manager at McCain (mechanisation and farming)

Marius Hugo (42)

Chief operating officer – joined Abagold in February 2021

Responsible for farming operations, technical, maintenance, project development and research

Qualifications: BEng (Electr.) (Stell.); MBA (UCT)

Marius started his career as a design engineer in Boston, USA, whereafter he completed his MBA in 2006 and served as a deal executive with Absa Capital and Metier Private Equity until 2011. He headed up the African business development team at the World Economic Forum, Geneva, until 2014, after which he cofounded Mean Sea Level, a startup with a mandate of commercialising renewable energy production from ocean wave energy

Werner Piek (45)

Sales, marketing, and processing executive – joined Abagold in 2006

Responsible for sales and marketing as well the processing factory

Qualifications: Food Technology (CPUT)

Werner joined Abagold in 2006 as the processing manager and was later promoted to also head up the sales and marketing department. Werner started his career in the fresh fruit industry and was one of the founder directors of FairTrade South Africa (FTSA) and served two years as chairperson on the FTSA Trust

Corporate Governance

Attendance:	Non-executive to executive director split:	Gender diversity:	Board independence:
99%	7:2	20%	55%

MAJOR BOARD DECISIONS:

- Approved the appointment of Phindile Kubheka as company secretary.
- Approved the reclassification of ordinary shares into AE Ordinary Shares, a new class of ordinary share.
- Approved the issue of AE Ordinary Shares to the Abagold Empowerment Trust, which has Abagold employees as beneficiaries.
- Approved the purchase of the battery-energy storage system (BESS).

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 2023.

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

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

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

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

COMPLIANCE STATEMENT:

The Board confirms that, for the year ended 30 June 2023, the Group complied with the provisions of the Companies Act and operated in conformity with its Memorandum of Incorporation.
The Board further confirms the application of the King IV™ Code of Corporate Governance.

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 below) supporting the execution of the organisation's risk management capabilities.

<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">Managing director 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>

The Board is of the opinion that we have adhered to our Board charter and that the Group has complied with the requirements of King IV and the Companies Act.

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

Companies Act, Act 71 of 2008

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

Continued awareness of, and compliance with, the requirements of the Companies Act in daily operations and in corporate structuring and governance remained the focus for 2023.

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 Six Capitals (see page 22) employed in the value-creation process.

Composition and size

At the date of this report, the Board consists of eight 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 are 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 providing strategic leadership, appointing competent management, delegating responsibilities in a structured manner, assessing business plans and budgets and monitoring their implementation and results, and overseeing risk management.

The Board is responsible for 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 to 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.

COMPANY SECRETARY

The company secretary is an integral part of Abagold's corporate governance process and has a number of tasks, which 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, both collectively and individually;
- Responsibility for reporting to the Board any failure on the part of the Group and/or a director to comply 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 company 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 and, as invitees, two executive directors, advises the Board on the remuneration philosophies and terms of employment. All remuneration and benefits in kind are evaluated and approved by the committee. Its role includes ensuring that executive directors and senior management are remunerated fairly, responsibly and appropriately, and that the remuneration scales and conditions of employment are market-related and serve to both attract and retain the required talent.
- **The nominations committee,** comprising three non-executive directors and, as invitees, two executive directors, is responsible for succession planning and makes recommendations to the Board regarding membership of the Board.
- **The audit committee,** comprising three non-executive directors who comply with the requirements of the Companies Act relating to audit committee members, reviews: the adequacy and effectiveness of the financial reporting process; the system of internal control; the appropriateness of accounting policies; interim and annual financial statements; the external audit processes; the Company's process for monitoring compliance with laws and regulations; its own code of business conduct; and the 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 reappointment as external auditor and the audit committee is satisfied that this firm is independent and suitably qualified to act as 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 at least three 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 pages 58 to 59.

- **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 the 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 at least three times per year, or more often if required. The managing director, financial director and chief operating officer attend these meetings by invitation, as required. Any other non-executive director may attend any meeting of the committee.

- The detailed report of the risk committee is found on pages 32 to 36.

- **The social and ethics committee,** comprising one non-executive director 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. The audit committee and risk committee meet at least four times a year, while the other committees meet less frequently.

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

	Board	Audit committee	Risk committee	Remuneration committee	Nominations committee	Social and ethics committee
Number of meetings held	**4/4**	**4/4**	**4/4**	**3/3**	**3/3**	**2/2**
Attendance by directors:						
TR Hedges (managing director)	4/4	4/4*	4/4*	3/3*	3/3*	2/2
HR van der Merwe (chairman of the Board)	4/4@	1/4*	1/4*	3/3	3/3@	–
E Manchest	4/4	4/4*	4/4*	3/3*	3/3*	2/2
WB Keast**	4/4	–	–	–	–	–
YJ Visser	4/4	4/4	4/4@	3/3	3/3	1/1
JW Wilken	4/4	4/4@	4/4	3/3@	3/3	1/1
JN Hamman#	2/2	–	–	–	–	–
CT Ralebitso	4/4	4/4	4/4	–	–	–
A Archary	3/4	–	–	–	–	1/1@
K Gordon^	4/4	4/4	4/4	–	–	–
P Kubheka&	4/4	–	–	–	–	2/2*

@ Chairperson

* Attended by invitation

** Attended in person or by sending an observer

Resigned in December 2022

^ Resigned in June 2023

& Company secretary

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 are included as agenda items for the next board meeting.

REMUNERATION PRINCIPLES

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

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

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

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

The following statements define our overall policy for each element.

Compensation:

We aim to attract and retain employees by benchmarking average base pay against the median (50th percentile) of our selected comparator groups and for our relevant geographic area. 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 considered appropriate by the remuneration committee. 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 those of the organisation. We also have a well-established, short-term incentive programme (STIP), aligned to achieving positive cash generated from operations on a sustainable basis. In addition, the executive team participates 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 with, 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 them to acquire the necessary knowledge and skills to perform their jobs effectively, thus creating informed employees who are 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 committee reviews and evaluates, on an annual basis, the contribution of each director and members of senior management, and determine their annual salary adjustments. For this purpose, the committee considers 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 an annual retainer fee and meeting fees for services as a director, an additional amount for duties on committees, and reimbursement for travelling and other costs. The remuneration of executive directors consists of remuneration (which includes incentives) as employees. Executive directors receive no additional remuneration in their capacity as directors.

DUTIES OF DIRECTORS

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

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

DIRECTORS' INTERESTS

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

SHARE TRADING

The Company has adopted a code of conduct regarding 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 these companies' shares on an over-the-counter (OTC) platform. The Board, however, wishes to continue facilitating trade in Abagold shares in a manner that will 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 in contact with one another in order 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 an appropriate stock exchange.

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 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 financial statements and explanations are set out in the directors' approval and declaration of responsibilities on page 56 of the Integrated Annual 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 adopted the principles of the King IV Report on Corporate Governance (King IV Report) and has made every effort to ensure that the leadership of the business is aligned with achieving the core outcomes for good governance as defined in King IV Report.

The Board confirms that the Group's current corporate governance practices enable achievement of the King IV principles.

Inverter room for the battery-energy storage system.

Details on the Group's implementation of the King IV principles are highlighted 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 the Board 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. The ethical standards are embedded in processes for the recruitment, evaluation of performance, and reward of employees. Relevant sanctions and remedies are consistently applied when ethical standards are breached. Employees annually sign a staff declaration disclosing conflicts of interest and any gifts received or given. The Board is committed to a culture and characteristics that promote and encourage members and employees to act with integrity, to be responsible and accountable, to be fair and transparent, and to be competent. These 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 are included as agenda items for the next Board meeting.
	PRINCIPLE 5 *Reporting for decision-making*	The Integrated Annual Report presents material so as 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 financial statements as well as 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 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 are incorporated in the Board's annual work plan. The Board is satisfied that it has fulfilled its responsibilities in accordance with the Board charter. The Board embrace its role as custodian of governance, which includes annual Board continuity and effectiveness reviews to improve the overall well-being of the organisation.
	PRINCIPLE 7 *Board composition*	The Board is satisfied that its composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence. Abagold aims to ensure that the Board composition is aligned with the requirements of King IV regarding the number of executive versus non-executive directors, and skills, experience and tenure of directors are monitored on an ongoing basis. The chairman of the Board is an independent non-executive director.

GOVERNING STRUCTURES AND DELEGATION	**PRINCIPLE 8** *Delegation of authority and balance of power within the Board*	Delegation of matters and mandates to individuals and/or ad hoc committees is managed through a formal delegation-of-authority process and accompanying terms of reference. Board structures undergo annual review for effectiveness through Board self-evaluations. The current Board committees are the audit committee, risk committee, nominations 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 of committees' performance during the financial year ended 30 June 2023, was performed. The Board is satisfied that the evaluation process is improving its performance and effectiveness, and is satisfied with the remedial actions taken.
	PRINCIPLE 10 *Delegation to management*	The Board assesses succession planning, Board delegation policies and managing director (MD) performance annually. The Board appointed a MD and financial director (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, that risks are managed, and that 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 in 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 is submitted at each meeting of the risk committee and twice a year at a Board meeting.
	PRINCIPLE 12 *Governance over technology and information*	The Board has formally delegated responsibility for governing information and technology to the risk committee, which reports directly to the Board. The FD 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 information technology (IT) strategy and good governance throughout the IT ecosystem by ensuring the effectiveness and efficiency of the Group's information systems from a strategic alignment and risk perspective.
	PRINCIPLE 13 *Compliance with laws and standards*	The Board's approach to compliance is addressed in the Board charter. The Board has specific responsibility for compliance in the Group. The Board has delegated this function to the audit and risk committees, which regularly review significant risks and mitigating strategies and report to the Board on material changes in the Group's risk profile. Compliance with, and enforcement of, the Companies Act, legislation and the Company's governance policies are monitored and tracked through internal monitoring and reporting systems, reviews, and external audits. The Group is not aware of any breaches of laws and regulations.
	PRINCIPLE 14 *Fair and responsible remuneration*	The remuneration committee is responsible for remuneration governance, and its Group-wide responsibilities are fully set out in the Board-approved charters. The committee applies the guiding principles provided for in terms of the remuneration policy as far as it is feasible but retains the right to apply discretion to deviate from this policy in exceptional circumstances. The committee ensures that it remains knowledgeable about the changing remuneration regulatory environment.
	PRINCIPLE 15 *Assurance service and function*	This function is fulfilled with the assistance of the audit committee, which, 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, which stipulates the oversight responsibilities of the committee, such as external audit and combined assurance, 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 but we apply this principle to our own investments when applicable.

The Board confirms that the Group's current corporate governance practices enable achievement of the King IV principles.

Richie Ryall

Consolidated financial statements

for the year ended 30 June 2023

Contents

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

These consolidated 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 financial statements, comprising the statement of financial position at 30 June 2023 and the statements of profit and loss and other comprehensive income, changes in equity and cash flows for the year then ended for Abagold Limited and its subsidiaries ("the Group"), as well as the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with the International Financial Reporting Standards and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the directors' report, the audit and risk committees' reports and the 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 15 September 2023, and signed on its behalf by:

HR van der Merwe
Chairman

TR Hedges
Managing director

Hermanus
15 September 2023

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 2023, 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.

P Kubheka
Company secretary

Hermanus
15 September 2023

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 and agreed upon between all parties concerned, after which such responsibilities were recorded in an approved charter. The charter governed the execution of the committee's mandate relevant to the reporting period.

As per the responsibilities assigned by the Board, the committee fulfils an independent role and is accountable to both the Board and the Group's shareholders. It is an integral part of the Group's governance structures. Its continued focus remains on assisting the Board with executing its responsibilities and 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 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 Gawie Marais (registered in accordance with the Auditing Professions Act, 2005) was appointed as lead auditor;
- Considered 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 14 September 2023, recommended the integrated report for approval by the Board; and
- Considered the Group's information pertaining to its non-financial performance as disclosed in the integrated report, and assessed its consistency with operational and other information known to committee members and for consistency with the financial statements. The committee is satisfied that the sustainability information presented is reliable and consistent with the financial results.

2. MEMBERS OF THE AUDIT COMMITTEE

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

The external auditors, in their capacity as auditors to the Company, attended and reported to the committee at the meeting relating to the 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	14 Sept 2022	8 Dec 2022	8 Feb 2023	8 June 2023
Mr YJ Visser	Present	Present	Present	Present
Mr JW Wilken	Present	Present	Present	Present
Mr CT Ralebitso	Present	Present	Present	Present
Mr K Gordon	N/A	N/A	Present	Present

4. CONFIDENTIAL MEETINGS

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

5. CONCLUSION

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

JW Wilken
Chairman of the audit committee

Hermanus
15 September 2023

Directors’ report

The directors are pleased to submit their annual report as part of the consolidated financial statements for the year ended 30 June 2023.

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 (2022: R10,5 million).

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)
JN Hamman	(non-executive, resigned in December 2022)
CT Ralebitso	(non-executive)
A Archary	(non-executive)
K Gordon	(non-executive, resigned in June 2023)

REMUNERATION OF DIRECTORS AND PRESCRIBED OFFICERS

The remuneration of directors and prescribed officers is set out in note 28 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;
- nomination committee; and
- social and ethics committee.

These committees are chaired by non-executive directors. Membership of these committees and meeting frequency are set out on page 47.

EVENTS AFTER THE REPORTING PERIOD

Other than the specific events disclosed in note 36 to the financial statements, the directors are not aware of any other material fact, circumstance or event which occurred between the accounting date and the date of this report which might influence an assessment of the Company's financial position or the results of its operations.

During the past year, the South African electricity public utility, Eskom, has introduced unprecedented load shedding in order to avoid a grid collapse. The impact of a grid collapse or higher stages of load shedding on Abagold cannot be determined with any degree of certainty. In the current circumstances, the business will continue to adopt a prudent and cautious approach to managing its affairs while maintaining adequate, available funding headroom in order to support the business during these unprecedented times.

INVESTMENT IN SUBSIDIARIES

	2023	2022
Specialised Aquatic Feeds (Pty) Ltd	70%	70%
Abagold Mauritius Limited	100%	100%
Mean Sea Level (Pty) Ltd	100%	N/A

INVESTMENTS

	2023	2022
Oman Aquaculture Co LLC	50%	50%
Mean Sea Level (Pty) Ltd	N/A	23,08%
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 reappointed as auditor, in accordance with section 91(3) of the Companies Act of South Africa, at the annual general meeting held on 10 December 2022 and will continue in office, subject to reappointment by shareholders at the 2023 Annual General Meeting.

Independent auditor's report

to the shareholders of Abagold Limited

OPINION

We have audited the consolidated financial statements of Abagold Limited set out on pages 64 to 116, which comprise the consolidated statements of financial position as at 30 June 2023, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Abagold Limited as at 30 June 2023, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the Companies Act of South Africa.

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

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the directors' approval and declarations of responsibilities statement, the secretarial certification, the audit committee's report and the directors' report as required by the Companies Act of South Africa. The other information does not include the consolidated financial statements and our auditor's report 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 on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going-concern basis of accounting unless the directors either intend to liquidate the 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going-concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.
- Draw conclusions based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient, appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that BDO South Africa Incorporated has been the auditor of Abagold Limited for a period of 6 years.

BDO South Africa Inc.

BDO South Africa Incorporated
Registered Auditors
Practice number: 970879

Gawie Marais
Partner
Registered Auditor
Chartered Accountant (SA)

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

20 September 2023

Consolidated statement of financial position

at 30 June 2023

	Notes	2023 R'000	2022 R'000
ASSETS			
Non-current assets		**330 435**	**285 357**
Property, plant and equipment	2	247 297	182 002
Right of use asset	3	2 649	2 913
Biological assets	4	46 705	59 677
Trademarks	5	34	65
Goodwill	6	7 979	7 979
Equity accounted investments	8	24 247	30 891
Loans receivable	9	1 525	1 830
Current assets		**254 270**	**198 507**
Biological assets	4	186 209	146 372
Inventories	10	34 837	30 449
Trade and other receivables	11	22 205	14 061
Cash and cash equivalents	20	11 019	7 625
Total assets		**584 705**	**483 864**
EQUITY AND LIABILITIES			
Equity		**277 543**	**289 948**
Share capital	13	21 637	21 637
Share premium		87 498	87 498
Retained earnings		161 890	174 518
Empowerment Trust Share Reserve	14	429	–
Non-controlling interest	7.1	6 089	6 296
Total equity		**277 543**	**289 948**
Non-current liabilities		**184 917**	**132 163**
Lease liability	15	6 599	6 557
Deferred income tax	16	90 717	85 064
Deferred income grant	17	6 992	7 891
Borrowings	18	80 609	27 583
Trade and other payables	19	–	5 068
Current liabilities		**122 245**	**61 753**
Lease liability	15	1 195	1 107
Deferred income grant	17	900	900
Borrowings	18	23 138	18 952
Trade and other payables	19	42 085	33 186
Derivative financial instruments	12	10 926	7 608
Bank overdraft	20	44 000	–
Total liabilities		**307 162**	**193 916**
Total equity and liabilities		**584 705**	**483 864**

Statement of profit and loss and other comprehensive income

for the year ended 30 June 2023

	Notes	2023 R'000	2022 R'000
Revenue	24	**305 583**	**305 014**
Other income	25	**3 082**	**5 292**
Interest income		**301**	**179**
Fair value losses on financial instruments	26	**(27 915)**	**(11 108)**
Fair value gains on biological assets	4	**253 241**	**207 644**
Consumption of raw material		**(52 307)**	**(49 748)**
Abalone sold	10	**(239 151)**	**(248 124)**
Export costs		**(24 703)**	**(18 290)**
Production costs	27	**(52 099)**	**(35 349)**
Employee benefit expenses	28	**(81 418)**	**(75 700)**
Depreciation and amortisation		**(21 585)**	**(20 391)**
Other operating expenses		**(35 512)**	**(35 626)**
Impairment of property, plant and equipment	2	**(21)**	**–**
Impairment of loan receivable	9	**–**	**(3 753)**
Profit from operations	30	**27 496**	**20 040**
Finance costs	31	**(6 939)**	**(5 938)**
Share of loss of equity accounted investments	8	**(20 711)**	**(7 339)**
(Loss)/profit before income tax		**(154)**	**6 763**
Income tax	16.1	**(5 653)**	**(2 045)**
(Loss)/profit for the year		**(5 807)**	**4 718**
Other comprehensive income		**–**	**–**
Total comprehensive (loss)/income for the year		**(5 807)**	**4 718**
Total comprehensive (loss)/income for the year is attributable to:			
Owners of Abagold Limited		**(5 601)**	**5 518**
Non-controlling interests		**(206)**	**(800)**
		(5 807)	**4 718**
Basic (loss)/earnings per share (cents)	32	**(4,13)**	**3,36**
Diluted (loss)/earnings per share (cents)	32	**(4,13)**	**3,36**

Consolidated statement of changes in shareholders' equity
for the year ended 30 June 2023

	Share capital R'000	Share premium R'000	Retained earnings R'000	Empowerment Trust Share Reserve R'000	Non-controlling interest R'000	Total equity R'000
Balance at 1 July 2021	**21 637**	**87 498**	**172 514**	**–**	**7 095**	**288 744**
Total comprehensive income/(loss) for the year	–	–	5 518	–	(800)	4 718
Dividends paid	–	–	(3 514)	–	–	(3 514)
Balance at 30 June 2022	**21 637**	**87 498**	**174 518**	**–**	**6 295**	**289 948**
Total comprehensive loss for the year	–	–	(5 601)	–	(206)	(5 807)
Share-based payment	–	–	–	429	–	429
Dividends paid	–	–	(7 027)	–	–	(7 027)
Balance at 30 June 2023	**21 637**	**87 498**	**161 890**	**429**	**6 089**	**277 543**

Consolidated statement of cash flows

for the year ended 30 June 2023

	Notes	2023 R'000	2022 R'000
Cash flow from operating activities		**8 932**	**49 659**
Cash received from clients	33.1	299 708	305 863
Cash paid to suppliers and employees		(283 967)	(248 635)
Cash generated from operations	33.2	**15 741**	**57 228**
Interest paid		(6 809)	(7 569)
Cash flow from investing activities		**(51 738)**	**(45 744)**
Purchases of property, plant and equipment		(37 919)	(27 955)
Proceeds from disposal of property, plant and equipment	2	–	75
Loan granted to associate		–	(544)
Loans granted for Enterprise Development		(365)	(606)
Loans repaid for Enterprise Development		600	–
Investment in equity accounted entities	8	(14 068)	(16 713)
Proceeds from acquisition of subsidiary		14	–
Purchases of trademarks	5	–	(1)
Cash flow from financing activities		**2 200**	**(16 018)**
Advance in long-term borrowings		43 118	50 309
Repayment of long-term borrowings		(33 891)	(47 813)
Repayment of convertible loan		–	(15 000)
Dividends paid		(7 027)	(3 514)
Net cash flow for the year		**(40 606)**	(12 103)
Cash and cash equivalents - beginning of the year		**7 625**	19 728
Cash and cash equivalents – end of the year	20	**(32 981)**	**7 625**

	Notes	2023 R'000	2022 R'000
Reconciliation of interest paid:			
Interest paid		(6 809)	(7 569)
Interest non-cash adjustment		(130)	1 631
Interest expenses	31	(6 939)	(5 938)
Reconciliation of purchases of property, plant and equipment:			
Purchases of property, plant and equipment		37 919	27 955
Non-cash purchases, including accruals		12 374	771
Non cash acquisition of subsidiary		232	–
Supplier payments made directly by financiers*		36 142	–
Acquisitions as per Fixed asset note 2	2	86 667	28 726

* *During the year, Abagold acquired a battery energy storage system that was financed by the bank under an interim financing agreement, in terms of which the bank paid the supplier directly, and which will be converted into an instalment sale agreement in FY24.*

Notes to the consolidated financial statements

for the year ended 30 June 2023

1. ACCOUNTING POLICIES

Abagold Limited ("the Company") is a company domiciled in South Africa. These financial statements at 30 June 2023 are for the Group, comprising 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, unless otherwise noted. The accounting policies adopted herein by the Group are in line with those of the Company, 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 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 financial statements.

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

Non-controlling interest

For each business combination, the Group measures non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's

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 exercise significant influence, but which it does not control or jointly control. Joint ventures are arrangements in which the Group contractually shares control over the 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 its 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 associates or joint ventures.

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

1.1 BASIS OF CONSOLIDATION (CONTINUED)

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

1.2 BASIS OF PREPARATION

The financial statements are prepared in accordance with the 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 to allow for more meaningful disclosure. These adjustments have been separately disclosed.

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 a fair value through profit and loss. The classification is based on the financial objectives and characteristics of the contractual cash flow.

A financial asset is measured at amortised cost if it is held with the objective to collect contractual cash flows and 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, and loan receivables.

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

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 flow, cash and cash equivalents compromise cash on hand, deposits held on call with banks, and the investments in the money market instrument, net of bank overdrafts, all of which are available for use by the Group unless otherwise stated.

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.

Loan receivables

Loan receivables are categorised as at amortised cost. These financial assets originated by the Group providing loans that are repayable at variable interest rates 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 compromise 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.

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 borrowings on an effective interest basis.

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 remeasurement is recognised in profit or loss in the period in which the change arises.

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

1.6 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 of a recognised asset or liability, no hedge accounting is applied and gains or losses on the hedging instrument are recognised in profit or loss.

1.8 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

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

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

Transactions and balances

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

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

1.9 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

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

1.10 BIOLOGICAL ASSETS

Biological assets consist of abalone livestock and are stated at fair value. Fair value is determined based on the 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 at least 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 the business activity.

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

For goodwill, the recoverable amount is estimated at each reporting date or when there is an indicator of impairment. 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.

1.13 IMPAIRMENT OF ASSETS (CONTINUED)

Financial assets
The Group recognises expected credit losses on financial assets measured at amortised cost. At each reporting date, an assessment is made on the 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 terms of IFRS 9, and measures impairment allowances at an amount equal to the historical loss rates given that over the credit 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. For trade receivables, which are reported net, such allowances are recorded in a separate allowance account with the loss being recognised in profit or loss. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated allowance.

General approach
For loans and other receivables, the Group measures impairment losses on an individual basis in three stages. 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, 12-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 loan credit risk increases to the point where it is no longer considered as low, then a lifetime expected credit loss is recognised.

For loans and other receivables, which are reported net, such allowances are recorded in a separate allowance account with the loss being recognised in profit or loss. On confirmation that the loan receivable will not be collectable, the gross carrying value of the asset is written off against the associated allowance.

Definition of default
The Group considers a financial asset to be in default when the borrower is unlikely to pay its obligations in full or the outstanding amounts exceed its contractual payment terms.

At each reporting date, the Group assesses whether the financial assets at amortised 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 a contractually due payment and the probability of the borrower entering into liquidation. All impairment losses are recognised in profit or loss, and the gross carrying amount of the financial asset is reduced by the allowance.

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

1.15 CURRENT AND DEFERRED INCOME TAX

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

The current income tax charge is calculated in accordance with tax laws enacted, or substantively enacted, at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where it is not probable that the tax authority will accept the Company's position, on the basis of amounts expected to be paid to the tax authorities.

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.

Dividend 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 dividend declared.

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 the reporting date.

Profit sharing and bonus plans

The Group recognises a liability and an expense for bonuses and long-term incentives 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.

1.16 EMPLOYEE BENEFITS (CONTINUED)

Empowerment Trust Share Reserve
Empowerment Trust is classified as an equity-settled, share-based payment transaction. The fair value of the equity instruments is measured at their grant date, and the expense and corresponding increase in equity is recognised over the vesting period based on the best available estimate at each reporting period. The vesting condition is that the individual remains an employee of the Group over the vesting period. Once the scheme rules are finalised, the Empowerment Trust will be converted into an Employee Share Ownership Scheme (ESOP).

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 customer. 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 performances is presented as accrued income as part of other receivables in the statement of financial position. Payments received in advance from contracts with customers present 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 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 where 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 when goods are collected at our premises. The general payment terms are 15 days from date of delivery.

Feed sales
The Group sells abalone and non-abalone feed to local and export customers. Revenue is recognised at a point when the goods are collected at our premises. The general payment terms are 30 days from statement.

1.18 DIVIDEND INCOME
Dividend income is measured in terms of IFRS 9 and is recognised when the right to receive payment is established. Dividend income is included in investment income.

1.19 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.

1.20 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.

1.21 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 interest rate implicit 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 reassesses 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.

1.22 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.

1.23 EARNINGS PER SHARE

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

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

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

1.24 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

1.24.1 Judgements and estimates

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

Actual results in the future could differ from these estimates, which may be material to the financial statements. We have exercised judgement in evaluating the impact of Eskom load shedding on the financial statements.

Significant judgements include:

- **Significant influence over associates, including Aquawomen (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.

- **Classification of joint arrangements as joint ventures:** The Group has a 50% interest in the 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.

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 a 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 a 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 the dollar price of abalone. Refer to note 4 for a more detailed update on the judgement and estimates.

1.24.1 Judgements and estimates (continued)

- **Recoverability of investments**
  Management uses projected cash flows for the underlying investment, discounted at the relevant, weighed 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 Eskom load shedding has resulted in significant estimation in respect of the future cash flows for some local 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 load shedding on macro-economic factors as well as company-specific factors. Refer to note 7 and 8 for a more detailed update.

- **Lease term**
  The assumption is that the land lease in which the Group is a lessee will be extended by the Company in 2023, as per the lessee option, for a further 9 years and 11 months or an alternative agreed period. The lease term for the lease liability includes the extension period, which creates measurement uncertainty (note 15).

1.24.2 Measurement of fair value

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

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

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

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

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

If the inputs that are 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 29) and financial instruments (note 23).

1.25 RECENTLY ISSUED ACCOUNTING STANDARDS

1.25.1 STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

The Group has adopted new standards in the financial statements for the year ended 30 June 2023 and which are relevant to its operations:

Standard/Interpretation	Effective date Years beginning on or after	Impact
IFRS 17 Insurance Contracts	1 January 2023	Not a material impact
IAS 1 Presentation of Financial Statements (Amendment – Disclosure of Accounting Policies)	1 January 2023	Not a material impact
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Accounting Estimates)	1 January 2023	Not a material impact
IAS 12 Income Taxes (Amendment – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction)	1 January 2023	Not a material impact

1.25.2 Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory and effective for periods beginning on or after 1 January 2024:

Standard/Interpretation	Effective date Years beginning on or after	Expected Impact
IFRS 16 Leases (Amendment – Liability in a Sale and Leaseback)	1 January 2024	Unlikely there will be a material impact
IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-Current)	1 January 2024	Unlikely there will be a material impact
IAS 1 Presentation of Financial Statements (Amendment – Non-Current Liabilities with Covenants)	1 January 2024	Unlikely there will be a material impact

2. PROPERTY, PLANT AND EQUIPMENT

	Land R'000	Buildings R'000	Leasehold improvement R'000	Equipment R'000	Computer equipment R'000	Other assets R'000	Assets under construction R'000	Total R'000
Book value at 30 June 2021	10 987	65 214	15 923	75 713	4 774	1 748	2 862	177 221
Cost at 30 June 2021	10 987	100 566	27 474	161 437	6 438	2 919	2 862	312 684
Accumulated depreciation and impairment	–	(35 353)	(11 550)	(85 725)	(1 664)	(1 171)	-	(135 463)
Reallocate between categories	–	14 091	–	4 996	320	602	(20 009)	(0)
Cost	–	14 091	–	4 996	320	602	(20 009)	(0)
Additions	–	–		–	–	–	28 726	28 726
Disposal	–	–	–	(97)	–	–	–	(97)
Cost	–	–	–	(138)	–	–	–	(138)
Accumulated depreciation	–	–	–	40	–	–	–	40
Depreciation	–	(3 075)	(1 460)	(12 758)	(841)	(1 956)		(20 091)
Impairment	–	–		(2 701)	(674)	(35)	(343)	(3 753)
Cost	–	–	–	(3 068)	(966)	(89)	(343)	(4 466)
Accumulated depreciation	–	–	–	367	292	54	–	713
Adjustment	–	–	–	–	–	–	(4)	(4)
Book value at 30 June 2022	10 987	76 229	14 463	65 152	3 577	357	11 232	181 999
Cost at 30 June 2022	10 987	114 657	27 474	163 227	5 791	3 431	11 232	336 800
Accumulated depreciation and impairment	–	(38 429)	(13 011)	(98 076)	(2 213)	(3 074)	–	(154 801)
Reallocate between categories	–	5 223	3 230	10 496	426	(2)	(19 393)	(21)
Cost	–	8 558	–	10 636	199	–	(19 393)	–
Impairment - cost	–	–	–	–	–	–	–	–
Cost adjustment	–	(10 622)	7 580	160	233	–	–	(2 650)
Accumulated depreciation	–	7 287	(4 350)	(300)	(6)	(2)	–	2 629
Additions	–	–	–	232	–	–	86 435	86 667
Depreciation	–	(4 813)	(2 118)	(13 280)	(832)	(304)	–	(21 348)
Book value at 30 June 2023	10 987	76 638	15 575	62 599	3 171	51	78 274	247 297
Cost at 30 June 2023	10 987	112 593	35 054	174 255	6 223	3 431	78 274	420 817
Accumulated depreciation and impairment	–	(35 955)	(19 479)	(111 656)	(3 052)	(3 379)	–	(173 520)

Notes to the consolidated financial statements
for the year ended 30 June 2023 **continued**

2. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

"Other assets" includes Furniture & Fittings and Vehicles.

Assets under construction at the end of the current year increased to R78 million (2022: R11 million). An impairment loss of R21 thousand (2022: R3,7 million) was recognised during the year for assets that were no longer in use or past their economic life.

During the current year, the Company conducted a review of the assets' useful lives and residual values within the operational context. The effect of the change in residual values of vehicles on the current year depreciation expense is a decrease of R139 thousand, while future depreciation is expected to decrease by R139 thousand annually.

Leasehold improvements relates to assets on the Seaview farm, which is leased from the Department of Public Works ("DPW'). During the prior year, the Company reviewed the disclosure relating to these assets, and in terms of the lease agreement, the immovable assets remain the property of the landlord and were previously incorrectly disclosed under Buildings. In the prior year, we restated and seperately disclosed these assets as leasehold improvements and limited the useful life to the expected lease term.

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

Land includes the following two properties which are owned by the Group, at cost:

Erf	Name	Size	Purchase date	Cost R'000
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 in August 2013, as the lessee of farming land from the Department of Public Works (DPW), with an initial lease term of 9 years and 11 months and the right to apply for a futher 9 years and 11 months. This lease conveys the right to control the use of the underlying leased asset, and the Group classifies this lease as a right-of-use asset in a consistent manner to its property, plant and equipment. The lease expired on 31 July 2023, and our application for an extention is currently being reviewed by DPW. Refer to note 15 (lease liability).

	2023 R'000	2022 R'000
Reconciliation of carrying value of right-of-use assets:		
Carrying value at beginning of period	2 913	3 178
Depreciation	(264)	(265)
Carrying value at end of period	2 649	2 913
Comprising:		
Land	2 649	2 913
Closing carrying amount	2 649	2 913

4. BIOLOGICAL ASSETS

The Group owns biological assets in the form of abalone livestock, which is grown out on four farms, namely Hatchery, Seaview, Bergsig and Sulamanzi. Biological assets are measured at the best estimate of fair value less anticipated marketing and other related selling costs.

(A) RECONCILIATION

	2023 R'000	2022 R'000
Opening carrying amount	206 048	218 843
Net fair value adjustment for spat, growth and mortalities	227 972	221 765
Fair value adjustment due to changes in US Dollar sales prices	(7 412)	(40 293)
Fair value adjustment due to exchange rate changes	32 680	26 172
Transfer to inventories	(226 375)	(220 439)
Closing carrying amount	232 914	206 048

Biological assets typically have a production cycle of more than 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 40g (2022: 50g) are not considered as trading stock as they have not reached harvestable size based on prevailing market conditions. The impact of this change in classification is an increase of R14 million in the current portion of biological assets in the current year.

	2023 R'000	2022 R'000
At 30 June:		
– Non-current biological assets	46 705	59 677
– Current portion of biological assets	186 209	146 372
	232 914	206 048

At 30 June 2023 there were 636 tonnes (2022: 632 tonnes) of live abalone on the three grow-out farms, Seaview, Bergsig and Sulamanzi.

	2023 Kg	2022 Kg
Quantities of biological assets:		
Opening carrying weight	632 245	621 019
Growth	503 654	451 924
Harvested	(499 824)	(440 698)
Closing carrying weight	636 075	632 245

Notes to the consolidated financial statements
for the year ended 30 June 2023 **continued**

4. BIOLOGICAL ASSETS (CONTINUED)

(i) Fair value hierarchy
The fair value measurements for abalone biological assets of R 234 million (2022: R206 million) have been categorised as Level 3 fair values based on the inputs to the valuation techniques used.

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

The fair value of biological assets is determined using the market comparison technique and is based on market export prices of abalone in a format representing the highest and best use of a similar size and breed, i.e. the export prices of live, canned and dried abalone are used when valuing biological assets per size category. 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 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 1 grams each) are valued at R2,24 each (2022: R1,86 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 highest and best use market US dollar selling price per kilogram (active market price) for each weight class, including the yield as well as costs to sell for the different formats. As there is no active live market for larger abalone, and in order to be conservative, the value for abalone in the weight classes greater than 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 2023, if the US Dollar price of live abalone increased by 10% with all other variables held constant, the value of biological assets and the profit before income tax for the year would have been R23 million (2022: R20 million) higher. Conversely, if the US Dollar price decreased by 10%, the value of biological assets and profit would be less with the same amounts. This variation in profit would be due to the fair value adjustment of biological assets through profit or loss.

Small abalone below 20g are priced in Rands and not US Dollars, and are thus not included in the exchange rate sensitivity analysis above. At 30 June 2023, the value of smaller abalone included in biological assets was R 21,1 million (2022: R26,6 million), excluding the animals 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 Dollars 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 23.7.

(ii) Mechanical risks

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

(iii) Disease risks

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

5. TRADEMARKS

	2023 R'000	**2022 R'000**
Reconciliation		
Opening carrying value	65	99
Cost	588	587
Accumulated amortisation and impairment	(522)	(488)
Additions	–	1
Amortisation	(32)	(35)
Closing carrying value	34	65
Cost	588	588
Accumulated amortisation and impairment	(554)	(523)

Trademarks relates to the cost of trademark registration of Group and Company trade names and logos in various countries, which has an average remaining useful life of 5 years.

6. GOODWILL

	2023 R'000	2022 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, together with access to the leased land on which the operations was conducted. For purposes of impairment testing, the goodwill is allocated to the assets and the leased land which form part of the Hatchery, as a 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.

	2023 %	2022 %
Discount rate	16.0	15.1
Terminal value growth rate	N/A	N/A

The Company reviewed the cash flow projections used and included specific estimates over the "expected" remaining lease term for the land. Management's view is that goodwill is closer aligned to the "expected" remaining term of the leased land, of 9 years and 11 months. The long period of the cash flow projections is justified based on the fact that the business activity is a mature operation and cash flows have a high degree of certainty.

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 forecast production output of 7,3 million spat per annum from the Hatchery delivers R17 million value-in-use on a discounted basis. A 15% reduction in production output will result in the value-in-use equalling 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 2023	Non-controlling interests ("NCI") Ownership/voting interest at 30 June 2023
Specialised Aquatic Feeds (Pty) Ltd	South Africa	70%	30%
Mean Sea Level (Pty) Ltd	South Africa	100%	0%

7. SUBSIDIARIES (CONTINUED)

7.1 SPECIALISED AQUATIC FEEDS

Specialised Aquatic Feeds (Pty) Ltd (SAF) is a South African company that manufactures animal feed, including feed for abalone and trout. In 2017, the subsidiary issued additional shares in a private placement, resulting in a 30% shareholding to Viking Aquaculture (Pty) Ltd.

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	2023 R'000	2022 R'000
Revenue	73 061	69 634
Cost of sales	(57 635)	(53 955)
Gross profit	15 426	15 679
Other income	58	104
Interest income	301	–
Employment costs	(9 435)	(9 484)
Depreciation	(2 782)	(2 488)
Other operating expenses	(4 276)	(7 673)
Operating loss	(708)	(3 861)
Finance costs	(261)	–
Profit before tax	(969)	(3 861)
Tax	282	1 196
(Loss)/profit after tax	(687)	(2 665)
Profit/(loss) allocated to NCI	(206)	(800)
Other comprehensive income allocated to NCI	–	–
Total comprehensive income allocated to NCI	(206)	(800)
Dividends paid to NCI	–	–
Cash flows from operating activities	1 346	(2 188)
Cash flows from investing activities	(362)	(4 244)
Cash flows from financing activities	(556)	4 420
Net cash inflows/(outflows)	428	(2 011)
Assets:		
Property plant and equipment	17 946	20 367
Loan receivable	80	80
Inventories	6 689	4 810
Trade and other debtors	8 065	7 386
Cash and cash equivalents	581	152
Liabilities:		
Deferred tax	1 346	1 629
Shareholder loans	12 661	12 601
Trade and other payables	7 831	5 741
Loans and other borrowings	2 131	2 747
Accumulated non-controlling interests	6 089	6 295

7. SUBSIDIARIES (CONTINUED)

7.2 MEAN SEA LEVEL

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 an Energy Recovery Turbine ("ERT") which generates electricity from Abagold's return-water to the ocean, and a pilot Wave Energy project. During the 2015 fiscal year, Abagold 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 ("PPA") 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 PPA has accordingly fallen away. Abagold invested a further R1.95 million in MSL during the 2017 fiscal year, and R300 thousand 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. In 2023, Abagold took control of the entity and bought all the shares for a nominal value of R1 per share, thereby increasing its shareholding from 23% to 100%, effective 1 July 2023.

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

For the period ended 30 June	2023 R'000
Other income	54
Operating costs	(280)
Net loss (100%)	(226)
Non-current assets	173
Current assets	31
Assets	204
Long term liabilities	(153)
Current liabilities	–
Liabilities (100%)	(153)
Net assets (100%)	51

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. The joint venture was originally set up to run a pilot project to determine whether Omani abalone could be bred in captivity. The construction of Phase 1 was completed in FY22 and includes a fully functional hatchery and 30-tonne standing capacity farm. The valuation model for this investment, when compared with South African abalone, includes the following key assumptions: annual growth rates of 200% (vs 100% for a similar size profile), cost of production of R170/kg (vs R300/kg), selling price of $23,80/kg (vs $30/kg), and a US Dollar discount rate of 10%. Phase 1 includes the evaluation of key milestones in terms of the business plan, which will be used to justify the further investment into Phase 2, which, subject to Board approval, is scheduled for 2024.

Both parties have incurred certain costs related to the initial phase, of which Abagold's contribution at year-end is R54,7 million (2022: R40,7 million). The commitment by both parties is to fund the working capital requirements of the operations, of which Abagold portion is estimated to be R16 million per annum based on current production.

	2023 R'000	2022 R'000
Investment in Oman Aquaculture Co LLC at cost	**54 750**	**40 682**

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.

	2023 R'000	2022 R'000
Fixed assets	161 571	161 815
Current assets (consisting of cash and cash equivalents)	7 002	4 655
Assets (100%)	168 573	166 470
Group's share of assets (50%)	**84 287**	**82 235**
Current liabilities	(10 150)	(14 075)
Long term liabilities	(123 376)	(102 365)
Group's share of liabilities (50%)	**(66 763)**	**(58 220)**
Group's share of net assets (50%)	**17 523**	**24 015**
Net loss (100%)	(41 770)	(16 200)
Group's share of net loss (50%)	**(20 885)**	**(8 100)**
Prior year equity-accounted loss (50%)	(16 341)	(8 241)
Group's share of accumulated net loss (50%)	**(37 226)**	**(16 341)**
Remaining net investment	**17 524**	**24 340**

The Oman entity has a December year end, and the above figures include transactions up to 30 June 2023.

8. EQUITY ACCOUNTED INVESTMENTS (CONTINUED)

8.2 INVESTMENT IN PORT NOLLOTH SEA FARMS

During the 2015 fiscal year Abagold finalised a 20% share in Port Nolloth Sea Farm Ranching (Pty) Ltd ("PNSFR"), an initiative whereby abalone is ranched in the sea. As part of its shareholder obligations, Abagold agreed to supply PNSFR with spat at no charge until December 2020, and has the right of first refusal on all abalone harvested at market prices. Further supplies of spat will be at market-related prices.

	2023 R'000	2022 R'000
Investment in Port Nolloth Sea Farm Ranching (Pty) Ltd		
Fair value of the spat multiplied by the number of spat supplied by Abagold to PNSFR	**5 123**	**5 123**
Share of profits	742	761
Total investment	5 865	5 884

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

	2023 R'000	2022 R'000
Non-current assets	3 259	2 751
Current assets	1 256	2 715
Current liabilities	(601)	(129)
Long-term liabilities	(183)	(1 533)
Net assets (100%)	3 731	3 804
Share of net assets (20%)	**746**	**761**
Income	6 360	10 025
Expenditure	(6 453)	(6 221)
Net profit (100%)	(93)	3 804
Share of profit (20%)	**(19)**	**761**
Elimination of inter-group transactions	–	–
Net share of (loss)/profit (20%)	(19)	761
Prior year equity-accounted profit (20%)	761	–
Group's share of accumulated net profit (20%)	742	761
Remaining net investment	**5 865**	**5 884**

The PNSFR entity has a February year end, and the above figures include transactions up to 30 June 2023.

The net asset value of PNSFR does not include the value of abalone supplied by Abagold, as these animals were placed in the sea without any subsequent control and are not classified as biological assets by PNSFR.

8. EQUITY ACCOUNTED INVESTMENTS (CONTINUED)

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.

	2023 R'000	2022 R'000
Investment in Aquawomen (Pty) Ltd		
Opening balance	605	605
Share of profits	192	–
Total investment	797	605

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

	2023 R'000	2022 R'000
Non-current assets	2 742	2 182
Current assets	2 887	234
Current liabilities	(1 153)	(1 153)
Long-term liabilities	(2 705)	(7)
Net assets (100%)	1 771	1 256
Share of net assets (45%)	**797**	**565**
Income	11 089	2 978
Expenditure	(10 379)	(2 508)
Net profit (100%)	710	470
Share of profit (45%)	**320**	**212**
Elimination of unrealised profits	**(127)**	**(212)**
Net share of profit (45%)	**192**	**–**
Prior year equity-accounted profit (20%)	–	–
Group's share of accumulated net profit (20%)	192	–
Remaining net investment	**797**	**605**

	2023 R'000	2022 R'000
TOTAL INVESTMENTS		
Opening balance	30 890	21 519
Investment – current year	14 068	16 714
Share of loss – current year	(20 584)	(7 131)
Elimination of inter-group transactions	(127)	(212)
Total net investments	**24 247**	**30 890**

Notes to the consolidated financial statements

for the year ended 30 June 2023 **continued**

9. LOANS RECEIVABLE

	2023 R'000	2022 R'000
Aquawomen (Pty) Ltd	1 115	1 115
Mean Sea Level (Pty) Ltd	–	69
Enterprise development *	410	646
Loans receivable	**1 525**	**1 830**

These loans were made available to support local enterprise and supplier development, and are interest free with 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 2023 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.

At 30 June 2023, the impairment allowances to the enterprise development suppliers were not significant on account of supply agreements or collateral which mitigates the credit risk arising from these loans.

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.

	2023 R'000	2022 R'000
Reconciliation of abalone inventory		
Opening carrying amount	22 062	20 503
Transfer from biological assets	226 375	220 439
Purchases	5 947	18 164
Processing costs	5 655	4 473
Adjustments for stock transfers out at fair value	3 640	6 607
Abalone sold	(233 204)	(229 960)
Value of Abalone Stock Purchases sold	(5 947)	(18 164)
Closing carrying amount	24 528	22 062

The carrying amount includes work in progress of R8 million (2022: R5,7 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 changes to the fair value at the time of sale.

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 US Dollar market prices of abalone and consequently also on the Rand-US Dollar exchange rate.

	2023 R'000	2022 R'000
Non-abalone inventory:		
Raw materials	5 086	4 465
Machinery parts and spares	2 446	2 390
Finished goods – feed	2 776	1 532
Closing carrying amount	10 308	8 387
Total inventory	**34 837**	**30 449**

11. TRADE AND OTHER RECEIVABLES

	2023 R'000	2022 R'000
Trade receivables	11 254	10 094
Prepaid expenses	867	582
Sundry receivables	1 638	55
Value-added tax	8 446	3 330
	22 205	14 061

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

South African Rand	20 708	11 349
US Dollar	1 497	2 713
	22 205	14 061

A general allowance of R175 thousand was recognised (2022: nil). No specific allowance was recognised on trade receivables (2022: R2,2 million). The ageing analysis of trade receivables is as follows:

	30 June 2023		30 June 2022	
	Carrying value R'000	Impairment R'000	Carrying value R'000	Impairment R'000
Up to 1 month	9 835	–	7 328	(60)
1–2 months	1 193	–	765	(129)
2–3 months	6	–	–	–
More than 3 months	226	(175)	2 001	(1 995)
	11 254	(175)	10 094	(2 184)

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

Based on historic loss ratios, forward-looking information and our credit risk management practices, 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	150 days past due
Asia region	0%	0%	0%	10%	100%
Southern Africa region	0%	0%	0%	15%	100%

12. DERIVATIVE FINANCIAL INSTRUMENTS

	2023 R'000	2022 R'000
The derivative financial instruments at 30 June comprise:		
– Forward foreign exchange contracts – assets	292	581
– Forward foreign exchange contracts – liabilities	(11 218)	(8 190)
	(10 926)	(7 608)
Reconciliation of derivative financial instruments:		
Opening balance	(7 608)	3 006
– Contracts entered into	(10 926)	(7 608)
– Contracts expired	7 608	(3 006)
Closing balance	(10 926)	(7 608)

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 2023 was US$10,8 million (2022: US$11,75 million) with forward rates ranging from R17,69 to R18,84 per USD (R15,55 to R16,42 per USD for 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

	2023		2022	
	Number	R'000	Number	R'000
Auhtorised Ordinary shares with no par value				
Opening balance	200 000 000	–	200 000 000	–
Transferred to AE Ordinary shares	(16 000 000)	–	–	–
Closing balance	184 000 000	–	200 000 000	–
Issued and fully paid up				
Closing balance	140 548 236	21 637	140 548 236	21 637

The Company did not declare a dividend in respect of the 2023 financial year (2022: R10,5 million).

UNISSUED

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

14. EMPOWERMENT TRUST SHARE RESERVE

Abagold Ltd shareholders approved the ESOP scheme at the 2022 Annual General Meeting held on 10 December. In terms of this transaction, Abagold issued a new class of restricted shares, AE Ordinary shares, in March 2023 to the Abagold Empowerment Trust. The AE Ordinary shares, equivalent to 10% of the issued share capital of Abagold, were issued at a discount to fair value and the new class of share is vendor financed. The AE Ordinary shares participate in the net growth of the share value less the growth of the net debt value over the 15 year vesting period. The option value has been determined using a binomial pricing model with the related expense recognised in profit and loss over the vesting period. The rules of the scheme are in the process of being finalised; however, it is the intention that the Trust qualifies as an Employee Share Ownership Plan in terms of B-BBEE legislation.

The Abagold Ordinary share was independantly valued at R4,11 in November 2022 and the issue price was done at a discounted price of R3,66 per share.

	2023		2022	
	Number	R'000	Number	R'000
Authorised AE Ordinary shares with no par value				
Opening balance	–	–	–	–
Transferred	16 000 000	–	–	–
Closing balance	16 000 000	–	–	–
Issued AE Ordinary shares with no par value				
Opening balance	–	–	–	–
Issued on grant date	15 616 471	–	–	–
Amount vested in the current year	–	429	–	–
Closing balance	15 616 471	429	–	–

The following information is relevant in the determination of the fair value of options granted during the year under the equity-settled share-based schemes.

Option pricing model used	**Black-Scholes**
Indepedently valued share price within 6 months of the grant date	4,11
Exercise price	3,66
Weighted average contractual period (years)	15
Expected volatility	30%
Expected dividend growth rate	4,0%
Risk-free interest rate	11,44%

15. LEASE LIABILITY

The Company leases farming 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 borrowing rate of 15%.

In 2022, the Company entered into a 20-year power purchase agreement with BrightBlack Energy (Pty) Ltd for a 2 MWh capacity photovoltaic (PV) system with a capital value of R25,2 million. The Company is obliged to buy the energy output at an agreed rate plus 6% annual escalation, in terms of which ownership transfers at the end of the lease term for a nominal value. Due to the variable nature of the lease payments the Company did not recognise a right-of-use asset and lease liability, and is expensing the lease payments to profit and loss. The system has been fully commissioned in FY23.

15.1 RECONCILIATION OF LEASE LIABILTIES

	2023 R'000	2022 R'000
Carrying value at beginning of period	**7 664**	**7 544**
Finance costs (note 31)	1 256	1 236
Lease payments	(1 126)	(1 117)
Carrying value at end of period	**7 794**	**7 664**
At 30 June:		
Non-current lease liability	6 599	6 557
Current portion of lease liability	1 195	1 107
	7 794	7 664

15.2 MATURITY ANALYSIS

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

within one year	1 195	1 107
1 to 2 years	1 291	1 195
2 to 3 years	1 394	1 291
3 to 4 years	1 506	1 394
4 to 5 years	1 626	1 506
after five years	10 305	12 956
	17 318	**19 450**

In 2013 the land lease was renewed for a further term of 9 years and 11 months, and the agreement includes a option to renew the lease for a further 9 years and 11 months. The lease payments above include the optional renewal term. By the date of publishing this report the lease had not been extended, and therefore the lease arrangement continues on a month-to-month basis until such time that a new lease is signed. The Company considers the lease to be an evergreen arrangement, due to the significant investment made on the leased land, and we intend to retain our rights with regard to the land rental.

16. TAXATION

16.1 INCOME TAX

	2023 R'000	2022 R'000
Current tax - prior year	–	–
Deferred tax – current year	(5 464)	(3 447)
Deferred tax – prior year (over)/under provision	(189)	(1 749)
Deferred tax – change in tax rate	–	3 151
Total income tax expense	(5 653)	(2 045)

In the prior year, an amendment to the Income Tax Act of South Africa was enacted that reduced the rate of income tax from 28% to 27% for or the years of assessment ending on any date between or on or after 31 March 2023. Deferred tax balances as at 30 June 2022 have been recognised at 27%, the rate of corporate tax enacted by the amendment to the Income Tax Act that will apply for periods from 1 July 2022.

16.2 DEFERRED INCOME TAX

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 27% (2022: 28%). The reduction in the main rate of corporation tax to 27% was substantively enacted in March 2022.

The deferred tax categories are as follows:

	2023 R'000	2022 R'000
Deferred tax liability		
– Property, plant and equipment	44 260	40 725
– Right-of-use asset	715	787
– Trademarks	9	18
– Prepaid expenses	234	157
– Biological assets	62 887	55 633
Deferred tax asset		
– Accumulated tax loss	(11 033)	(3 632)
– Government grants	(2 130)	(2 373)
– Leave pay accrual	(1 170)	(1 033)
– Allowance for expected credit losses	–	(442)
– Loan receivable	–	(163)
– Lease liability	(2 104)	(2 070)
– Short-term share incentive liability	(316)	(620)
– Long-term share incentive liability	(634)	(1 922)
Net deferred tax liability	90 717	85 064

Notes to the consolidated financial statements
for the year ended 30 June 2023 **continued**

16. TAXATION (CONTINUED)

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	Equity accounted investments R'000	Government grants R'000	Other R'000	Total R'000
Balance at 1 July 2021	35 617	61 277	(2 486)	(1 749)	(2 713)	(6 922)	83 021
Charged/(credited) to profit and loss	5 108	(5 643)	(1 146)	1 749	340	1 636	2 043
Balance at 30 June 2022	40 725	55 634	(3 632)	–	(2 373)	(5 286)	85 064
Charged/(credited) to profit and loss	3 535	7 253	(7 401)	–	243	2 024	5 653
Balance at 30 June 2023	44 260	62 887	(11 033)	–	(2 130)	(3 262)	90 717

16.3 TAX RATE RECONCILIATION

The income tax on the profit before tax differs from the theoretical amount that would arise using the statutory rate of 27% (2022: 28%) as follows:

	2023 %	2022 %
South African normal tax rate	27,00	28,00
Adjusted for:		
- Employment Tax Incentive	122,9%	(2,8%)
- S12H learnership allowance	123,0%	(3,5%)
- Tax rate differential	(4 073,3%)	33,5%
- Prior year period overprovision - deferred tax	123,0%	25,9%
– Deferred tax – rate change	0,0%	(50,8%)
Actual effective tax rate	**(3 677,4%)**	**30,3%**

16.4 TAX LOSSES

	2023 R'000	2022 R'000
Estimated tax losses and capital development costs available for set-off against future taxable income	37 220	20 791

Deferred tax assets have been recognised in respect of all tax lossess and other temporary differences giving rise to deferred tax assets where the directors believe it is probable that these assets will be recovered.

17. DEFERRED INCOME GRANT

	2023 R'000	2022 R'000
Current portion	900	900
Long-term portion	6 992	7 891
	7 892	8 790

During the 2014 fiscal year, R5,7 million was received as a government grant under the Aquaculture Development and Enhancement Programme (ADEP). This grant related to the Sulamanzi farm expansion costs for the period 1 September 2012 to 30 June 2013. A further ADEP grant of R5,6 million was received in the 2017 fiscal year and relates to both the Sulamanzi farm expansions cost and the feed factory development costs. The final amount of R3,7 million, relating to the Sulamanzi farm expansion, was received in the 2018 financial year.

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

18. BORROWINGS

	2023 R'000	2022 R'000
ABSA Agri loan	19 797	16 838
Viking - shareholder loan	4 000	4 000
Commercial Property Finance ("CPF") loan	12 698	16 062
Term loan	15 670	4 514
Wesbank Tractor Finance	324	453
Vehicle and asset finance loan	4 090	1 924
Battery energy storage system (BESS)	45 036	–
Covid-19 loan	2 131	2 747
Total borrowings	103 747	46 538

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

	2023 R'000	2022 R'000
Non-current portion of borrowings	80 609	27 585
Current portion of long-term borrowings	23 138	18 952
Total long-term borrowings	103 747	46 538

The Agri Loan and the CPF loan are access bonds with a mortages registered over erf 11166 and erf 11068. The Agri loan was 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%.

The Viking shareholder loan was granted to Specialised Aquatic Feed (Pty) Ltd as part of the initial investment when taking up their minority shareholding in 2017. The loan is unsecured, interest free and has no specific repayment terms.

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

The convertible loan was secured with Futuregrowth in FY20 with a maturity date of 30 June 2022, and was drawn down in September 2020. The loan has an interest rate of prime plus 5% payable on maturity, and was convertible into ordinary shares at the option of the issuer. The conversion rate was for a fixed price at R2 per share, which is considered by management to be a substantial discount to fair value. Consequently, the loan was repaid in full 7 months prior to the maturity date.

During the Covid-19 pandemic, Specialised Aquatic Feeds obtained a government-backed Covid-19 loan, which has a 5.5 year repayment period at the prime lending rate.

In FY22, tractors were acquired and financed through a four-year instalment sale agreement at prime-linked lending rates.

In FY23, Abagold obtained a R15 million term loan with a four-year term at the prime lending rate to help fund capex projects. We also acquired operational equipment of R3 million which was financed on a four-year term at the prime lending rate. In addition, we obtained 10-year asset finance for the battery energy storage system, which is expected to be fully operational early in FY24.

19. TRADE AND OTHER PAYABLES

	2023 R'000	2022 R'000
Trade and other payables comprise the following items:		
Trade payables	15 161	11 308
Accrual for leave	3 698	3 239
Other accruals^	10 505	5 505
Other personnel accruals#	6 377	11 087
Debtors with credit balances	2 505	–
Other payables	1 171	5 019
Loans payables*	2 667	2 095
	42 085	38 254

^ Other accruals include the remaining cost for the battery system that is due after completion of the testing phase.

Other personnel accruals include the LTIP 2018-21 accrual which is paid over three annual tranches, as well as the current year bonus accrual.

* The loan payable is in respect of services and products acquired from Aquawomen (Pty) Ltd, which is payable on demand and attracts interest at money market rates.

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

	2023 R'000	2022 R'000
Non current trade and other payables	–	5 068
Current portion of trade and other payables	42 085	33 186
	42 085	38 254

20. CASH AND CASH EQUIVALENTS

	2023 R'000	2022 R'000
Bank balance	11 041	7 878
Overdraft	(44 000)	(152)
Balance on credit cards	(22)	(100)
	(32 981)	7 625

The balance on the bank overdraft is payable on demand and accrues interest at the prime rate less 0,75%.

Total approved banking facility includes a general banking facility of R76 million (2022: R46 million), an Agri loan with access bond facility balance of R20 million (2022: R22 million), an amortising Term loan of R15,6 million (2022: R5,7 million), the CPF loan access bond facility balance of R12,6 million (2022: R16 million), Covid-19 loan of R2,1 million (2022: R2,8 million), vehicle and asset finance of R4 million (2022: R2,8 million), and battery finance of R39,3 million (2022: nil). The General Banking Facility also includes limits for entering into forward exchange contracts. The next facility review date is November 2023.

21. 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 R10million 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 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.

Unlimited cession and pledge in security of proceeds from short-term insurance policy provided by Abagold Ltd covering erf 11608 and 11166.

22. 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 R4,1 million (2022: R3,7 million) was recognised during the year as an expense in relation to the provident fund contributions.

23. FINANCIAL INSTRUMENTS

23.1 FAIR VALUE ESTIMATION

Where fair value measurements 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 judgement 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.

23. FINANCIAL INSTRUMENTS (CONTINUED)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2023:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Assets				
Biological asset	–	–	232 914	232 914
Foreign exchange contract assets	–	–	–	–
Total assets	–	–	232 914	232 914

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Liabilities				
Foreign exchange contract liabilities	–	10 926	–	10 926
Total liabilities	–	10 926	–	10 926

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2022:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Assets				
Biological assets	–	–	206 049	206 049
Foreign exchange contract assets	–	–	–	–
Total assets	–	–	206 049	206 049
Liabilities				
Financial liabilities at fair value through profit or loss				
Foreign exchange contract liabilities	–	7 608	–	7 608
Total liabilities	–	7 608	–	7 608

Biological assets refer to note 4.

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

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. The Group does not have any Level 3 financial instruments for the years ended 30 June 2023 and 2022.

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.

23. **FINANCIAL INSTRUMENTS** (CONTINUED)

23.2 FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

The carrying value of cash and cash equivalents, loans receivable, trade and other receivables, borrowings, and payables reported in the statement of financial position approximate fair value.

23.3 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		✔	✔	

23.4 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 a minimum “A” 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.

The Group applies the simplified approach mandated by IFRS 9 Financial Instruments when measuring impairment loss allowances related to trade receivables and accordingly the Company’s impairment allowances on these financial assets equal, at all times, the credit losses expected to arise over the lifetime of these financial assets.

In measuring credit losses expected to arise over the lifetime of trade receivables, 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.

23. FINANCIAL INSTRUMENTS (CONTINUED)

The historical loss experience/rates that are taken into account when determining impairment allowances is determined with reference to representative sales period (typically not shorter than 12 months) and the credit losses incurred over that period. Forward-looking information considered in measuring lifetime expected credit losses include macroeconomic factors, with the target country GDP per capita considered to most significantly affect the future ability 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 according to the country in which the customer is located.

23.5 LIQUIDITY RISK MANAGEMENT

The Group's cash and cash equivalents are monitored and measured against budget on a monthly 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 2023:					
Trade and other payables	42 085	–	–	–	42 085
Derivative financial instruments	10 926	–	–	–	10 926
Borrowings	27 677	20 650	50 476	42 936	141 738
Bank overdraft	44 000	–	–	–	44 000
	124 688	20 650	50 476	42 936	238 749
At 30 June 2022:					
Trade and other payables	34 518	2 718	2 349	–	39 584
Derivative financial instruments	7 608	–	–	–	7 608
Borrowings	21 647	16 040	27 037	–	64 724
Bank overdraft	–	–	–	–	–
	63 773	18 758	29 386	–	111 918

23.6 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 2023, 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 R1,2 million lower (2022: R506 thousand). Conversely, if interest rates were 1 percentage point lower, it would have an opposite effect on profit with the same amounts.

23. FINANCIAL INSTRUMENTS (CONTINUED)

23.7 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:

23.7.1 Foreign trade receivables

At 30 June 2023, the foreign trade receivables were converted at the closing exchange rate of R18,81: 1$ (2022: R16,38: 1$). 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 R396 thousand higher (2022: R271 thousand higher). Conversely, if the Rand strengthened 10%, the profit would be less with the same amounts. This variation in the profit would be due to the fair value adjustment of foreign currency denominated trade receivables. The higher foreign exchange rate sensitivity in the profit is attributable to an increase in these trade receivables at year-end.

23.7.2 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 for the year. At 30 June 2023, 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 R21,1 million (2022: R19,6 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.

23.8 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 Group's target is to achieve a cash return on capital (cash flow from operating activities divided by equity) above 20%. In 2023 the return was 3,3% (2022: 17,1%). In comparison, the weighted average interest expense on interest-bearing borrowings was 9,0% (2022: 9,4%).

Consistent with others in the industry, the Group monitors capital using a net debt-to-capital ratio. For this purpose, net debt is defined as interest-bearing debt less cash and cash equivalents, and capital comprises all components of equity. The Group's net debt to capital ratio at the end of the reporting period was 33% excluding the BESS loan (2022: 13,3%), which is marginally outside the target range of below 30%.

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

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

24. REVENUE

	2023 R'000	2022 R'000
Revenue comprises of the following sales of abalone products and related services:		
– Processed abalone	164 503	186 151
– Unprocessed abalone	90 177	69 662
– Live baby abalone (spats)	1 536	–
– Animal feed (external sales)	49 367	49 202
	305 583	305 014

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

	2023 R'000	2022 R'000
Revenue comprises the following geographical regions:		
Asia	249 318	245 877
North America	4 716	8 101
Southern Africa	51 549	51 036
	305 583	**305 014**

25. OTHER INCOME

The following items are included in "Other income":

	2023 R'000	2022 R'000
– Shared infrastructure	1 167	1 230
– Deferred income on a government grant	900	900
– Profit/(loss) on disposal of fixed assets	–	(22)
– Third-party processing fee	–	3 266
– Other	1 016	(82)
	3 082	5 292

26. FAIR VALUE GAINS AND LOSSES IN FINANCIAL INSTRUMENTS

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

	2023 R'000	2022 R'000
– Realised foreign exchange (losses)/gains	(24 597)	(3 500)
– Unrealised foreign exchange (losses)/gains	(3 318)	(7 608)
Net fair value (losses)/gains on financial instruments	(27 915)	(11 108)

27. PRODUCTION COSTS

Production costs comprise the following:

	2023 R'000	2022 R'000
– Utilities (electricity and water)	47 480	31 501
– Feed	612	444
– Consumables	2 218	2 041
– Chemicals	1 789	1 363
Total production costs	52 099	35 349

28. EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses comprise the following items:

	2023 R'000	2022 R'000
– Wages and salaries	64 997	60 282
– Directors' remuneration	7 080	7 573
– Short-term incentive schemes	3 605	2 296
– Long-term incentive schemes	–	624
– Provident fund contributions	4 126	3 687
– Protective clothing	1 286	1 169
– Staff tea and welfare	324	59
– Recruitment costs	–	11
Total employee benefit expense	81 418	75 700

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

			2023 R'000		
	Basic salaries	Company contributions	Short term incentive relating to FY23#	Fees for meetings	Total
Executive directors:					
TR Hedges	2 866	58	228	–	**3 152**
E Manchest	1 807	67	150	–	**2 024**
Non-executive directors:					
HR van der Merwe	–	–	–	495	**495**
YJ Visser	–	–	–	295	**295**
JW Wilken	–	–	–	325	**325**
W Keast	–	–	–	165	**165**
JN Hamman**	–	–	–	88	**88**
TC Ralebitso	–	–	–	205	**205**
A Archary	–	–	–	168	**168**
K Gordon*	–	–	–	164	**164**
Total	**4 673**	**125**	**378**	**1 903**	**7 080**

FY23 STIP targets were not achieved and therefore no accrual has been raised.

* *Resigned from the Board in June 2023*

** *Retired from the Board in December 2022*

28. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

	2022 R'000				
	Basic salaries	**Company contributions**	**Short-term incentive relating to FY22**	**Fees for meetings**	**Total**
Executive directors:					
TR Hedges	2 759	101	950	–	**3 809**
E Manchest	1 748	71	449	–	**2 267**
Non-executive directors:					
HR van der Merwe	–	–	–	413	**413**
YJ Visser	–	–	–	224	**224**
JW Wilken	–	–	–	247	**247**
W Keast	–	–	–	130	**130**
JN Hamman	–	–	–	130	**130**
CT Ralebitso	–	–	–	165	**165**
S de Villiers*	–	–	–	109	**109**
A Archary**	–	–	–	39	**39**
K Gordon**	–	–	–	33	**33**
Total	**4 507**	**172**	**1 398**	**1 495**	**7 573**

* *Resigned from the Board in June 2022*

** *Appointed to the Board in June 2022*

Please refer to note 29 for details relating to the vesting of rights to executive directors in terms of the long-term incentive plan.

29. 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 are assigned a value on the award date and participants are entitled to receive cash payments based on the growth in cash generated from operating activities between the dates of the grants ("award value") and the maturation dates of the rights, three years later, subject to a minimum "cash generated from operating activities" hurdle for the combined three-year period. The scheme is not linked to the actual share price of the company.

The liability was determined as R2,3 million (2022: R6,5 million) which relates to the third and last tranche of LTIP 2018-21, and is classified as "other personnel accruals" under trade payables.

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	
	2023 '000	**2022 '000**
Movement in the "LTIP units" awarded		
Balance at the beginning of the year	1 097	7 466
Exercised during the year	–	(7 466)
Additional units - LTIP FY22-24	–	1 097
Additional units - LTIP FY23-25	924	–
Balance at the end of the year	2 021	1 097

29. LONG-TERM INCENTIVE PLAN ("LTIP") (CONTINUED)

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

	30 June 2025: LTIP FY23–25	30 June 2024: LTIP FY22–24
Long-Term Incentive Plan units	924	1 097
TR Hedges	403	479
E Manchest	196	232
Other executives	326	386

An expense of nil (R623 thousand: 2022) was recognised in the statement of comprehensive income as employee benefits expense (refer note 28).

The remuneration payable to directors of the Company in terms of the Long-term Incentive Scheme are detailed in the table below. There is no remuneration payable to directors of the Company with respect to the FY22-24 and FY23-25 LTIPs as these units will only vest in September 2024, and is subject to delivering a minimum "cash generated from operating activies" over the three-year period. The performance to date indicates that these LTIPs will not reach the minimum target level for a pay-out.

30. PROFIT FROM OPERATIONS

Profit from operations is stated after the items below were taken into account:

	2023 R'000	2022 R'000
Auditor's remuneration for audit services	589	555
Amortisation and write-offs of trademarks	32	35
Depreciation	21 348	20 091
Maintenance	10 053	9 767
Professional fees	7 904	6 696
Legal fees	35	54
Variable lease rental costs not capitalised (see note 15 - lease liability)	1 406	203

31. FINANCE COSTS

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

	2023 R'000	2022 R'000
Bank overdraft	1 124	1 791
Agri loan	1 407	366
Term loan	1 291	407
Lease liability	1 256	1 236
Commercial Property Finance ("CPF") loan	1 446	1 130
Loan from associate	150	58
ABSA asset financing	229	181
Wesbank asset financing	37	30
Convertible loan*	–	739
Total finance costs	6 939	5 938

** The Convertible loan with Futuregrowth was repaid before the maturity date in the prior year, including the accumulated interest from inception.*

32. EARNINGS PER SHARE – BASIC

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

	2023		2022	
	Gross	Net	Gross	Net
Basic (loss)/earnings attributable to ordinary shareholders (R'000)	–	(5 807)	–	4 718
Weighted number of ordinary shares (000s) at the beginning of the year		140 548		140 548
Potential shares (000s) on conversion of the shareholder loan	–	1 536		–
Weighted number of diluted ordinary shares (000s) issued for the year		142 084		140 548
Basic (loss)/earnings per share (cents)		(4,13)		3,36
Diluted (loss)/earnings per share (cents)		(4,13)		3,36

33. NOTES TO THE STATEMENTS OF CASH FLOWS

33.1 CASH RECEIVED FROM CLIENTS

	2023 R'000	2022 R'000
Revenue	305 583	305 014
Other income	2 269	5 292
Plus: Receivables at the beginning of the year	14 061	9 619
Less: Receivables at the end of the year	(22 205)	(14 061)
	299 708	305 863

33.2 CASH GENERATED FROM OPERATIONS

	2023 R'000	2022 R'000
Profit/(loss) before tax	(154)	6 763
Adjustments for non-cash items	18 357	54 022
– Trademark amortisation	32	35
– Amortisation of deferred income grant	(900)	(900)
– Depreciation	21 612	20 356
– Loss on sale of property, plant and equipment	–	22
– Fair value gains on biological assets	(253 241)	(207 644)
– Transfers out of biological assets	226 375	220 439
– Impairment of Property, plant and equipment	21	3 757
– Broad Based Ownership Scheme	429	–
– Share of loss in equity accounted investments	20 711	7 343
– Unrealised loss on revaluation of foreign exchange contracts	10 926	7 608
– Reversal of prior year (loss)/gain on foreign exchange contracts	(7 608)	3 006
Separately disclosed items in statement of cash flow	6 939	5 938
– Finance costs	6 939	5 938
Changes in working capital:	(9 401)	(9 495)
– Increase in inventory	(4 388)	(1 455)
– Increase in receivables	(3 191)	(4 442)
– Decrease in trade payables	(1 821)	(3 597)
Cash generated from operations	15 741	57 228

33. NOTES TO THE STATEMENTS OF CASH FLOWS (CONTINUED)

33.3 NET DEBT

	2023 R'000	2022 R'000
Cash and cash equivalents	(32 995)	7 625
Borrowings – repayable within one year	(23 138)	(14 952)
Borrowings – repayable after one year	(80 609)	(31 583)
Net debt	(136 742)	(38 910)

Reconciliation of Net debt	Battery loan	Shareholder loan	Cash and cash equivalents	Term loan	ABSA COVID-19 loan	Property finance	Asset finance	Net debt
Opening balance 1 July 2021	–	(20 595)	19 728	(7 279)	(3 344)	(26 959)	(2 611)	(41 060)
Proceeds	–	–	(10 312)	–	–	(4 445)	(692)	(15 448)
Repayments	–	17 334	–	3 174	819	–	985	22 312
Interest charge	–	(739)	(1 791)	(409)	(221)	(1 496)	(58)	(4 714)
Closing balance 30 June 2022	–	(4 000)	7 625	(4 514)	(2 747)	(32 900)	(2 377)	(38 910)
Repayments	–	–	4 504	5 253	838	3 259	1 046	14 899
Proceeds	(43 981)	–	(44 000)	(15 118)	–	–	(2 933)	(106 032)
Interest charge	(1 058)	–	(1 124)	(1 293)	(221)	(2 853)	(150)	(6 699)
Closing balance 30 June 2023	(45 039)	(4 000)	(32 995)	(15 672)	(2 131)	(32 494)	(4 414)	(136 741)

34. RELATED PARTIES

34.1 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 100% of the shares in an associate, Mean Sea Level (Pty) Ltd, as documented in note 7.
- 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.
- Futuregrowth is a subsidiary of Old Mutual Group, and transactions are documented in note 31.
- Mr TR Hedges is a director of Specialised Aquatic Feeds (Pty) Ltd, Mean Sea Level (Pty) Ltd and Abagold Ltd.
- Mr E Manchest is a director of Specialised Aquatic Feed (Pty) Ltd and Abagold Ltd.

34.2 MATERIAL-RELATED PARTY TRANSACTIONS AND BALANCES

34.2.1 Transactions with joint ventures

	2023 R'000	2022 R'000
Investments in Oman Aquaculture Co LLC	14 068	16 714

34. **RELATED PARTIES** (CONTINUED)

34.2.2 Transactions with joint associates

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

	2023 R'000	2022 R'000
Loan payables by Abagold to Aquawomen (Pty) Ltd	(2 667)	(2 095)
Trade payable by Abagold to Port Nolloth Sea Farm Ranching (Pty) Ltd	(1 157)	(735)
Loan receivable by Abagold from Aquawomen (Pty) Ltd	1 075	1 075
Loan Receivable by Specialised Aquatic Feeds from Aquawomen (Pty) Ltd	40	40

The following transactions related parties occurred during the year:

	2023 R'000	2022 R'000
Purchases by Abagold from Aquawomen (Pty) Ltd	(3 324)	(3 355)
Purchases by Abagold from PNSFR (Pty) Ltdd	(6 360)	(10 025)
Sales by Abagold to Aquawomen (Pty) Ltd	264	427
Interest paid by Abagold to Aquawomen (Pty) Ltd	(150)	(58)
Rental expenses paid by Specialised Aquatic Feeds to Aquawomen (Pty) Ltd	–	(63)

34.2.4 Material-related party transactions

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

	2023 R'000	2022 R'000
Donations by Abagold to Abagold Development Trust	(276)	(610)
Donations by Specialised Aquatic Feeds to Abagold Development Trust	(22)	(22)

34.2.5 Securities acquired by 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

35. COMMITMENTS

35.1 CAPITAL COMMITMENTS

	2023 R'000	2022 R'000
Authorised by the directors		
– Contracted for	4 800	15 990
– Not contracted for	15 000	16 210

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

The Company has signed contractual agreements for the battery energy storage system.

36. EVENTS AFTER THE REPORTING DATE

It would appear that the impact of Eskom load shedding on the business has been adequately managed and minimised, with the Group having adequate liquidity and funding facilities. In addition, we also draw attention to the uncertainty of the knock-on effects of the Covid pandemic on customers, suppliers and other key stakeholders, particularly in our target markets.

37. CONTINGENT LIABILITY

Management apply their judgement to the fact patterns and advice they receive from their attorneys, advocates and other advisors in assessing whether an obligation is probable, more likely than not, or remote. There are no contingent liabilities.

38. 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 20. The Group has recognised a positive cash generated from operations of R15,7 million for the year ended 30 June 2023 and, as at that date, current assets exceed current liabilities by R132 million. Banking facilities are subject to review by 30 November 2023, and there are unutilised banking facilities in excess of R30 million including cash reserves of R11 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. 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 20. The Seaview lease term ended on 31 July 2023, and in terms of the Department of Public Works (DPW) expired lease agreement, an extension application has been submitted, and until approved the lease will be on a month-to-month basis. DPW has been operating numerous leases with other tenants in the New Harbour, as well as other sites around the country, on a month-to-month basis while they roll out their new leasing framework. Management is confident that the lease will be extended based on communication of DPW requirements for lease renewals in terms of the new framework. Management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

39. 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 seperately 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
Mean Sea Level (Pty) Ltd	Generation of renewable energy

The Group's Chief Executive Officer 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 integrations includes transfers of abalone feed and shared support services. Inter-segment 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 believe 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.

39. OPERATING SEGMENTS (CONTINUED)

	2023			2022	
	ABAGOLD R'000	SAF R'000	MSL R'000	ABAGOLD R'000	SAF R'000
External revenue	256 216	49 367	–	255 812	49 202
Inter-segment revenue	–	23 694	–	–	20 432
Segment revenue	**256 216**	**73 061**	**–**	**255 812**	**69 634**
Segment profit/(loss) before tax	15 278	(3 861)	(226)	17 964	(3 861)
Interest expense	(6 678)	(221)	–	(5 759)	(221)
Depreciation and amortisation	(18 803)	(2 488)	(49)	(17 902)	(2 488)
Share of loss of equity-accounted investees	(20 711)	–	–	(7 339)	–
Changes in biological assets	253 241	–	–	207 644	–
Segment assets	**608 198**	**32 796**	**204**	**493 205**	**32 796**
Equity accounted investees	59 873	–	–	45 805	–
Capital expenditure	86 071	4 244	–	24 481	4 244
Segment liabilities	**291 712**	**22 717**	**(153)**	**181 137**	**22 717**

RECONCILIATION OF INFORMATION ON REPORTABLE SEGMENTS TO IFRS MEASURES

	2023 R'000	2022 R'000
Revenues		
Total revenue for reporting segments	329 277	325 446
Elimination of inter-segment revenue	(23 694)	(20 432)
Consolidated revenue	305 583	305 014
Profit before tax		
Total profit before tax for reportable segments	11 191	14 104
Elimination of inter-segment loss	–	–
Share of loss of equity-accounted investees	(20 711)	(7 339)
Consolidated profit before tax	(9 520)	6 764
Assets		
Total assets for reportable segments	641 198	526 000
Elimination of inter-segment transactions	(80 740)	(73 027)
Equity-accounted investees	24 247	30 891
Consolidated total assets	584 705	483 864
Liabilities		
Total liabilities for reportable segments	314 276	203 854
Elimination of inter-segment transactions	(7 113)	(9 938)
Consolidated total liabilities	307 162	193 916
Other material items		
Interest expense	(6 939)	(5 938)
Capital expenditure	(37 919)	(27 955)
Depreciation and amortisation	(21 585)	(20 391)
Biological asset movements	253 241	207 644

Shareholder and administrative information

Analysis of the ordinary shareholders at 30 June 2023

	Number of shareholders		% Holding	
Size of holdings	**2023**	**2022**	**2023**	**2022**
Less than or equal to 1%	41	41	6.3%	6.3%
More than 1% but less than 5%	4	4	11.2%	11.2%
More than 5% but less than 10%	3	3	24.5%	24.5%
More than 10% but less than 20%	4	4	57.9%	57.9%

The following shareholders hold in excess of 5% of the issued ordinary shares, totalling 140 548 237 shares:

Entity	Holding
Old Mutual Life Assurance Company	17.3%
Agulhas Nominees (Pty) Ltd	15.7%
Evolution One	14.2%
Weiveld (Pty) Ltd	10.7%
Sea Yields Investments (Pty) Ltd	9.5%
Johan van Dyk Familie Trust	7.6%
Bonne Esperance Trust	7.4%

The following shareholders hold in excess of 5% of the issued AE ordinary shares, totalling 15 616 471 shares:

Entity	Holding
The Abagold Empowerment Trust	100%

Corporate information

Abagold Limited
Reg no: 1995/070041/06

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

Company secretary
Phindile Kubheka

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

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

Notice is hereby given that the 2023 annual general meeting ("the meeting") of the shareholders of Abagold Limited ("the Company") will be held at 09h00 on Saturday, 9 December 2023, at the "Heart of Abalone" shed, Seaview, Abagold, New Harbour, Hermanus.

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

CONSIDERATION OF THE FINANCIAL STATEMENTS
Resolved that the meeting has considered the consolidated financial statements for the year ended 30 June 2023.

ORDINARY RESOLUTION 1: RE-APPOINTMENT OF THE INDEPENDENT AUDITOR AND DESIGNATED AUDITOR
Resolved that, as recommended by the Board and audit committee, BDO South Africa Incorporated, be re-appointed as independent registered auditor of the Group and that shareholders note the nomination of Mr Gawie Marais of the said firm as the designated registered auditor to hold office for the ensuing year.

ORDINARY RESOLUTION 2: RE-ELECTION OF DIRECTORS RETIRING BY ROTATION
Resolved that the following directors, who retire by rotation, and being eligible and having made themselves available for re-election as directors of the Company, are re-elected as directors, each by way of a separate resolution.

2.1 Mr. H. van Der Merwe
2.2 Mr. J. Wilken
2.3 Mr. W. Keast

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

ORDINARY RESOLUTION 3: RE-ELECTION OF DIRECTOR APPOINTED BY THE BOARD
Resolved that the following director, who was appointed by the Board, is re-elected as director.

3.1 Mr. F. Davids

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

ORDINARY RESOLUTION 4: 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 1 December 2023 until the conclusion of the next annual general meeting.

4.1 Mr Y. Visser
4.2 Mr J. Wilken (subject to his re-election as director pursuant to resolution 2.2)
4.3 Mr CT Ralebitso
4.4 Mr F. Davids (subject to his re-election as director pursuant to resolution 3.1)

The directors recommend the elections in terms of resolutions 4.1, 44.2, 4.3 and 4.4 by the shareholders of the Company.

Notice of annual general meeting of shareholders
continued

ORDINARY RESOLUTION 5: APPROVAL FOR ALTERNATE DIRECTOR APPOINTMENT

Resolved that the following person, to be appointed by Tim Hedges as an alternate director to himself to act in his place and during his absence, is approved for such appointment:

5.1 Mr. M. Hugo

The directors recommend the approval in terms of resolution 5.1 by the shareholders of the Company.

Note: The qualification of directors are set out on pages 38-40.

SPECIAL RESOLUTION 1: NON-EXECUTIVE DIRECTORS' REMUNERATION

Resolved that the non-executive directors' annual remuneration, in their capacity only as directors of the company, increase by 5% from 1 January 2024 and be paid in accordance with the following, together with such amount of Value-Added Tax ("VAT") as may be attributable thereto:

		Rand (excl. vat)
Retainer fee to be paid annually in two equal six-monthly instalments		
1.1	Non-executive chairman	275 630
1.2	Non-executive director	110 250
Fees per meeting payable to the chairman of the Board and chairpersons of the Board committees		
1.3	Board	30 320
1.4	Audit committee	13 780
1.5	Risk committee	13 780
1.6	Remuneration committee	8 270
1.7	Nominations committee	8 270
1.8	Social and ethics committee	8 270
1.9	Ad-hoc committee	10 500
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	15 160
1.11	Audit committee	6 900
1.12	Risk committee	6 900
1.13	Remuneration committee	4 140
1.14	Nominations committee	4 140
1.15	Social and ethics committee	4 140
1.16	Ad-hoc committee	10 500

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

Reason and effect

The reason for and the effect of special resolution 1 is to grant the Company authority to pay remuneration to its non-executive directors for their services as directors, as well as VAT thereon, in line with the requirements of King IV and the Act. Currently the number of board and scheduled committee meetings held during a year comprises four board meetings and three meetings of each of the audit and risk committees, while the nomco, remco and social and ethics committees meet 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 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.

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, other than by submitting voting papers obtained from the company secretary in the manner provided above. Shareholders are, however, reminded that they are still able to vote normally through proxy submission, despite deciding not to participate 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, 7 December 2023. 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

P. Kubheka
Company secretary

15 September 2023

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 9 December 2023 at 09h00 by ordinary shareholders who are unable to, or who do not wish to, attend the meeting in person, but wish to be represented thereat.

I, the undersigned ______________________________

Please print full names

ofaddress: ______________________________

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 financial statements for the year ended 30 June 2023.			
	Ordinary resolutions			
1	Re-appointment of independent auditor.			
2	Re-election of directors retiring by rotation:			
	2.1 Mr. H. van Der Merwe			
	2.2 Mr. J. Wilken			
	2.3 Mr. W. Keast			
3	Re-election of directors appointed by the Board:			
	3.1 Mr. F. Davids			
4	Election of members of the audit committee, each by separate vote:			
	4.1 Mr. Y. Visser			
	4.2 Mr. J. Wilken			
	4.3 Mr. CT Ralebitso			
	4.4 Mr F. Davids			
5	Approval of alternate director appointment:			
	5.1 Mr. M. Hugo			

Please turn over...

No.	Business	In favour of	Against	Abstain
	Special resolutions			
1	Approval of non-executive directors' remuneration from 1 January 2024			
	Retainer fee to be paid annually in two 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 and 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 and ethics committee			
	1.16 Ad-hoc committee			
2	To enable the provision of financial assistance to related or inter-related entities.			

See qualifications of directors on pages 38-40 as well as overleaf.

(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 ______________________ 2023.

Signature: ______________________________________

Abridged qualifications of director appointed by the Board:
F. Davids: BBusSc. (UCT), B. Com (Hons) (UCT), M. Com (UCT), CA(SA)

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, 7 December 2023 and may be returned in any manner set out below. Any forms of proxy not lodged by this time and date may be handed to the Chairman of the Annual General Meeting immediately prior to the commencement of voting at the meeting.
7. The completion and lodging of this Proxy form does not preclude the relevant shareholder from attending the meeting and speaking and voting in person thereat to the exclusion of any appointed proxy.
8. Any person present and entitled to vote at the meeting, as a member or as a proxy or as a representative of a body corporate, shall on a show of hands have only one vote irrespective of the number of shares held or represented. On a poll, he/she/it will have a number of votes equal to the number of ordinary shares held or represented.
9. An ordinary resolution is passed by a majority of votes present and voting at the meeting.
10. This form of proxy expires after the conclusion of the meeting but may still be used at any adjournment of the meeting.
11. NEW DIRECTORS: The proxy may vote with regard to the appointment of new directors not indicated in the preceding form of proxy as the proxy deems fit. Persons nominated for appointment as directors must have consented in writing to their nomination and must not be disqualified by virtue of the provisions of par 5.1.5 of the Company's Memorandum of Incorporation.

Return options:

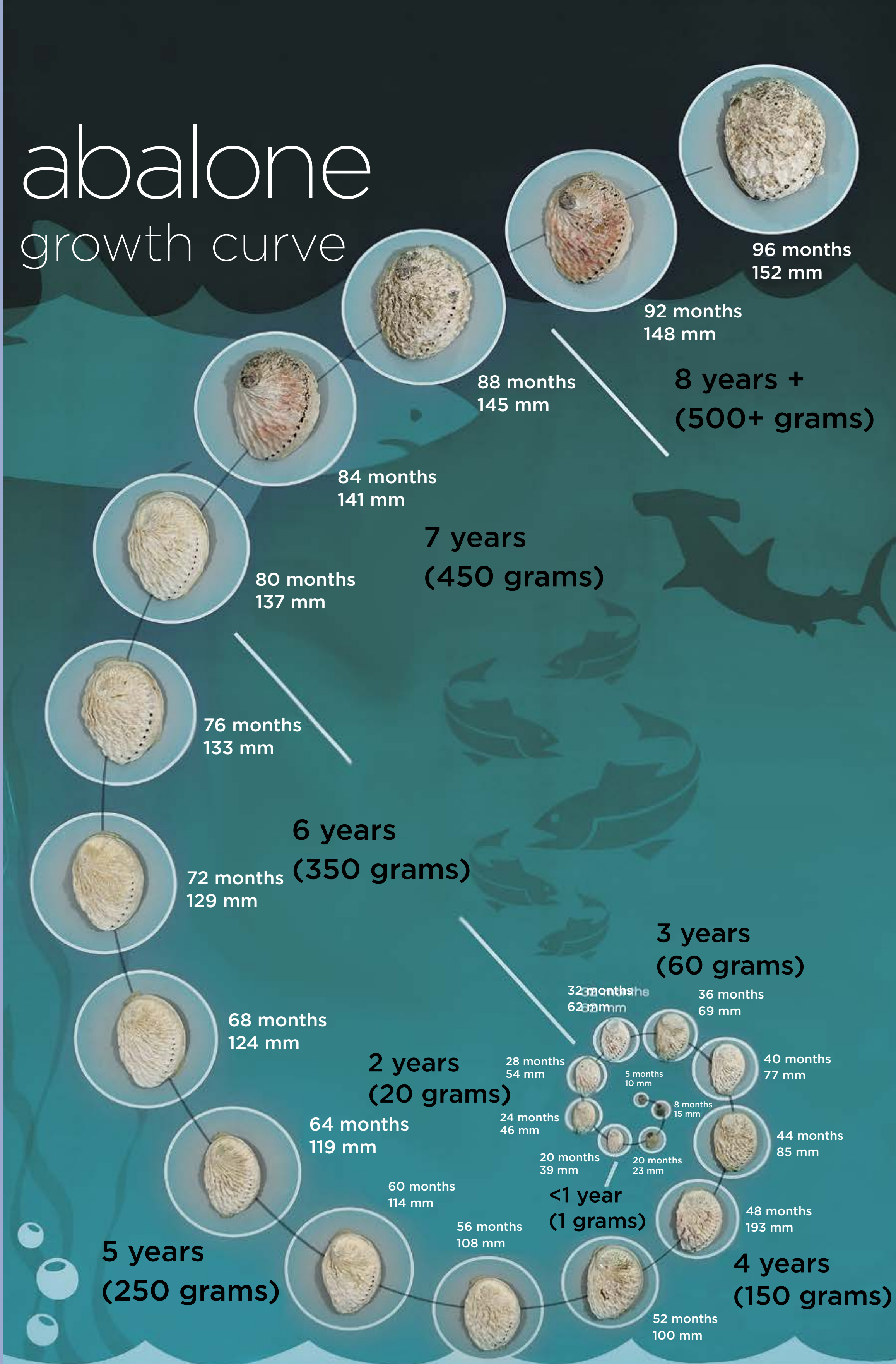
EITHER Deliver to:
The Company Secretary
Cnr of Church and Stil Streets
Hermanus
7200

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

OR Fax to:
The Company Secretary
028 312 2194

To be received, preferably, by no later than 16h00 on Thursday, 7 December 2023.

NOTES



This integrated report is printed on environmentally friendly, FSC certified paper.
Designed and produced by **COMPRESS.dsl** | **800796** | **www.compressdsl.com** | Photography © Lizette Manchest

Image supplied by Heart of Abalone (Pty) Ltd

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