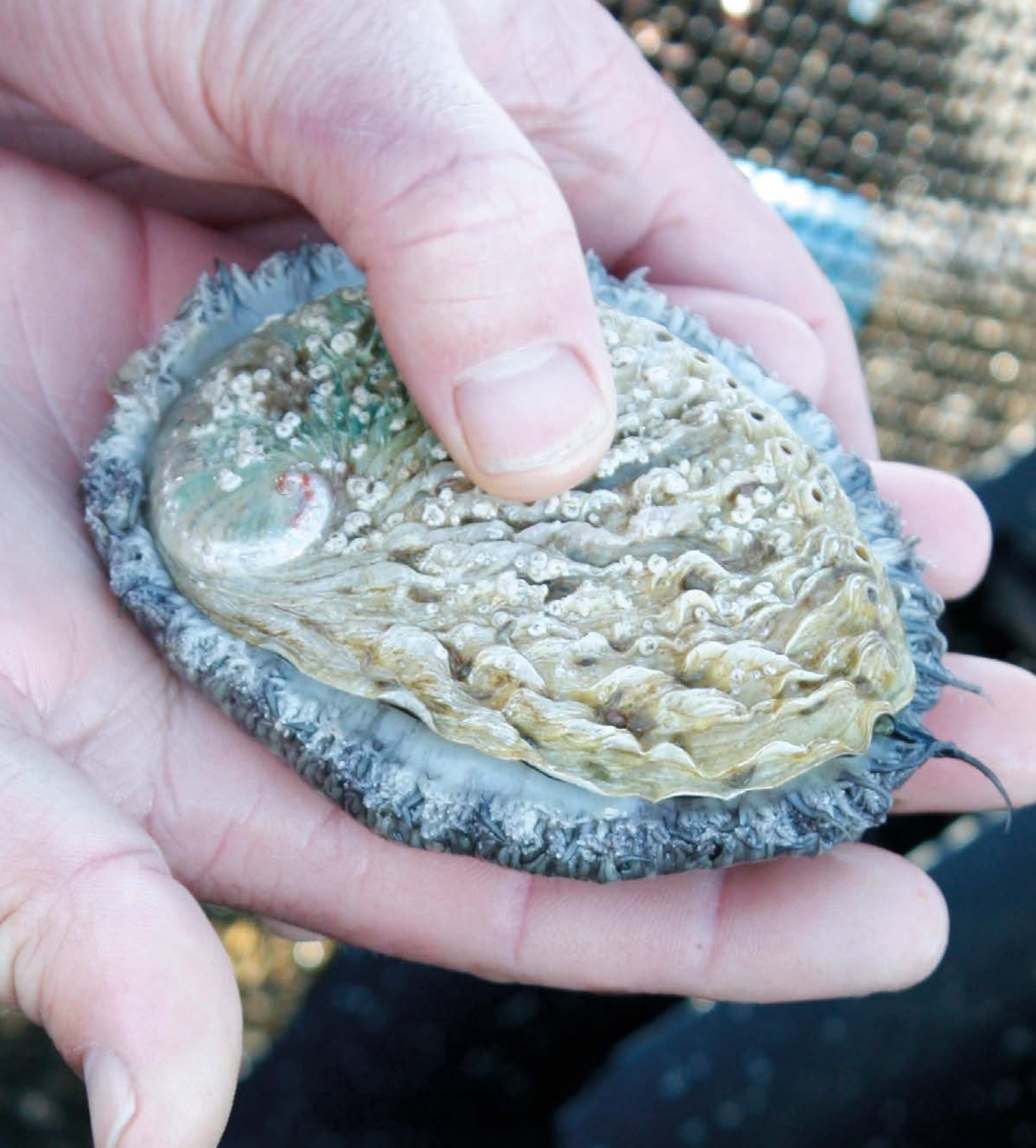
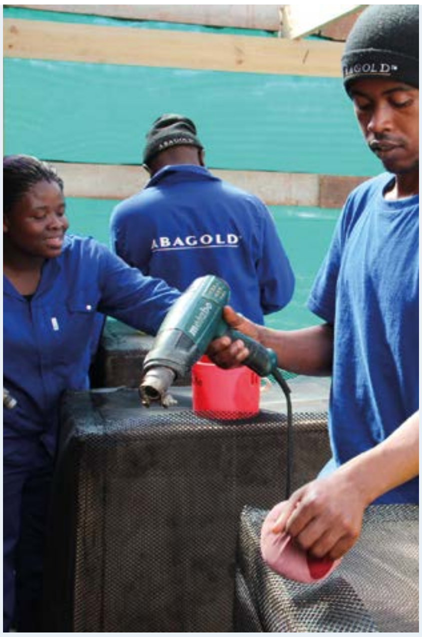


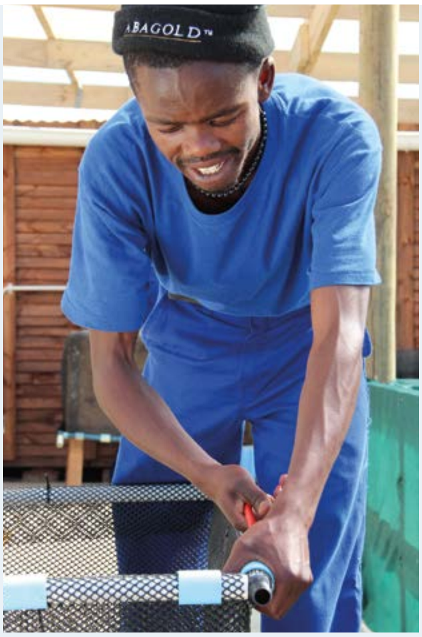
ABAGOLD

INTERIM REPORT

(UNAUDITED)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017



INTERIM REPORT (UNAUDITED)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

ABAGOLD LIMITED

DIRECTORATE

Independent non-executive

HR van der Merwe (Chairman of the Board, remuneration committee and nomination committee) ❇ ✚
P du P Hugo ♦ ✶ ▲
W Keast
YJ Visser (Chairman of the risk committee) ❖ ♦ ❇ ✚
JW Wilken (Chairman of the audit committee) ❖ ♦ ❇ ✚
SL de Villiers (Chairman of social and ethics committee) ❇ ✚ ✶
P Davies ❖ ♦

Executive

TR Hedges (Managing Director) ❇ ✚ ✶
CH van Dyk (Operations Director)
L-A Lubbe (HR Director) ❇ ✚ ✶

❖ = Member of audit committee
♦ = Member of risk committee
❇ = Member of remuneration committee
✚ = Member of nomination committee
✶ = Member of social and ethics committee
▲ = Retired on 9 December 2017

Company Secretary

E Manchest (Effective 1 January 2018)

ADMINISTRATION

Registered office

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

Auditors

Grant Thornton
(Effective January 2018)

Bankers

The ABSA Group

Website and share trading

www.abagold.com

Company registration number

1995/070041/06

Review of the interim results

for the six months ended 31 December 2017

FINANCIAL OVERVIEW

Turnover for the six months to 31 December 2017 came to R81,0 million, a decrease of 46% over the comparative six months in the previous year (to December 2016). This decrease is attributable to the impact of the February 2017 red tide event, which restricted the volume of abalone that could be harvested during this reporting period. The Board and management decided on a strategy of retaining 25% of all growth to repopulate the farm and help recover and protect the production pipeline, while sustaining the business and selling only 75% of growth achieved. Whilst this strategic approach led to the significant sales volume decrease in tons sold (–58%), it enabled Abagold to maintain sales to all our customers at minimum levels where customer retention and long-term future sales are the primary objectives.

The Rand strengthening by R1,34/USD over the past six months had a significant negative impact, both on turnover expressed in Rand and on the biological valuations on the farm.

The net result is a 122% decrease in net profit before unrealised forex gains and losses and tax from December 2016 to a loss of R4,8 million. If one takes unrealised forex gains and losses into account, as required for IFRS reporting, the net profit before tax has decreased 209% to a loss of R10,0 million. The unrealised forex loss of R5,2 million resulted from a strengthening Rand, which had a R7,2 million negative impact on the forex component of the fair value adjustment to biological assets, and R2 million gain on the revaluation of open forward exchange contracts as at 31 December 2017.

The table below sets out some key comparisons with prior periods:

	UNAUDITED 31 DEC 2017 6 months	UNAUDITED 31 DEC 2016 6 months	% change	AUDITED 30 JUN 2017 12 months
Turnover (Rm)	81,0	151,4	(46%)	187,7
Live equivalent tonnes sold	127	305	(58%)	381
Tonnes growth recorded	144	212	(32%)	262
Total expenses (Rm)	58,0	66,5	13%	126,5
Net profit before tax (Rm) – excluding unrealised gains	(4,8)	21,9	(122%)	(42,4)
Net profit before tax (Rm) – including unrealised gains	(10,0)	9,1	(209%)	(49,1)
Cash generated/(utilised) from operations (Rm)	(28,5)	36,7	(178%)	99,4

The Abagold operation was able to leverage some of the free space on the farm to “buy-in” a significant volume of live abalone from the West Coast. These animals were managed in a feed lot format to allow growth and improvement in yield to Abagold. The full results of this initiative will only be realised in the second half of the year as we convert this growth to sales and profit.

A net fair value gain of R39,6 million is recorded for the period and consists of three components: the strengthening of the exchange rate from R13,74/USD at 30 June 2017 to R12,40/USD at 31 December 2017, which resulted in an unrealised fair value loss of R7,2 million in biological assets; a fair value gain of R2,9 million in line with the upward revision of live USD selling prices; and the growth in biological asset tonnages which increased the fair value gain by R43,9 million.

Expenses for the six months under review decreased by 13% year-on-year, well below inflation at 5,7%. The main drivers were lower utility and diesel costs (which decreased by R0,68 million) due to less water being pumped and lower processing; and staff cost decreases totalling R0,76 million due to non-replacement of staff, somewhat offset by a full complement of skilled staff at the feed factory (R0,59 million increase compared to the six months to 31 December 2016).

Cash (Utilised)/Generated from Operations amounted to (R28,5 million) compared to R36,7 million in the comparative period, mainly due to a R70,4 million reduction in sales resulting from the implementation of the recovery plan. Working capital management has also come under pressure as customer collection timing combined with slightly higher inventory was impacted by the Chinese New Year in February compared with January, last year. The second half of the year will be characterised by continued recovery from the red tide, with a renewed focus on working capital management.

The R16,6 million spend on capital items was significantly higher than the prior year, due to deliberate capex investment in the red tide defence mechanism, but the planned capex spend in the second half of the year will be materially lower

Review of the interim results (continued)

for the six months ended 31 December 2017

than in the prior year. Investment in equity accounted entities is R1,9 million less than in the same period of the prior year, largely due to a further delay in investment in the Oman and Mauritius projects.

Adequate bank financing in the form of an overdraft and loan facility is available to fund operations for the foreseeable future.

OPERATIONAL OVERVIEW

Hatchery and Grow-out farms: Total growth recorded decreased by 32,2%, from 212 tonnes in the comparative period last year to 144 tonnes in this reporting period. This is mainly due to the lower stock of abalone at the start of the fiscal year, following the red tide event. Growth per basket per month, however, was back up to long-term levels, and this will facilitate the recovery programme and help the business to restore the farms by mid-2020. The hatchery converted the available space on Amaza and Seaview to additional settling and nursery areas, and is well on track to produce over 2 million spat per month to refill the farm, while also having spat available for Port Nolloth Sea Farm Ranching and for resale to the industry.

Sales and Marketing: Despite reduced volumes available for sale, the sales team has been able to agree specific delivery plans, by month, with all our loyal customers. All customer volumes were reduced in line with available product, and we believe that this approach will have long-term benefits when we return to normal production. Trading conditions during the six months under review have seen strong demand across all formats, dried, live and canned. The USD price has also moved upwards significantly, and this has helped offset the strengthening Rand, to maintain good average selling prices in Rand.

Specialised Aquatic Feeds (SAF): In July, SAF issued a private placement of shares to Viking Aquaculture (Pty) Ltd, resulting in a 30% shareholding. This partnership will have mutual benefit, especially as Viking is a significant customer of Abagold. The performance of the operation in the first six months has been impressive, with volumes increasing by 40,2%, revenue up by 43,9%, and profitability heading towards expectation, with NPBIT for the six months at R2,4 million, which is a complete turnaround from a loss of R2,4 million in the first half of last year. Much of the volume growth has come from servicing the trout industry, both in South Africa and Lesotho, while progress in selling abalone feed to the broader industry is also gathering momentum.

PROSPECTS

The focus of the business is to deliver a full farm with a well-distributed pipeline by June 2020. This commitment includes more efficient and cost-effective production, while maintaining our healthy customer base. At the same time, the business continues to evaluate existing and new opportunities. Construction in Oman will begin in March 2018, and an expansion proposal for Mauritius will be tabled with the Board in early 2018. Port Nolloth Sea Farm Ranching received the planned spat supply and is getting closer to the first full year of harvest in 2019. Mean Sea Level is expecting further progress, with an attempt to complete the first wave energy prototype, in the world, by June 2019.

The second half of the fiscal year will continue to see progress in the recovery of the farm, and although we expect slower sales than in the first half, due to the earlier supply for Chinese New Year, the full recovery will remain on track for 2020.

DIVIDEND

Due to the impact of the red tide, reported in fiscal year 2017 and the ongoing recovery, described in our last integrated annual report as well as this half year results release, the Board regrets to announce that there will be no interim dividend for the 2017/2018 financial year. We, the management and Board of Abagold, remain committed to enhance shareholder value with a credible, consistent and effective dividend policy, but we also believe that all shareholders will understand the decision in this regard for the 2017/2018 fiscal year.

Signed on behalf of the Board of Directors at Hermanus on 16 February 2018.

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

Condensed consolidated statement of financial position at 31 December 2017

	UNAUDITED 31 DECEMBER			AUDITED 30 JUNE
	2017 R'000	% change	2016 R'000	2017 R'000
ASSETS				
Non-current assets	266 690		278 271	255 725
Property, plant and equipment	201 153	25%	160 993	191 529
Biological assets	50 180	(51%)	103 338	48 915
Trademarks	165	(17%)	198	188
Goodwill	7 979	(0%)	7 979	7 979
Equity accounted investments	7 213	25%	5 763	7 114
Current assets	127 858		160 956	137 799
Current portion of biological assets	83 234	2%	81 577	81 135
Inventories	15 841	(33%)	23 755	16 393
Trade and other receivables	26 668	(36%)	41 871	15 508
Derivative financial instruments	2 115	(61%)	5 427	635
Cash and cash equivalents	–	(100%)	8 326	24 128
Total assets	**394 548**	**(10%)**	**439 227**	**393 524**
EQUITY AND LIABILITIES				
Equity	244 919		285 858	245 967
Share capital	7	0%	7	7
Share premium	87 498	0%	87 498	87 498
Retained earnings	150 953	(24%)	198 353	158 462
Non Controlling interest	6 461		–	–
Total equity	**244 919**	**(14%)**	**285 858**	**245 967**
Non-current liabilities	97 240		140 464	106 245
Deferred income tax	69 845	(30%)	99 287	76 024
Deferred income grant	8 756	142%	3 623	9 097
Long term borrowings	15 751	(49%)	30 627	18 530
Trade and other payables	2 888	(58%)	6 927	2 594
Current liabilities	52 389		12 905	41 312
Current portion of deferred income grant	348		348	347
Current portion of long term borrowings	3 870	88%	2 057	5 644
Current tax liabilities	3 137		–	1 596
Trade and other payables	22 628	116%	10 500	33 259
Derivative financial instruments	–		–	466
Bank overdraft	22 406		–	–
Total liabilities	**149 629**	**(2%)**	**153 369**	**147 557**
Total equity and liabilities	**394 548**	**(10%)**	**439 227**	**393 524**

Condensed consolidated statement of comprehensive income

for the six months ended 31 December 2017

	UNAUDITED 31 DECEMBER			AUDITED 30 JUNE
	2017 6 months R'000	% change	2016 6 months R'000	2017 12 months R'000
Revenue	81 032	(46%)	151 395	187 687
Other income	1 301	(31%)	1 897	39 888
Fair value gains in financial instruments	2 832	(47%)	5 387	6 736
Fair value gain on biological assets	39 584	(40%)	65 638	29 533
Cost of sales	(75 790)	(48%)	(146 834)	(185 815)
Production costs	(15 047)	(21%)	(19 135)	(23 233)
Employee benefit expenses	(26 065)	(3%)	(26 831)	(49 847)
Depreciation and amortisation	(6 991)	4%	(6 705)	(13 497)
Other operating expenses	(9 899)	(28%)	(13 779)	(36 501)
Profit/(Loss) from operations	(9 043)		11 033	(45 049)
Finance costs	(923)	(52%)	(1 930)	(3 381)
Share of loss of equity accounted investments	–		–	(690)
Profit/(Loss) before income tax	**(9 966)**	**(209%)**	**9 103**	**(49 120)**
Income tax expense	2 968	(216%)	(2 549)	15 783
Profit/(Loss) for the period	**(6 998)**	**(207%)**	**6 554**	**(33 337)**
Profit relating to non-controlling interest	(511)		–	–
Total comprehensive income/(loss) for the period	**(7 509)**	**(215%)**	**6 554**	**(33 337)**

Condensed consolidated statement of changes in owners' equity for the six months ended 31 December 2017

	UNAUDITED 31 DECEMBER			AUDITED 30 JUNE
	2017 6 months R'000	% change	2016 6 months R'000	2017 12 months R'000
Equity at the beginning of the period	**245 967**	**(17%)**	**295 304**	**295 304**
Profit/(Loss) for the period	(7 509)	(215%)	6 554	(33 337)
Non-Controlling interest – Shares issued	5 950		–	–
Non-Controlling interest – Profit	511		–	–
Dividend paid	–	(100%)	(16 000)	(16 000)
Equity at the end of the period	**244 919**	**(14%)**	**285 858**	**245 967**

Condensed consolidated statement of cash flow
for the six months ended 31 December 2017

	UNAUDITED 31 DECEMBER			AUDITED 30 JUNE
	2017 6 months R'000	% change	2016 6 months R'000	2017 12 months R'000
CASH FLOW FROM OPERATING ACTIVITIES	**(31 107)**		**34 811**	**92 710**
Cash received from clients	73 979	(23%)	96 011	224 153
Cash paid to suppliers and employees	(102 492)	73%	(59 270)	(124 727)
Cash generated/(utilised) from operations	(28 513)	(178%)	36 741	99 426
Finance costs	(923)	(52%)	(1 930)	(3 381)
Tax paid	(1 671)		–	(3 335)
CASH FLOW FROM INVESTMENT ACTIVITIES	**(16 822)**		**(6 625)**	**(45 887)**
Purchases of property, plant and equipment	(16 590)	272%	(4 458)	(41 903)
Proceeds from disposal of property, plant and equipment	–	0%	–	236
Investment in equity accounted entities	(232)	(89%)	(2 164)	(4 205)
Purchases of trademarks	–	(100%)	(3)	(15)
CASH FLOW FROM FINANCING ACTIVITIES	**1 395**		**(18 350)**	**(21 185)**
(Decrease) in long-term borrowings	(4 555)	94%	(2 350)	(10 859)
Grant received	–		–	5 674
Share Capital issued by subsidiary	5 950		–	–
Dividend paid to shareholders	–	(100%)	(16 000)	(16 000)
Net cash flow for the period	(46 534)	(573%)	9 836	25 638
Cash and cash equivalents – beginning of the period	24 128	1 698%	(1 510)	(1 510)
Cash and cash equivalents – end of the period	**(22 406)**	**(369%)**	**8 326**	**24 128**

Notes to the interim results
for the six months ended 31 December 2017

1. CORPORATE INFORMATION
Abagold Limited (the "Company") is a company incorporated and domiciled in South Africa. The Company owns 70% of Specialised Aquatic Feeds (Proprietary) Limited which produces and sells formulated feeds.

2. ACCOUNTING POLICIES AND BASIS OF PREPARATION

Basis of preparation
The interim financial statements are presented in Rands, rounded off to the nearest thousand.

The financial statements are prepared in accordance with and comply with the requirements of International Financial Reporting Standards (IFRS). In addition, the financial statements comply with IAS 34 (Interim Financial Reporting) and relevant sections of the South African Companies Act of 2008, as amended. The accounting policies and basis of presentation have been applied consistently with the previous period.

Interim condensed financial statements do not include all the information and the disclosures required in the audited annual financial statements, and should be read in conjunction with the Company's audited annual financial statements as at 30 June 2017. The 30 June 2017 figures are included for ease of reference and comparison.

Significant accounting policies
The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 30 June 2017.

3. EARNINGS PER SHARE

	Unaudited 31 December		Audited 30 June
	2017 R'000	2016 R'000	2016 R'000
Total Profit/(Loss) attributable to ordinary shareholders	(7 509)	6 554	(33 337)
The entire "Profit/(Loss) for the period" is attributable to ordinary shareholders			
Weighted average number of ordinary shares (in thousands)	133 333	133 333	133 333
Earnings/(Loss) per share (in cents per share)	(5,63)	4,92	(25,00)

Note: There are no instruments in issue that could have a dilutive effect and therefore the diluted earnings per share equals the earnings per share.
There are no material adjustments to earnings required in determining the headline earnings and therefore the headline earnings per share equals the earnings per share.

4. SIGNIFICANT POST BALANCE SHEET EVENTS
There were no significant post balance sheet events.

Abagold Limited
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