ABAGOLD

INTEGRATED REPORT 2017

Red tide approaching Abagold, January 2017

Red tide is the time to be strong, to work hard as a team, to listen and communicate really well, and to have belief.

— Mawande Jeku

SHAREHOLDERS' **DIARY**

Important reporting and meeting dates

REPORTS

30 JUNE 2017
Financial year-end

22 SEPT 2017
Annual financial statements approved

28 FEB 2018
Interim financial statements for the half-year to 31 December 2017 approved

MEETINGS

09 DECEMBER 2017

ANNUAL GENERAL MEETING

Date Saturday, 09 December 2017

Time 09h00

Venue The Class Room Restaurant and Function Venue, Hemel en Aarde Village Hermanus

Recovery is good: we know where we need to go, we have a plan, we are very focused, we work hard but we are comfortable too. It is the known vs the unknown.
— Share Hobkirk

CONTENTS

VISION **MISSION** VALUES

Our Vision

To be the world's leading brand for quality abalone cultivation, processing and marketing.

Our Mission

We aspire to achieve our vision through innovation, science and aquaculture best practice. Absolute integrity, honesty and respect for our employees, clients, shareholders and our broader stakeholder community are critical to our success.

We are committed to a sustainable operation, providing equitable compensation to management and staff and competitive returns to our shareholders, returning value to our stakeholder community through safe and environmentally responsible practices, social upliftment and world-class operational excellence and profitability.

Our Values

Integrity
Through purpose and principle we ensure natural and safe products

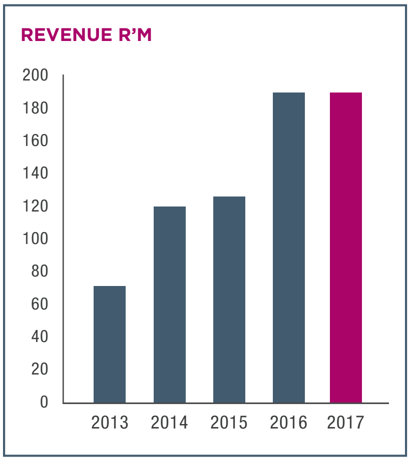
Respect
For each other, shareholders, society and the planet

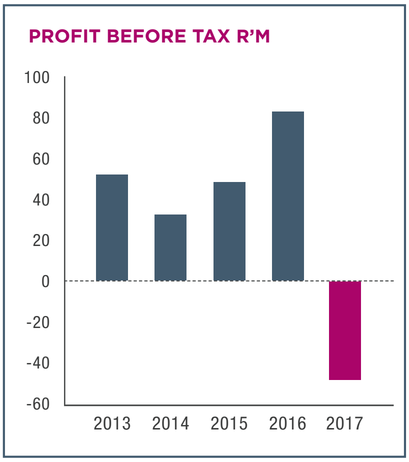
Quality
In everything we do and produce

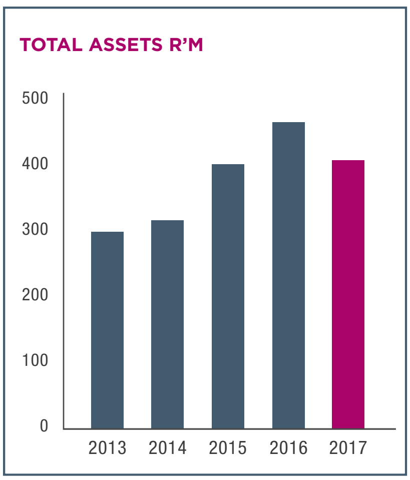
Innovation
Striving for continuous improvement

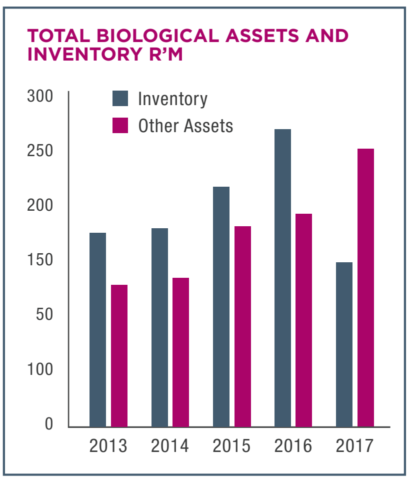
Responsibility
Towards all our stakeholders and the long-term sustainability of our Group, society and planet

ACHIEVEMENTS DURING 2017









Highlights

Despite the impact of the red tide event on available sales volumes in the second half of the year, Abagold achieved a R188 million turnover for the 2017 financial year – which is in line with that of the previous year.

Average monthly production of formulated feed from Specialised Aquatic Feed (SAF) increased from 856 tonnes (2016) to over 2 000 tonnes (2017).

Continued investment in the SAF feed plant is providing access to a wider range of new markets.

A total employment complement of 480 employees makes Abagold one of the largest private-sector employers in Hermanus. Abagold was proud to retain all positions within the business, despite the negative impact of the red tide event.

Abagold continued with its joint venture to develop the abalone farm in Oman.

Abagold produced 7,5 million spat during the first half of the year and supplied 434 135 spat to its ranching investment, Port Nolloth Sea Farm Ranching (Pty) Ltd.

> **For years and years we work hard and we make sacrifices and then to, in a few days, see so many animals die is very emotional and yet that pain motivated us to STOP it too.** *– Ricardo Minnaar*

(Pictured from left to right): Buhlle Gadlama, Sonwabile Mfanyana and Ricardo Minnaar

CHAIRMAN **AND** MANAGING DIRECTOR'S **REPORT**

> The dedication of everyone across the organisation and the teamwork inspired us to keep going. Teamwork can change the impossible.
> *— Ricardo Minnaar*

Overview of the year ended 30 June 2017

We trust you will find this review of all key aspects of the Abagold group businesses informative. We look forward to discussing any questions you may have at this year's annual general meeting, to which you are cordially invited.

Performance for the year to 30 June 2017

Abagold's performance in fiscal year 2017 started strongly and the first half of the year produced record growth and sales numbers for the abalone business. In February 2017, the southern coast of South Africa was exposed to an unprecedented red tide event that materially influenced the operations of Abagold, during a harrowing six-week period. This event primarily affected the abalone farms on the Hermanus side of Walker Bay, due to the winds and currents that prevail in the summer months. During this time Abagold staff and management did everything possible to protect our animals and farms from this terrible event.

It is with gratitude and pride in the performance and work ethic of our people that we share some of the tremendous work and commitment we experienced during this difficult time. From the farm workers to the supervisors and up to senior management, our people unstintingly committed their time and efforts to the company to ensure that our losses were minimised. Whether it was weekends or nights, there was never a grumble or push back, and this commitment enabled us to ensure that the losses in terms of mortalities were contained. Although we did lose R55 million worth of animals during this time (30% of our farm tonnage at that time), the situation would have been significantly worse had the commitment not been as dedicated. We believe that the support and encouragement received from shareholders and the Board of Abagold have demonstrated a commitment to long-term performance, and this message was appreciated by everyone at Abagold.

The real work for the Abagold team started once the red tide had dissipated, and it was here that resilience and rapid recovery were so important. The quick response and dedication shown during the last three months of the financial year have placed the business in a position where we have rebuilt the base for our business to recover quickly. We remain thankful for the financial resources that were created over the past two years, as this will allow the business to sustain itself over the next eighteen months while we recover the volumes to previous levels and beyond, whilst at the same time maintaining a measured level of supply to our loyal customers.

More so than ever, the management team at Abagold have dedicated themselves to improved efficiencies and significant cost reductions to achieve the recovery targets approved by the Board.

The most critical components of the recovery plan for the business are: rapid restocking of the farm from the Hatchery; efficient and cost-effective production on the farms; careful and consistent management of cash; and the maintenance of sales levels to ensure sustainability through this

	% Change	30 June 2017 R'000	30 June 2016 R'000
Revenue	(0.1)	187 687	187 845
Cost of sales	2	(58 381)	(59 553)
Gross profit	**1**	**129 306**	**128 292**
Other income	1 996	39 888	1 903
Net realised forex gain/(loss)	168	8 729	(12 749)
Sales costs	29	(6 098)	(8 533)
Administrative expenses	(13)	(47 626)	(42 113)
Depreciation	(5)	(13 497)	(12 884)
Other operating expenses	48	(5 295)	(10 241)
Profit from operations	**141**	**105 406**	**43 675**
Finance charges	28	(3 381)	(4 666)
Equity accounted investment gain/(loss)	49	(690)	(1 359)
Realised profit before taxation	**169**	**101 335**	**37 650**
Production costs capitalised in stock	(503)	(14 197)	3 519
Unrealised fair value adjustment to stock	(463)	(134 265)	37 030
Net unrealised forex gain/(loss)	(150)	(1 993)	4 025
Loss/profit before tax	**(160)**	**(49 120)**	**82 224**
Taxation	170	15 783	(22 598)
Net (loss)/profit	**(156)**	**(33 337)**	**59 626**
Gross profit %		**68.9**	**68.3**
Realised (loss)/profit %		**54**	**20.0**
NPBT %		**(26.2)**	**43.8**

period. With this in mind the overall performance of the business can be evaluated under the following headings.

Financial performance: Total revenue earned for the year was R188 million, where the proceeds of the insurance claim for the red tide event contributed a significant once-off R37,5 million. Fair value adjustments to biological assets also had a material impact on the financial results. To facilitate an improved understanding of the Company's core operational performance during the year, an alternative income statement is presented above in more traditional form (i.e. before showing mainly IFRS required adjustments for the revaluation of biological assets from year-to-year), and reconciled to the reported results of the business.

On a consolidated basis, total revenue increased slightly by 0,1% from the previous fiscal year.

Net realised profit before taxation is the reported profit excluding the effect of any unrealised currency exchange gains or losses arising from the revaluation of biological assets from year-to-year. This net result reflects R101,3 million profit for 2017 compared to a profit of R37,7 million in 2016. Taking the unrealised currency exchange gains or losses and the biological asset revaluations into account as required under IFRS, the realised profit becomes a loss of R49,1 million in 2017 compared to a R82,2 million profit in the prior year.

Cash generated from operations: The true measure of Abagold's business health is found in cash generated from operations. The team worked diligently during 2017 to improve the health of the organisation's working capital; however much of these efforts were eroded due to the red tide event. Initiatives such as managing stock of finished goods, reducing debtors' days to below 30 days, as well as better payment terms negotiated with suppliers, all impacted on the performance in this area. The result of these efforts can be seen in cash generated from operations which, along with the once-off receipt of the proceeds of the R37,5 million insurance claim for the red tide event, increased by 93% from R51,5 million last year to R99,4 million in 2017.

Sales: The abalone sales volumes were significantly impacted in the second half of the year due to the red tide. Sales are the combined result of total tonnage sold, US$ prices achieved and the Rand/US$ exchange rate achieved on these sales. Abagold achieved sales of 384,7 tonnes of live equivalent abalone, a reduction of 22 tonnes from last year. The total sales revenue ended at R188 million, which is a increase of 0,1% over last year. The US$ selling price increased slightly in the past twelve months to $30.05/Kg, an increase of 4,5% from last year. These higher US$ prices would appear to be sustainable, although the strengthening of the Rand has had a material negative impact on the revenue line when expressed in Rand.

Production performance and efficiency: Due to the impact of the red tide, growth on the farms declined by 34,8% to 262 tonnes from 402 tonnes in 2016. Although steady market demand exists in our marketplace and we were able to supply most of the demand through Chinese New Year, the momentum created was severely impacted in the second half of the year with reduced sales as a result of the red tide. The pipeline has been materially prejudiced by the event and although a great deal of focus is directed at the efficient farming of the remainder of the pipeline, a large part of our resources and capital

CHAIRMAN **AND** MANAGING DIRECTOR'S **REPORT**/CONT.

investment has been channelled to the Hatchery to deliver the increased volume of spat required to restock the operation as soon as possible.

Cost control: Cost control in a post-red tide environment remains a key focus area and many initiatives are delivering encouraging results. Production cost and total cost per kilogram did increase as a result of the red tide livestock losses; however, this area remains our greatest opportunity to achieve the recovery plan, improve efficiencies and sustain overall profitability. Significant capital expenditure and resources have been allocated to improve these areas, while aiming to ensure best possible protection against and mitigation of the effects of any future red tide events.

Subsidiary businesses

The above impact of the red tide event has demonstrated again how critical it is for Abagold to diversify its revenue stream and spread business risk by ensuring that our investment in businesses like Specialised Aquatic Feed (Pty) Ltd, Oman Aquaculture Co LLC and Port Nolloth Sea Farm Ranching (Pty) Ltd is receiving the necessary focus and will perform at required levels in the years ahead.

> Normally when a boat sinks the captain must stay in charge. At Abagold that really happened. Our management stayed with us and fought with us. We ALL helped each other.
>
> *— Franciline Gardener*

Specialised Aquatic Feed ("SAF")

Abagold invested a total of R26 million in the design, construction and commissioning of a highly specialised feed production facility on site. The primary function of this operation is to deliver the highest quality abalone feed to the Abagold operations. In addition, our operations team identified a significant niche aqua feed and specialised animal feed market, hence the additional capacity and technical components incorporated into the design and functioning of this plant. The plant was commissioned in 2016 and has completed its second year of production in the 2017 fiscal year. They produced just over 2 000 tonnes of product in 2017.

Although the SAF operation shows great potential, the performance in 2017 was disappointing, leading to an after-tax loss of R4,3 million in its second full year of production. The team has been on a very steep learning curve and the hurdles encountered, as well as the time needed to achieve efficiencies, were underestimated. New premium markets have been identified, and progress to supply the aquaculture industry with a high-quality pellet has significant potential. This diversification will be valuable for Abagold in the future. The Board of Abagold received an offer from Viking Aquaculture (Pty) Ltd ("Viking") to invest into the SAF business. Viking is a successful and diversified aquaculture business and one of SAF's largest customers. After deliberation and review, it was agreed to sell a minority stake in SAF to Viking and this transaction was completed in July 2017. In effect, Viking acquired a 30% interest in SAF for an investment of R9,95 million (in aggregate).

New management joined the SAF team in 2017 and we believe that the loss sustained in 2017 will be turned around to a small profit in 2018, and that in future SAF will make a positive contribution to the Group's consolidated results. In the interim, we must of course not lose sight of the material benefit to our abalone business of having secured access to the abalone feed produced at SAF.

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, to grow and prosper for later harvesting. Abagold has a 20% shareholding in such an operation, Port Nolloth Sea Farms

Our team pulled each other through. There was humour too and music on night shift – we had to keep our spirits going.
— Share Hobkirk

(Pictured from left to right): Mzoxolo Mkhwenkwana, Share Hobkirk and Ricardo Minnaar

CHAIRMAN **AND** MANAGING DIRECTOR'S **REPORT/**CONT.

Animals are like our children: the tank is their bed, the basket their bedding. We had to keep that clean; we had to make sure they did not get sicker. We prayed for them. Our families and community churches prayed for them and for the hands that took care of them too. *— Pamela Bacela*

Ranching (Pty) Ltd ("PNSFR"), who are experienced ranching operators on the Northern Cape Coast with all the necessary government permits to ranch abalone at Kleinzee.

We supplied spat stock from the Abagold Hatchery in Hermanus, as our contribution to this joint venture, and in 2017, 434 000 spat were delivered. This makes the total volume of spat placed in the ocean at Kleinzee more than 1,8 million juveniles in the four year period since the start of the project. The target is to continue to place a further 50 000 juveniles per month over the next five years.

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

Oman

In 2016 the Board of Abagold approved a capital investment in phase 1 of an Abalone farming project in Oman. This investment was made in a joint venture with an Omani partner, Muscat Overseas Company ("MOC"), in a newly formed Omani entity, Oman Aquaculture Co LLC. The construction of phase one, after some statutory delays, is expected to commence in January 2018 with expected production starting in 2019 and the first sales from the operation in 2020. The initial investment in phase 1 aims for a limited volume operation, however the planned infrastructure will support further expansion towards the full implementation of a 500 tonne farm by 2021. Success in the first phase will be measured against key performance hurdles, agreed with management and our joint venture partner.

Energy

Abagold's alternative energy projects were transferred to Mean Sea Level (Pty) Ltd in 2014, in exchange for a stake in that company. This gave the projects the necessary focus and ability to raise the additional funding required, from existing and external sources, as well as accessing EU grant funding. Progress on the Wave Energy Converter ("WEC") has been slow. There is great expectation to complete the wall of the WEC by March 2019. The Energy Recovery Turbine ("ERT"), completed in 2015, has been producing power consistently, and in June 2017, Abagold purchased this resource from MSL and will now manage our own energy recovery turbine. Abagold have engaged with a solar supplier to test the feasibility of solar with new tracking technology and will continue to identify other potential sources of renewable energy for Abagold.

Future outlook

Hatchery

The Hatchery has performed consistently well, as reported in the past. The recent red tide event has necessitated further expansion and capital investment in the Hatchery in 2017, to more than double its capacity by December 2017. Further expansion and improvements are planned for the new fiscal year. The consistent production of increased volumes of high quality spat to our farms is the essential basis for the recovery of our pipeline, as well as for sustainable future production of abalone at appropriate levels. This division remains the platform for the rest of the operation to achieve growth


Hennie van der Merwe (Chairman), Philip Fyfer (Chairman's Award winner 2016), and Tim Hedges (Managing Director)

targets, competitive feed conversion rates and cost efficiencies.

Production recovery

The Sea View, Amaza and Bergsig production pipelines need to be populated back to full capacity and, with better size distribution, planning and efficiencies, there is an expectation that the pipeline will be fully restored by July 2019. The production team is fully focused on significantly reducing costs and efficiency improvements across all our farming units. As part of this process, some redesign and engineering on the older sites have been approved to deliver the efficiencies currently being experienced on the modern Sulamanzi operation. Further productivity improvements in the formulated feeds, genetic selection programme and innovative husbandry practices can be expected. Several improvements to our infrastructure and systems are also being implemented to reduce, and eliminate where possible, the impact of another such event, should one occur. The mitigation plan focuses on three major components, namely: the identification and treatment of the organism itself; the treatment and neutralisation of the potential release of toxins into the water stream by the organism; and the effective limitation of exposure by the animals to both the toxin and organism.

Sales and marketing

The Board has approved a reduced harvesting and sales plan for the next eighteen months until volumes have been restored on the farm. This process strikes a balance between maintaining and supporting our sales partners whilst ensuring that the farm recovery happens as quickly and effectively as possible. We believe that demand will remain strong and that pricing in US$ will continue to improve, especially on dried and canned product. The reduced sales volume for 2018 has been included in the plans for the new year and will be managed accordingly.

In conclusion, the Abagold management team and Board believe that the business has reviewed and evaluated all components of the red tide event that devastated Abagold in 2017. We are comfortable that mitigation and prevention plans are well advanced to prevent such an event from impacting our business to the same extent in the future. The determined focus of this team is to restore the primary business to deliver exceptional results in future, while ensuring diversity of risk and evaluating and investigating additional opportunities to ensure sustainability for the overall business. As Chairman and Managing Director, we would like to thank the Executive team and all staff members of the Abagold and SAF businesses for their commitment and focus in the most complicated and unique circumstances over the past year and look forward to a full recovery and outstanding results in the years ahead.

Dividend

Due to the circumstances of the red tide outlined and covered in the above report, the Board regrets to advise its decision that there will be no dividend for the 2017 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 trust that shareholders will understand the decision in this regard for the 2017 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 a third party service provider, FNB Securities.

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

We worked to fight to save the company and save our jobs and now we saved our jobs and no one lost their jobs and we are happy for that.

— Luzuko Nonyondla

Daniel Dyantyi

CHAIRMAN **AND** MANAGING DIRECTOR'S **REPORT**/CONT.

Abagold itself will not apply for an "exchange" license 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 Deon Malherbe, the company secretary of Abagold, at deon@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 names and contact details may be sent to any prospective counter party.

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

For questions relating to this interim procedure, please contact Deon Malherbe on 028 313 0253.

Board of Directors

It is with great sadness that we share the recent passing away of one of our directors, George Negota. George had served on the Board of Abagold for eight years and was a committed member of the team. Our condolences to his family and friends.

Dr P Hugo

Dr Pierre Hugo has decided to retire as non-executive director at the annual general meeting this year. Pierre was the founder of Abagold, and it is largely due to his initiative, dedication and perseverance that Abagold came about and is such a successful business today. On behalf of the Board and our shareholders, we thank Pierre for his insight, hard work and unwavering support over the last 25 years.

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

Acknowledgements

Our experienced and diverse Board of directors continue to serve with adherence and energy, and we thank them for this and their insightful guidance. We also thank our share-holders 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, and input from, the Board. This was further highlighted by the way that management managed the communication of the recent red tide event and highlighted the importance of this process. We look forward to working together, continuing to build a business of which shareholders and all other stakeholders can be proud.

Hennie van der Merwe
Chairman

Timothy Hedges
Managing Director

SUSTAINABILITY **REPORT**

We strive to deliver sustainable value to stakeholders through three critical elements...

People, Planet & Profit.

Our short-, medium- and long-term strategies are built on these elements, which, in turn, inform values, key performance indicators and measurements on both a Company-wide as well as on an individual level.

People

Usually, when an abalone farm refers to its "people", it is inclined to describe them as ordinary employees who endeavour to fulfil their required daily functions. However, when nature presents you with an unprecedented red tide event that batters your farm for 37 consecutive days, you realise what an incredibly dedicated team of employees we have at Abagold. Our employees fought side by side, relentlessly for days on end, not because they had to, but because they wanted to. Our team did so because they cared for each other, for the animals, for the business, for their jobs and for their families. Like a well-oiled machine, the people of Abagold fought tirelessly to minimise the impact of the red tide. We lived our values – we **innovated** to find solutions; we **respected each other** and remained committed to quality; we **took responsibility**; we **acted with integrity**; and we proved that the Abagold team consists of a remarkable group of people.

Over the past year, Abagold employed, on average, 480 employees who each have approximately four years' expertise and service, and we invested over R1 million in employee development and R680 000 in community development through the Abagold Development Trust. Over the past three years, our employee-engagement surveys have shown outstanding employee-engagement levels of 76%. Employee commitment and passion shown during the red tide was an indication of such employee engagement in action. Abagold also maintained its excellent safety record for the past year. We remain committed to a safe working environment for all stakeholders at Abagold.

Our people strategy has two pillars to it: to be an employer of choice, and to strive to be a high-performance organisation. Our vision is to be the global leader in abalone cultivation, processing and marketing, and in our people practices. The 2017 fiscal

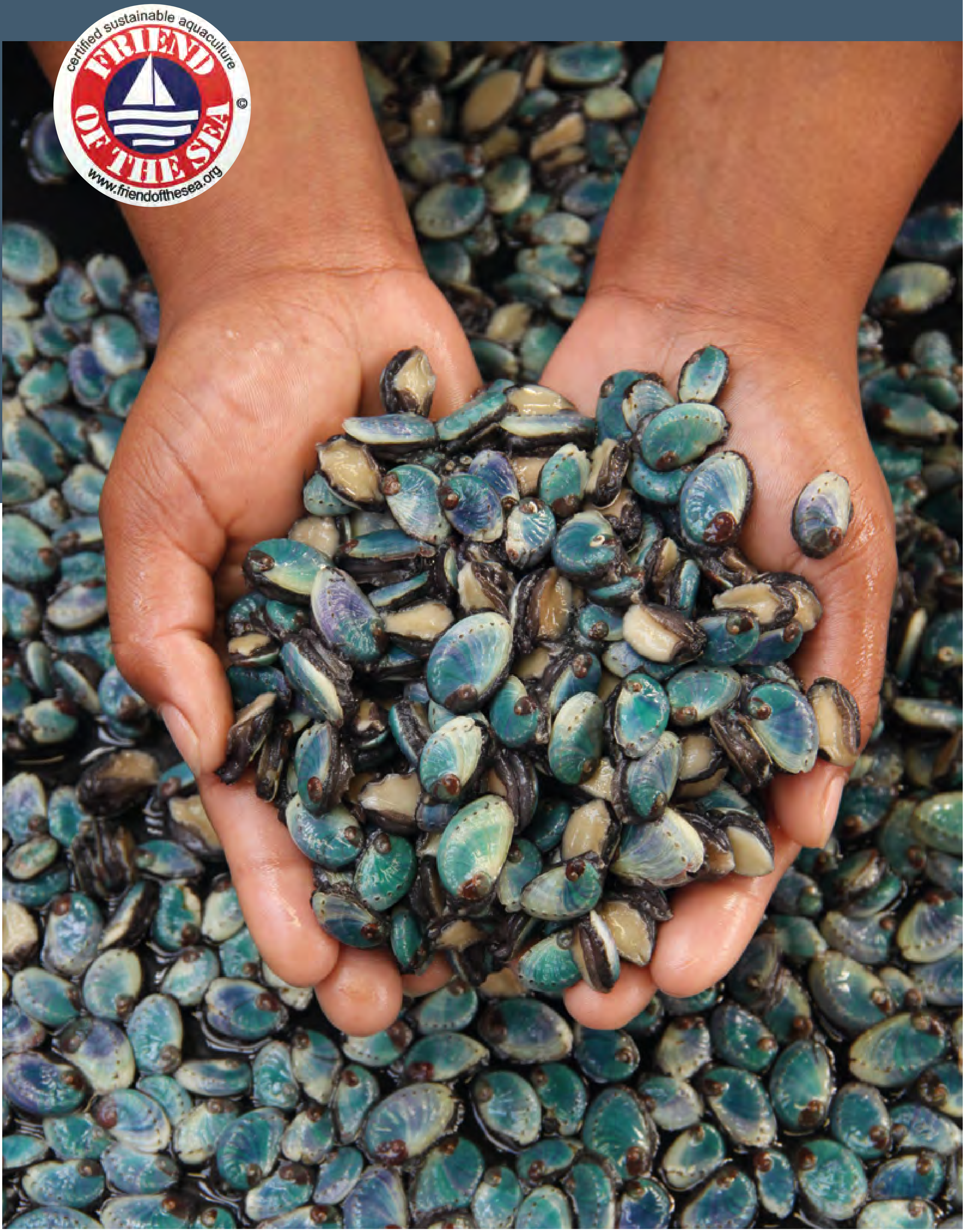
year showed us that our people strategies and our investment in people and the community deliver real business value. We will continue to invest in and innovate our people practices in order to inspire our people to achieve our business vision.

Planet

Most land-based aquaculture operations function in energy-hungry environments. This is largely due to the high volume of fresh seawater that needs to be pumped through the system on a continuous basis. It is our objective to sustain the business with the minimum impact on our environment, and, as such, we are constantly embedding best practices into our farming disciplines by exploring and investing in alternative-energy options. Several energy-optimisation features have been implemented during the past financial year and we continue to invest effectively in upgrading Abagold's infrastructure to ensure that these best practices are embedded into our systems. One such implementation was a trial solar tracker system which has been commissioned and is actively supplying renewable solar energy to support the head-office building's energy needs. The system is being evaluated to determine the long-term feasibility of a large-scale implementation across the farms. Other energy-management improvement systems are being implemented on the mechanical and electrical infrastructures, for example we harvest energy through our own Energy Recovery Turbine which benefits from the discharged water from operations. In addition to this, we continue to partner with Mean Sea Level (Pty) Ltd to explore wave-conversion energy.

The red tide event experienced in early 2017 has forever changed the face of abalone farming in the region. The severity of the impact has forced us to place all existing processes and systems under review. Several improvements to our infrastructure and systems are being implemented to reduce, and eliminate where possible, the impact of another such event should one occur. The risk mitigation plan focuses on three major components, namely the identification and treatment of the organism itself, the treatment and neutralisation of the potential release of toxins into the water stream by the organism, and the effective limitation of exposure of the animals to both the toxin and organism. This includes the management and treatment of stock in a similar event. Several of these actions will be operational by December 2017.

Caswell Nyobangosana


certified sustainable aquaculture
FRIEND OF THE SEA
www.friendofthesea.org

SUSTAINABILITY REPORT/CONT.

We fought to save as much as we could – for Abagold, for our families and for the animals.

— Mzoxolo Mkhwenkwana

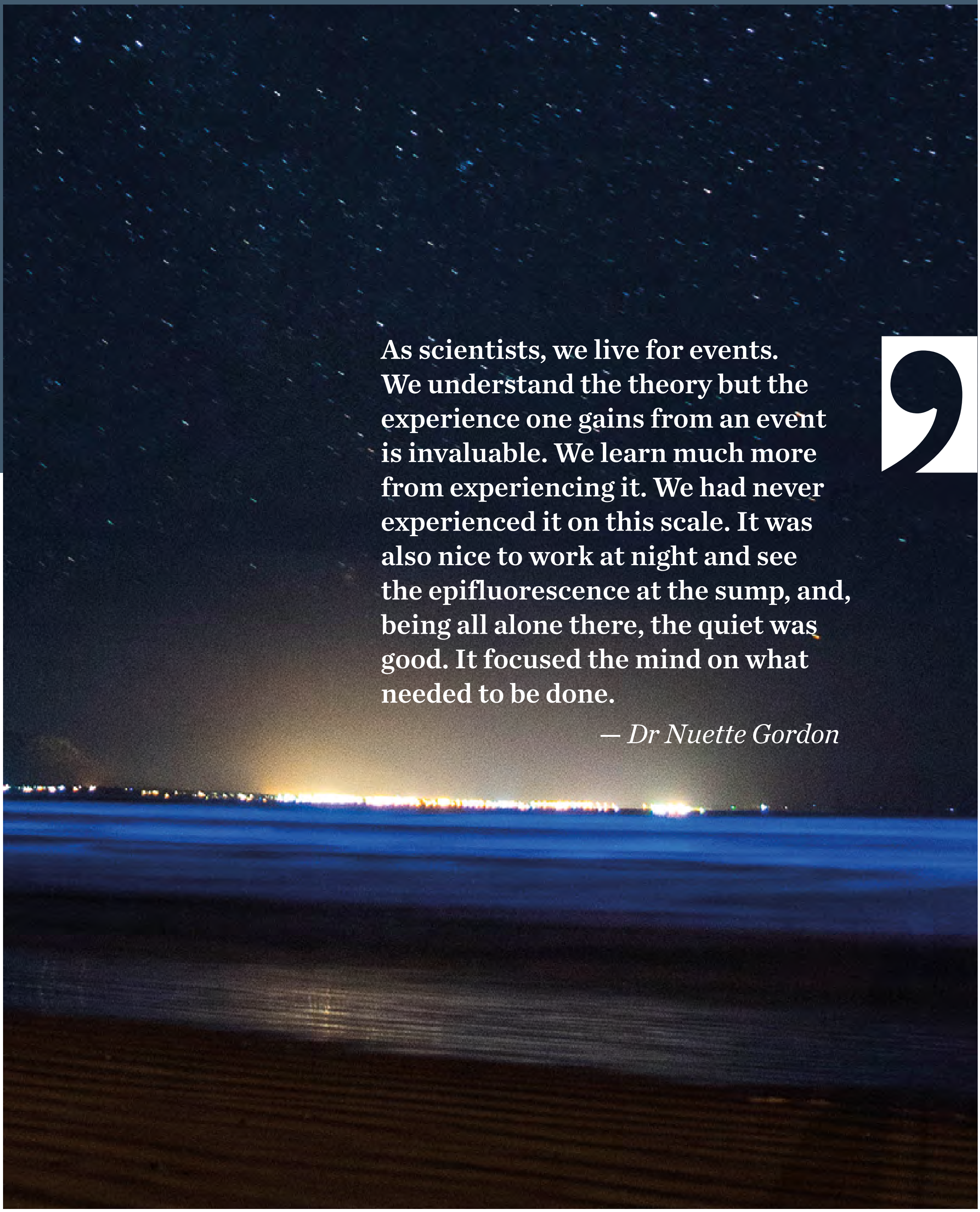
In-depth research and the setting up of an early-warning system and effective treatment of the toxin are also being undertaken.

We operate in a highly regulated industry. Our processing facility received its Hazard Analysis and Critical Control Point (HACCP) renewal accreditation in July 2017. Compliance with food safety standards is achieved, as all canned products are tested and approved by the National Regulator for Compulsory Specifications prior to export. Our products are measured against the guidelines set by the Food and Agriculture Organisation. During 2015, the processing facility obtained the prestigious ISO 22000 Food Safety Management System accreditation, which was upgraded to FSSCS 22000 in July 2017, assuring customers of the quality of our products in addition to ensuring food safety. In 2016, we were audited and received the critical "Friend of the Sea" sustainability accreditation – the first abalone farm in the world to do so at that time.

Profit

Abagold suffered a significant financial blow due to the red tide event, resulting in a loss of 30% of the abalone stock on the farm. In order to rebuild shareholder value, we have developed a detailed recovery plan. To ensure that all sustainability criteria have been addressed in the development of this plan, we have taken customer demand and retention, farm pipeline recovery, cost control and sustainable cash flow into account.

Our short-term focus will be on delivering the recovery plan to return the farm to its full potential by July 2019. Our medium- and long-term focus remains unchanged – to deliver solid shareholder returns through sustained profitability and cash generation.



As scientists, we live for events. We understand the theory but the experience one gains from an event is invaluable. We learn much more from experiencing it. We had never experienced it on this scale. It was also nice to work at night and see the epifluorescence at the sump, and, being all alone there, the quiet was good. It focused the mind on what needed to be done.

— Dr Nuette Gordon

FIVE-YEAR REVIEW

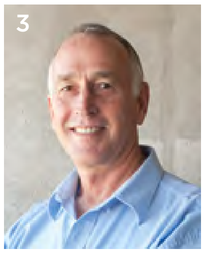
	GROUP				
	2017 R'000	**2016 R'000**	**2015 R'000**	**2014 R'000**	**2013 R'000**
Statement of comprehensive income					
Revenue	**187 687**	187 845	125 467	118 821	70 995
(Loss)/earnings before interest and tax (EBIT)	**(45 049)**	88 248	52 665	35 692	52 760
Net finance (charge)/income	**(3 381)**	(4 666)	(1 406)	(1 885)	(920)
(Loss)/profit before taxation	**(49 121)**	82 223	49 563	33 807	51 840
Taxation	**15 783**	(22 597)	(15 813)	(8 971)	(13 676)
Net (loss)/profit for the year	**(33 337)**	59 626	33 750	24 836	38 164
Fair value (loss)/gain on biological assets and inventory due to exchange rate changes	**(16 051)**	40 510	20 702	12 314	32 897
Net (loss)/profit excluding value changes from exchange rates	**(12 464)**	19 116	13 048	12 522	5 267
Statement of financial position					
Total assets	**393 524**	453 337	391 165	307 810	298 401
Total current assets	**137 799**	145 520	132 286	115 400	120 011
Total non-current assets	**255 725**	307 817	258 879	192 410	178 390
Total biological assets and inventory ("stock")	**146 443**	264 028	213 255	176 014	172 292
Non-current portion of biological assets	**48 915**	132 756	91 844	65 831	56 750
Total current liabilities	**41 313**	19 993	31 881	15 147	43 428
Total liabilities	**147 557**	158 033	143 620	84 348	93 842
Total equity	**245 967**	295 304	247 545	223 462	204 559
Share capital and premium	**87 505**	87 505	87 505	87 505	87 505
Retained earnings	**158 462**	207 799	160 040	135 957	117 054
Statement of cash flow					
Cash generated from operations	**99 426**	51 460	16 296	37 209	8 424
Dividend paid	**16 000**	11 867	9 667	5 933	5 067
Purchases of property, plant and equipment	**41 903**	20 201	47 984	13 074	30 732
Financial ratios and exchange rates					
Solvency ratio	**2.7**	2.9	2.8	3.6	3.2
Current ratio	**3.3**	9.6	5.0	7.6	2.8
Acid test ratio	**1.0**	0.9	0.4	0.3	0.1
Return on equity	**(13.6%)**	20.2%	14.2%	11.1%	18.7%
Return on assets	**(8.5%)**	13.2%	9.0%	8.1%	12.8%
Operating (loss)/profit margin	**(24.4%)**	46.3%	40.6%	30.0%	74.3%
Financing cost cover (times)	**(1332.5%)**	18.9	37.5	18.9	57.3
Average exchange rate for the year (R/USD)	**13.89**	14.69	11.48	10.24	8.70
Closing exchange rate (R/USD)	**13.05**	14.79	12.14	10.63	9.90
Earnings per share (cents)	**(25.00)**	44.72	25.31	18.63	28.62
Dividends per share (cents)*	**–**	15.90	7.25	7.25	3.50
Weight on the farm (tonnes)	**338**	565	549	495	474

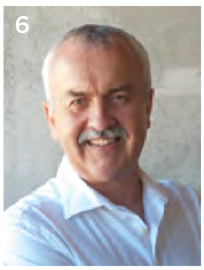
** Dividends per share (cents) include dividends declared that pertain to the fiscal year only, i.e. not prior years.*

> Red tide was a nightmare but also a great learning experience. Our staff put so much effort in. If it ever happens again, we will be prepared for it.
>
> *— Jackie Stewart*

BOARD OF DIRECTORS

Every time it got better it gave us hope and then it would get bad again and we had mortalities again and we just couldn't lose hope. We had to keep fighting. – Sandiso Simayile





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

2/ **TR HEDGES**
Managing director

3/ **DR P DU P HUGO**
Non-executive director

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

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

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

7/ **S DE VILLIERS**
Non-executive director

8/ **CH VAN DYK**
Operations director

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

10/ **P DAVIES**
Non-executive director

11/ **GM NEGOTA**
Non-executive director

EXECUTIVE **MANAGEMENT** TEAM

Recovery helps us to prepare for the worst and hope for the best. We are now more comfortable that we will be able to handle another occurrence.

— Dr Nuette Gordon

1/ **TR HEDGES**
Managing director

2/ **CH VAN DYK**
Operations director

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

4/ **WPIEK**
Marketing manager

5/ **J BAKKER**
Financial manager

6/ **C DE WET**
Engineering manager

CORPORATE **GOVERNANCE**

Management communication was very good and we could see that what was suggested was helping. They told us what to do with cleaning and sorting and feeding and it helped, and we all knew what to do. So red tide brought innovations too – we improved on many ways of doing things.

— Mzoxolo Mkhwenkwana

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 2017.

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

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

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

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

Compliance framework

The King Report on Corporate Governance principles (King III)

King III, which was released on 1 September 2009 with an effective date of 1 March 2010, highlighted a new evolution of, and enhanced focus on, corporate governance and, in particular, sustainable business practices.

The recommendations outlined in King III are, to a considerable extent, also entrenched in the Companies Act. King III continues to be regarded as an important roadmap for corporate South Africa, which is positioning itself at the forefront of promoting sound corporate governance principles in the international domain. It is to be noted that an update to King III, to be known as King IV, has now been published and is effective in respect of financial years commencing on or after 1 April 2017. Thus, for the 2017 fiscal year, Abagold still followed King III.

Abagold endorses, and remains fully committed to, compliance with the principles and practices of good corporate governance as set out in King III, where this is practicable. By implementing them, the Board binds itself to the principles of fairness, accountability and transparency and fully understands its responsibility to all stakeholders of the Company.

Companies Act, Act 71 of 2008

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

Continued awareness of, and compliance with, the requirements of the Companies Act in daily operations, corporate structuring, and governance remained the focus for 2017.

The Board of Directors

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

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

Composition and size

At the date of this report the Board consists of seven non-executive directors and three 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 Companies Act and the Memorandum of Incorporation (MOI).

Directors are initially appointed by the Board, and re-elected by the shareholders at the first annual general meeting (AGM) after their appointment. The company secretary is appointed by the Board. The terms of service of executive directors are coupled to their terms of service as employees, whilst the non-executive directors rotate on a three-year basis. All appointments to the Board are formal and transparent and are considered as a matter for the Board as a whole.

Roles and responsibilities

The Board is responsible for the overall performance of 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 directors have a wide range of expertise in the areas of general commerce, law, finance, aquaculture, operational, technical and marketing. 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 is responsible for the appointment and induction of new directors. Non-executive directors are selected for their broader knowledge and experience and are expected to contribute effectively to decision-making and the formulation of strategies and policy.

Executive directors contribute their insight in day-to-day operations, enabling the Board to identify goals, provide direction and determine the feasibility of the strategies proposed. These executive directors are generally responsible for taking and implementing all operational decisions.

Company secretary

The secretary is an integral part of Abagold's corporate governance process and has a number of tasks that include:

- Responsibility for ensuring that the proceedings of all shareholders' meetings, Board meetings and meetings of Board committees are properly recorded. This includes circulating the minutes and agendas in a timely manner;
- Assisting the Board on good corporate governance principles and directors' duties, responsibilities and powers – collectively and individually;
- Responsibility for reporting to the Board any failure on the part of the Group and/or a director, in compliance with the MOI, any of the rules of the Company or the requirements outlined in the Companies Act;

CORPORATE **GOVERNANCE/** CONT.

After red tide everyone was tired, but we knew it was a new chapter and it required us to do a lot. The team accepted that and pulled together. — Daniel Dyantyi

- Overseeing the induction of new directors and responsibility for regular briefings and training of directors and prescribed officers regarding applicable laws and regulations; and
- Coordinating the process of assessing the performance of the Board and its committees.

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

Board committees

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

- The remuneration and nomination committee, comprising three non-executive directors and two executive directors, advises the Board on the remuneration philosophies and terms of employment and is responsible for succession planning. 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. This committee also makes recommendations to the Board regarding membership of the Board.

- The audit and risk committees, comprising three non-executive directors for the audit-related matters, and four non-executive directors for the risk-related matters, who comply with the requirements of the Companies Act relating to audit and risk committee members, review the adequacy and effectiveness of the financial-reporting process; the system of internal control; the management of financial, technological and operational risks; the appropriateness of accounting policies; interim and annual financial statements; external audit processes; the Company's process for monitoring compliance with laws and regulations; its own code of business conduct; and procedures implemented to safeguard the Company's assets. The audit committee approves the external auditor's fees for audit services and non-audit services.

  An independent non-executive director is chairman of the committees. The committees have a formal mandate and their effectiveness is assessed by the Board in terms thereof.

  The committees meet four times per year, or more often if required. The external auditor, the managing director, the operations director and the financial manager attend the audit meetings by invitation, as required. Any other non-executive director may attend any meeting of the committees. The external auditor has unrestricted access to the audit committee and its chairman.

- The social and ethics committee, comprising two non-executive directors and two executive directors, fulfils the functions and responsibilities assigned to it in terms of the Companies 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 table below depicts the attendance of the members serving on the Board and its committees during the year.

Materiality and approvals framework

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

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

Remuneration principles

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

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

We seek to attract, develop and retain high-performing employees, and motivate them to perform in alignment with business objectives. We aim to recognise and reward performance and innovation, recognising those who deliver 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. Over time, we aspire and aim to pay above-median rewards when performance consistently exceeds agreed objectives, through the use of non-guaranteed incentive pay.

Performance and recognition: In 2012 we started implementing a Performance Management system that aligns individual objectives to those of the organisation. We also have a well-established short-term incentive programme, aligned to achieving our animal growth targets across all farms.

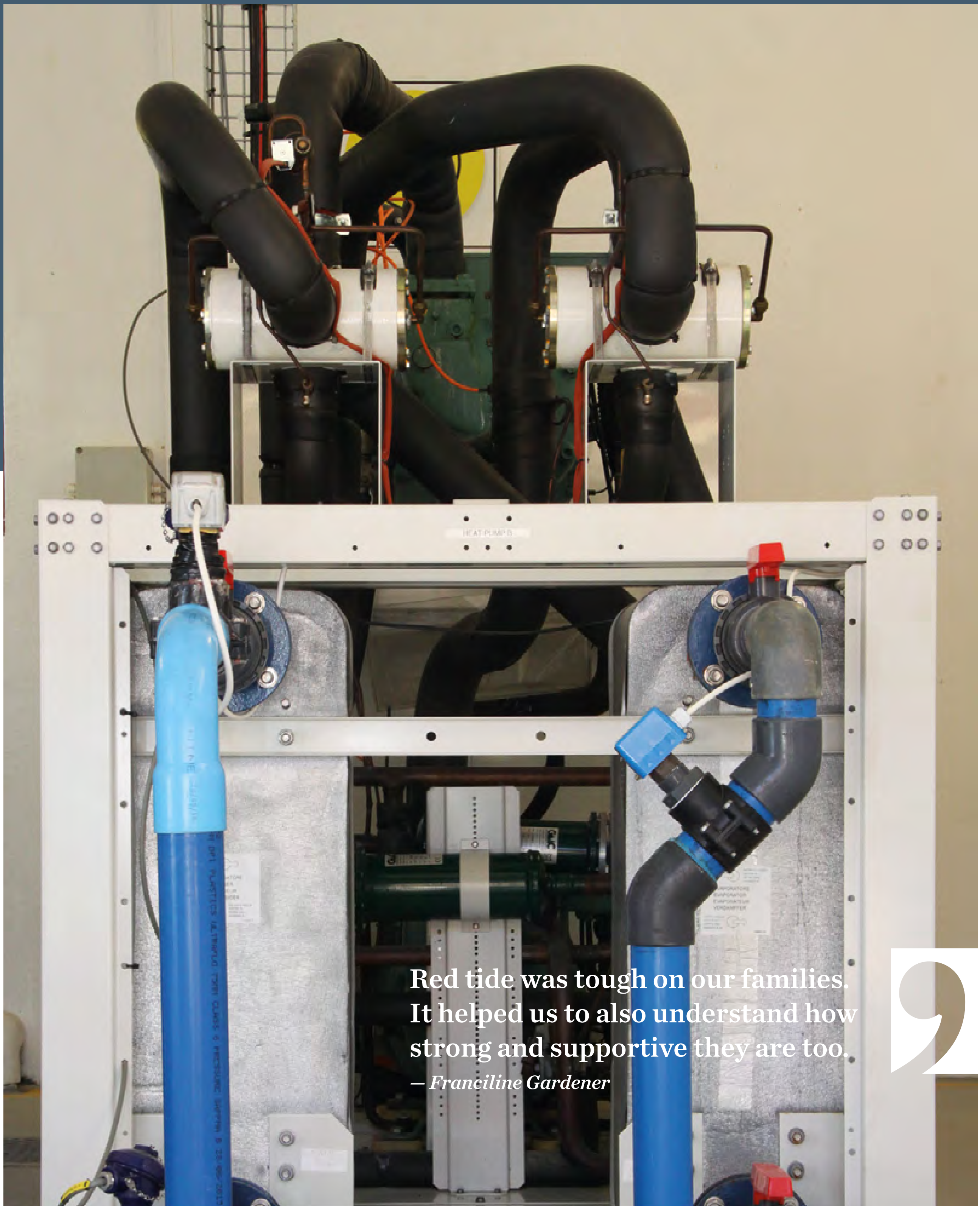
Benefits: Abagold aims to provide benefits comparative to, and benchmarked against, the median of our elected comparator groups. We realise that this will take us a number of years to achieve and this will be incorporated into our annual cost-of-employment budgets.

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

Development and career opportunities: We promote a culture of continuous learning and development by providing

	Board	Audit and risk committees	Remuneration and nomination committee	Social and ethics committee
Number of meetings held	**4**	**4**	**3**	**2**
Attendance by directors:				
HR van der Merwe (chairman of the Board)	4	–	3	–
TR Hedges (managing director)	4	4#	3	2
SL de Villiers	4	–	3	2
P du P Hugo	4	4*	–	2
P du P Kruger**	2	2	2	–
WB Keast***	4	–	–	–
L-A Lubbe	4	–	3	2
GM Negota†	3	–	–	–
CH van Dyk	4	4#	–	–
YJ Visser	4	4	2‡	–
JW Wilken	4	4	3	–
P Davies@	1	1	–	–

Attended by invitation
* Attended meetings by invitation, except for the last two audit and risk committee meetings where he attended as a member
** Retired effective 31 December 2016
*** Attended in person or by sending an observer
† Deceased 7 May 2017
‡ Attended one meeting as an invitee and one meeting as a member
@ Appointed effective 1 January 2017. Absent with apologies for the 17 June audit and risk committee meetings



> **Red tide was tough on our families. It helped us to also understand how strong and supportive they are too.**
>
> *— Franciline Gardener*

CORPORATE **GOVERNANCE/** CONT.

all employees with learning and development opportunities, for the purposes of:

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

In accordance with these objectives, the remuneration and nomination committee reviews and evaluates, on an annual basis, the contribution of each director and members of senior management, and determines their annual salary adjustments. For this purpose it 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 a fixed annual amount for services as a director, an additional amount for duties on committees and reimbursement for travelling and other costs. The remuneration of executive directors consists of remuneration (which includes incentives) as employees. Executive directors receive no additional remuneration in their capacity as directors.

Duties of directors

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

CORPORATE **GOVERNANCE/** CONT.

with, internal control and advises the Board in this regard. During the year under review, no material deterioration in the functioning of these control measures was reported.

Share trading

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

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

> The stress was terrible. Giving each other hope was essential.
> *— Dr Nuette Gordon*

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

Ethics

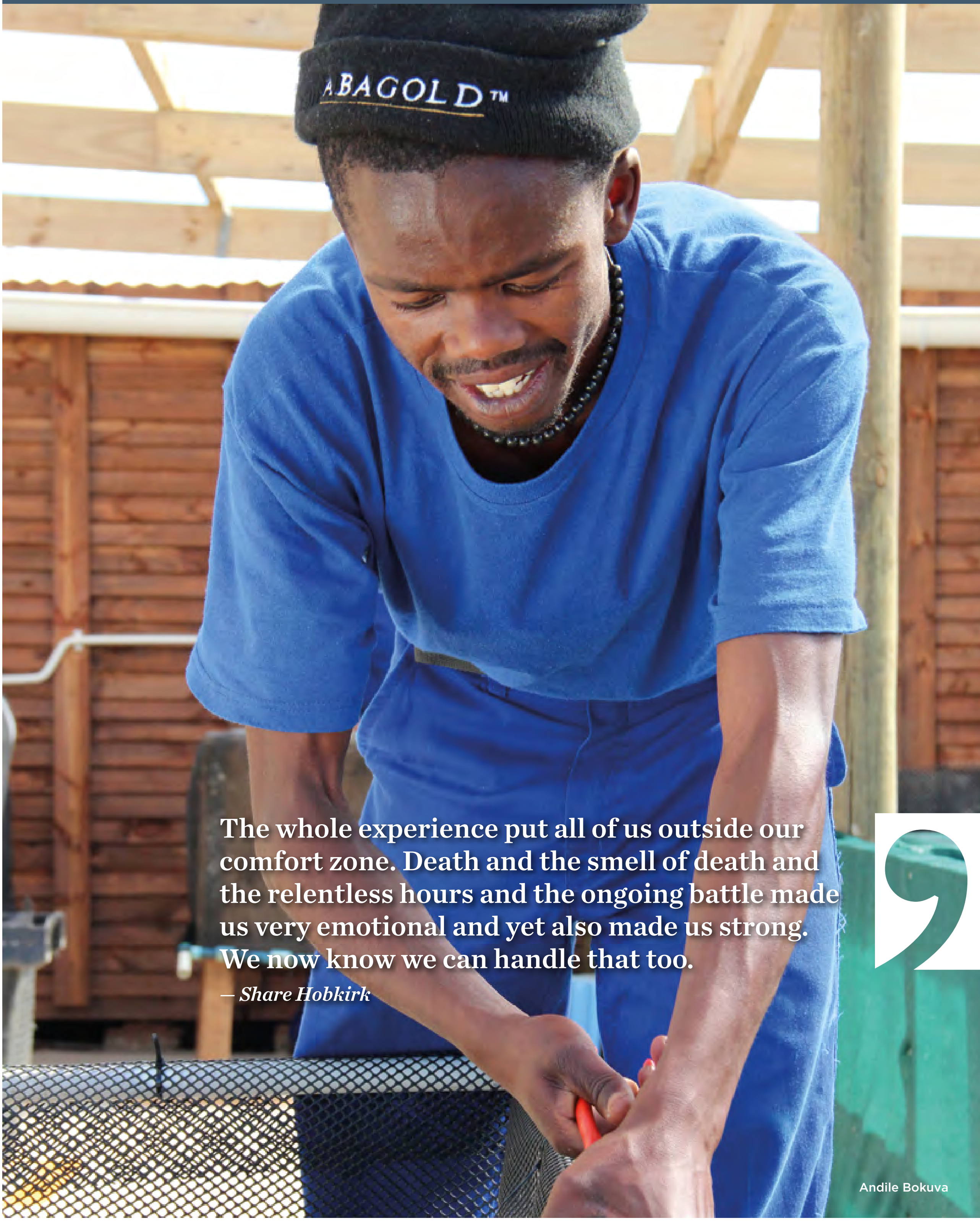
Abagold subscribes to sound principles of ethics and good business practice and the directors believe that the ethical standards and the criteria for compliance with these standards are being met. A formal documented code of ethics is in place and is the source of reference for questions of an ethical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

Going concern

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

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

The Board's opinion pertaining to the appropriateness, validity and disclosure of the annual financial statements and explanations are set out in the Directors' approval and declaration of responsibilities on page 35 of the Integrated Report.



The whole experience put all of us outside our comfort zone. Death and the smell of death and the relentless hours and the ongoing battle made us very emotional and yet also made us strong. We now know we can handle that too.

— Share Hobkirk

Andile Bokuva

Consolidated annual financial statements
for the year ended 30 June 2017

CONTENTS

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

These consolidated annual financial statements have been audited by KPMG Inc. in compliance with the Companies Act of South Africa and have been prepared under the supervision of J Bakker, CA (SA), financial manager of Abagold Limited.

Directors' approval and declaration of responsibilities

To the shareholders of Abagold Limited

The directors are responsible for the preparation and fair presentation of the consolidated annual financial statements comprising the statement of financial position at 30 June 2017 and the statements of comprehensive income, changes in equity and cash flows for the year then ended for Abagold Limited and its subsidiaries ("the Group"), and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the directors' report, the audit committee's report and secretarial certification.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the ability of the company to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of financial statements

The consolidated financial statements of Abagold Limited, as identified in the first paragraph, were approved by the Board of directors on 22 September 2017, and signed on its behalf by:

HR van der Merwe
Chairman

TR Hedges
Managing Director

Hermanus
22 September 2017

Secretarial certification

In accordance with section 88(2)(e) of the Companies Act, Act 71 of 2008, as amended ("the Act"), for the year ended 30 June 2017, 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.

D Malherbe
Company secretary

Hermanus
22 September 2017

Audit committee's report

The audit committee ("the committee") submits this report, as required by section 94(7)(f) of the Companies Act, Act 71 of 2008, as amended, (hereafter referred to as "the Companies Act").

The Board of directors ("the Board"), within its discretion and the provisions of the applicable set of legislative requirements, delegated some of its responsibilities to the committee. These responsibilities are clearly defined and agreed between all parties concerned, after which it has been 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 fulfills an independent role and is accountable to both the Board and the Group's shareholders. It is an integral part of the Group's governance structures and risk management protocols. Its continued focus remains on assisting the Board with executing its responsibilities pertaining to risk management and at the same time, embedding best practices across all levels of the organisation.

This report includes both sets of accountabilities relevant to the functional responsibilities of the committee as outlined in the Companies Act and King III. The charter, which outlines the committee's role and mandate, is available on request.

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 III, as follows:

- Reviewed the interim 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, the internal financial controls of the Group or any related matter. During the financial year under review, no such material concerns or complaints were raised;
- Reviewed the external audit reports on the Group's annual financial statements;
- Verified the independence of the external auditors, KPMG Inc. ("KPMG") and recommended KPMG as the auditors for the year under review, noting that Mr Gerdus Dixon (registered in accordance with the Auditing Professions Act, 2005) was appointed as lead auditor;
- Determined and approved the audit fees and the terms of engagement of the external auditors;
- Determined, subject to the provisions of the Companies Act, the nature and extent of allowable non-audit services and approved the contract terms for the provision of non-audit services rendered by the external auditors;
- Pre-approved any proposed agreement with the external auditors for the provision for non-audit services to the Group;
- Oversaw the integrated reporting process. The committee has as a result at its meeting held on 22 September 2017, recommended the integrated report for approval by the Board; and
- The committee considered the Group's information pertaining to its non-financial performance as disclosed in the integrated report and has assessed its consistency with operational and other information known to committee members, and for consistency with the annual financial statements. The committee is satisfied that the sustainability information presented, is reliable and consistent with the financial results.

Audit committee's report /continued

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 III report on good corporate governance.

The external auditors, in their capacity as auditors to the Group, attended and reported to the committee at the meeting relating to the annual financial statements.

Executive directors and relevant senior managers attended meetings on invitation.

Only the official members of the committee are allowed to exercise their respective voting rights and partake in decision-making exercises as prescribed in the charter.

3. Meeting attendance

During the first half of the year, the audit and risk committee held two meetings. However, during the second half of the year, the audit and risk committees were separated and two meetings were held for each committee. In total, four meetings were held per committee as prescribed by the committee's approved charter.

The following table illustrates the attendance of audit committee meetings relevant to the reporting period

Name of member	8 Sept 2016	8 Dec 2016	15 Feb 2017	8 June 2017
Dr P du P Kruger*	Present	Present	–	–
Mr P Davies**	–	–	Present	Absent
Mr YJ Visser	Present	Present	Present	Present
Mr JW Wilken	Present	Present	Present	Present

** Resigned 31 December 2016 ** Appointed 1 January 2017*

The following table illustrates the attendance of risk committee meetings relevant to the reporting period:

Name of member	8 Sept 2016	8 Dec 2016	15 Feb 2017	8 June 2017
Dr P du P Kruger*	Present	Present	–	–
Mr P Davies**	–	–	Present	Absent
Mr P du P Hugo***	–	–	Present	Present
Mr YJ Visser	Present	Present	Present	Present
Mr JW Wilken	Present	Present	Present	Present

** Resigned 31 December 2016*
*** Appointed 1 January 2017. Absent for June 2017 meeting with apologies.*
**** Attended first two meetings by invitation.*

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
22 September 2017

Directors' report

The directors are pleased to submit their annual report as part of the annual consolidated financial statements for the year ended 30 June 2017.

Nature of the Company's business
During the year under review the Company continued its business of farming, processing, marketing and selling abalone. Specialised Aquatic Feeds (Pty) Ltd, a wholly owned subsidiary of the Company, continued its business of producing, marketing and selling feed for abalone and other animals. The other wholly owned subsidiary of the Company, Aquawomen (Pty) Ltd, commenced with producing and fixing abalone baskets and racks for the Company.

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 10 to the financial statements.

Dividends
During the year the Company declared a final dividend of R16 million relating to the 2016 (2016: R6.7 million relating to 2015) financial year, but no dividends were declared for the 2017 financial year due to the significant negative impact of a red tide event on the financial results and forecasted cash flows of the Company.

Directors
The directors of the Company at the date of this report and any changes during the year are set out below:

HR van der Merwe	(non-executive and chairman of the Board)
TR Hedges	(managing director)
CH van Dyk	(executive)
L-A Lubbe	(executive)
P du P Hugo	(non-executive)
P Davies	(non-executive, appointed 1 January 2017)
YJ Visser	(non-executive)
JW Wilken	(non-executive)
W Keast	(non-executive)
S de Villiers	(non-executive)
P du P Kruger	(non-executive, resigned 31 December 2016)
GM Negota	(non-executive, deceased 7 May 2017)

Remuneration of directors and prescribed officers
The remuneration of directors and prescribed officers is set out in note 24 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 and nomination committee
- social and ethics committee

These committees met quarterly and are chaired by non-executive directors. Membership to these committees is set out on page 29.

Events after the reporting period

Other than the specific events disclosed in note 32 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 Group's financial position or the results of its operations.

Investment in subsidiaries

	2017	2016
Specialised Aquatic Feeds (Pty) Ltd	100%	100%
Aquawomen (Pty) Ltd	100%	–

Investments

	2017	2016
Oman Aquaculture Co LLC	50%	50%
Mean Sea Level (Pty) Ltd	29.58%	31.95%
Port Nolloth Sea Farm Ranching (Pty) Ltd	20%	20%

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

Auditors

KPMG Inc was appointed as auditor in accordance with Section 90 (1) of the Companies Act of South Africa at the AGM held on 10 December 2016 and will continue in office.

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 44 to 84 which comprise the statement of financial position as at 30 June 2017, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year 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 2017, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company 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 comprise of the directors' approval and declarations of responsibilities statement, secretarial certification, audit committee's report, and the directors' report. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

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

In preparing the consolidated financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the 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. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

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

KPMG Inc.

GDixon

Per: Gerdus Dixon
Chartered Accountant (SA)
Registered Auditor
Director

MSC House
1 Mediterranean Street
Foreshore
Cape Town, 8001

22 September 2017

Consolidated statement of financial position
at 30 June 2017

	Notes	2017 R'000	2016 R'000
ASSETS			
Non-current assets		**255 725**	307 817
Property, plant and equipment	2	**191 529**	163 264
Biological assets	3	**48 915**	132 756
Trademarks	4	**188**	219
Goodwill	5	**7 979**	7 979
Equity accounted investments	6	**7 114**	3 599
Current assets		**137 799**	145 520
Current portion of biological assets	3	**81 135**	104 801
Inventories	7	**16 393**	26 471
Trade and other receivables	8	**15 508**	12 086
Derivative financial instruments	9	**635**	2 162
Cash and cash equivalents	16	**24 128**	–
Total assets		**393 524**	**453 337**
EQUITY AND LIABILITIES			
Equity		**245 967**	295 304
Share capital	10	**7**	7
Share premium		**87 498**	87 498
Retained earnings		**158 462**	207 799
Total equity		**245 967**	**295 304**
Non-current liabilities		**106 245**	138 040
Deferred income tax	12	**76 024**	96 757
Deferred income grant	13	**9 097**	3 798
Long-term borrowings	14	**18 530**	30 235
Trade and other payables	15	**2 594**	7 250
Current liabilities		**41 312**	19 993
Current portion of deferred income grant	13	**347**	347
Current portion of long term borrowings	14	**5 644**	4 798
Current tax liabilities		**1 596**	–
Trade and other payables	15	**33 259**	13 338
Derivative financial instruments	9	**466**	–
Cash and cash equivalents	16	**–**	1 510
Total liabilities		**147 557**	**158 033**
Total equity and liabilities		**393 524**	**453 337**

Consolidated statement of comprehensive income

for the year ended 30 June 2017

	Notes	2017 R'000	2016 R'000
Revenue	20	**187 687**	187 845
Other income	21	**39 888**	1 903
Fair value losses in financial instruments	22	**6 736**	(8 724)
Fair value gains on biological assets	3	**29 533**	195 706
Cost of sales		**(185 815)**	(175 667)
Production costs	23	**(23 233)**	(22 583)
Employee benefit expenses	24	**(49 847)**	(48 138)
Depreciation and amortisation		**(13 497)**	(12 884)
Other operating expenses		**(36 501)**	(29 210)
(Loss)/profit from operations	25	**(45 049)**	88 248
Finance costs	26	**(3 381)**	(4 666)
Share of loss of equity accounted investments	6	**(690)**	(1 359)
(Loss)/profit before income tax		**(49 120)**	82 223
Income tax expense	12.1	**15 783**	(22 597)
(Loss)/profit for the year		**(33 337)**	59 626
Other comprehensive income		**–**	–
Total comprehensive (loss)/income for the year		**(33 337)**	59 626
Basic earnings per share (cents)	27	**(25.00)**	44.72
Diluted earnings per share (cents)	27	**(25.00)**	44.72

Consolidated statement of changes in shareholders' equity for the year ended 30 June 2017

	Share capital R'000	Share premium R'000	Retained earnings R'000	Total equity R'000
Balance at 1 July 2015	**7**	**87 498**	**160 040**	**247 545**
Total comprehensive income for the year	–	–	59 626	59 626
Dividend paid	–	–	(11 867)	(11 867)
Balance at 30 June 2016	**7**	**87 498**	**207 799**	**295 304**
Total comprehensive loss for the year	–	–	(33 337)	(33 337)
Dividend paid	–	–	(16 000)	(16 000)
Balance at 30 June 2017	**7**	**87 498**	**158 462**	**245 967**

Consolidated statement of cash flow

for the year ended 30 June 2017

	Notes	2017 R'000	2016 R'000
Cash flow from operating activities		**92,710**	**46 794**
Cash received from clients	29.1	**224 153**	188 130
Cash paid to suppliers and employees		**(124 727)**	(136 670)
Cash generated from operations	29.2	**99 426**	51 460
Finance costs	26	**(3 381)**	(4 666)
Tax paid		**(3 335)**	–
Cash flow from investment activities		**(45 887)**	**(20 798)**
Purchases of property, plant and equipment	2	**(41 903)**	(20 201)
Proceeds from disposal of property, plant and equipment		**236**	624
Investment in equity accounted entities	6	**(4 205)**	(1 198)
Purchases of trademarks	4	**(15)**	(23)
Cash flow from financing activities		**(21 185)**	**(15 863)**
Decrease in long-term borrowings	14	**(10 859)**	(3 996)
Grant received		**5 674**	–
Dividends paid to shareholders		**(16 000)**	(11 867)
Net cash flow for the year		**25 638**	**10 133**
Cash and cash equivalents – beginning of the year		**(1 510)**	(11 643)
Cash and cash equivalents – end of the year	16	**24 128**	**(1 510)**

1. ACCOUNTING POLICIES

Abagold Limited (the "Company") is a company domiciled in South Africa. The financial statements at 30 June 2017 comprise the Company and its subsidiaries.

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

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 BASIS OF PREPARATION

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the South African Companies Act.

The financial statements are presented in South African Rands ("Rands"), 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 as noted in note 1.3. Minor adjustments have been made to certain comparative figures to allow for more meaningful disclosure. These adjustments have no material impact on the reported results.

1.2 NON-DERIVATIVE FINANCIAL INSTRUMENTS

Non-derivative financial instruments are initially recognised at fair value plus directly attributable transaction costs except for financial instruments that are classified as being carried at fair value through profit or loss. Subsequent to initial recognition, these instruments are measured based on classification according to their nature.

Financial instruments are classified at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Trade and other receivables

Trade and other receivables are categorised as loans and receivables. 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.

Cash and cash equivalents

Cash and cash equivalents are categorised in the statement of financial position as loans and receivables and subsequent to initial recognition measured at amortised cost.

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held on call with banks, and investments in money market instruments, net of bank overdrafts, all of which are available for use by the Group unless otherwise stated.

Interest-bearing loans and borrowings

Loans are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition these financial instruments are measured at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis. Where the difference between the fair value and the proceeds received is considered to be an equity contribution (i.e. as with shareholders' loans) the difference is taken directly to equity (net of deferred tax) at initial recognition.

1.2 NON-DERIVATIVE FINANCIAL INSTRUMENTS (CONTIUNED)

Loans are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Trade and other payables

Subsequent to initial recognition, trade and other payables are measured at amortised cost.

1.3 DERIVATIVE FINANCIAL INSTRUMENTS

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

Subsequent to initial recognition, derivatives are measured at fair value. The gain or loss arising from a change in fair value on re-measurement is recognised in profit or loss in the period in which the change arises.

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

1.4 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.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

1.5 OFFSET

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the Group has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.6 HEDGE OF MONETARY ASSETS AND LIABILITIES

Where a derivative financial instrument is used to hedge the foreign exchange exposure and interest rate risk exposure of a recognised asset or liability, no hedge accounting is applied and gains or losses on the hedging instrument are recognised in profit or loss.

1.7 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').

1.7 FOREIGN CURRENCY TRANSLATION (CONTIUNED)

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 re-measured. 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. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the fair value reserve in equity.

1.8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible assets held by the Company 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 Company 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

Improvements to leasehold properties are shown at cost and written off over the remaining period of the lease.

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.

1.9 BIOLOGICAL ASSETS

Biological assets consist of abalone livestock which are stated at fair value. Fair value is determined based on the market prices of abalone of similar size and breed less estimated point-of-sale costs at the point of harvest with any resultant gain or loss recognised in profit or loss. Point of sale costs includes all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to the market. The exchange rate and expected sales prices are significant factors in determining the fair value of biological assets.

1.10 INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the consideration transferred over the fair value of the identifiable net assets acquired. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Acquisition costs are expensed as incurred.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

Other intangible assets

Intangible assets (other than goodwill) are initially recognised at cost if acquired externally, or at fair value if acquired as part of a business combination. The cost of intangible assets acquired in a business combination is fair valued as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Amortisation of intangible assets with a finite useful life is recognised in profit or loss on a straight-line basis over the estimated useful life of intangible assets. Intangible assets with indefinite lives are assessed annually for impairment and tested whenever there is an indication that the intangible asset may be impaired. The amortisation period, amortisation method and residual value for an intangible asset with a finite useful life are reassessed annually. Changes in the expected useful life or the expected pattern of consumption for future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset. There are no intangible assets that have indefinite useful lives other than goodwill.

Intangible assets are comprised of trademarks and currently all trademarks' useful lives are 10 years.

1.11 INVENTORY

Inventory consists of harvested and processed (canned or dried) abalone and is stated at the lower of cost and net realisable value. The cost of abalone finished goods and work in progress is determined in accordance with IAS41 as the fair value of the biological asset at point of harvest plus direct costs to completion. Net realisable value is the estimated selling price in the ordinary course of business, less the applicable costs of completion and selling expenses.

Inventory also includes raw materials used in the processing of abalone, and, general inventory items used by operational and support divisions. These inventory items are valued at the lower of cost or net realisable value.

1.12 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 exists. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill the recoverable amount is estimated at each reporting date.

Whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount, an impairment loss is recognised in profit or loss.

As goodwill is not capable of generating cash flows independently of other assets, in assessing the recoverable amount of goodwill, the goodwill is allocated to cash-generating units on a reasonable and consistent basis.

The recoverable amount of the cash-generating unit (including an allocation of goodwill and corporate assets) is assessed with reference to the future cash flows of the cash-generating unit. Where an impairment loss is recognised for a cash-generating unit, the impairment loss is applied first to the goodwill allocated to the cash-generating unit (if any) and then to other assets on a pro rata basis comprising the cash-generating unit provided that each identifiable asset is not reduced to below its recoverable amount.

Recoverable amount

The recoverable amount of an asset is the greater of its fair value less cost to sell and its value in use. Recoverable amounts are estimated for individual assets or, if an asset does not generate largely independent cash flows, for a cash-generating unit. A cash-generating unit is the smallest collection of assets capable of generating cash flows independent of other assets or cash-generating units.

The fair value less cost to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction, less the costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset or cash-generating unit and from its disposal at the end of its useful life. The estimated future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Reversal of impairment losses

Impairment losses recognised in prior years are assessed at each reporting date for any indicators that the losses have decreased or no longer exist. Reversal of impairment losses recognised in prior years are recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased, either as a result of an event occurring after the impairment loss was recognised or if there has been a change in the estimates used to calculate the recoverable amount.

An impairment loss is reversed only to the extent that the carrying amount of the affected asset is not increased to an amount higher than the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised in prior years. The reversal is recorded as income in profit or loss. An impairment loss in respect of goodwill is not reversed.

Financial assets

At each reporting date, an assessment is made as to whether objective evidence exists that a financial asset or a group of financial assets is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events has a negative effect on the estimated future cash flows of the asset.

1.12 IMPAIRMENT OF ASSETS (CONTINUED)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

1.13 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.

1.14 CURRENT AND DEFERRED INCOME TAX

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

The current income tax charge is calculated in accordance with tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided in full, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on the investment in a subsidiary, except where the Group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Dividends Withholding Tax is a tax levied on the beneficial owner of the shares instead of the Group. The tax is withheld by the Group and paid over to SARS on the beneficiaries' behalf. The resultant tax expense and liability has been transferred to the shareholder and is no longer accounted for as part of the tax charge of the Group.

Notes to the consolidated financial statements
for the year ended 30 June 2017 continued

1.15 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 profit sharing. The Group recognises a provision for such expenditure where a contractual obligation exists or where there is a past practice that has created a constructive obligation.

1.16 EQUITY COMPENSATION BENEFITS
The Group has granted share appreciation rights in the form of “phantom shares” to its executive management team. In accordance with IFRS 2, the Group has recognised an employee benefits expense in profit and loss, representing the fair value of the share appreciation rights granted to the Group’s employees. A corresponding credit to liabilities has been raised for this cash-settled plan.

The Group remeasures the fair value of the recognised liability at each reporting date and at the date of settlement, with the corresponding change in the fair value recognised in profit or loss for the period.

1.17 PROVISIONS
Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

1.18 RELATED PARTIES
Individuals or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel are defined as executive management of Abagold Limited.

1.19 REVENUE RECOGNITION
Revenue comprises the fair value of the consideration received or receivable for the sale of abalone and animal feed to customers in the ordinary course of the Company’s activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

1.19 REVENUE RECOGNITION (CONTINUED)

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifications of each arrangement.

Interest income

Interest income for financial assets that are not classified as at fair value through profit and loss is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income from financial assets that are classified as at fair value through profit or loss is included in investment income.

Dividend income

Dividend income is recognised when the right to receive payment is established. Dividend income is included in investment income.

1.20 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 costs are recognised in profit or loss on a systematic basis over the periods in which the entity recognises, as an expense, the related costs for which the grants are intended to compensate.

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

Operating leases

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

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

Finance leases

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges based on the interest rate charged on the outstanding balance. The corresponding rental obligations, net of finance charges, are included in Borrowings. The interest element of the finance cost is charged to profit or loss over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

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. Headline earnings is calculated by adjusting the earnings used for EPS for any exceptional items.

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

1.24 CONTINGENCIES

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. These contingent assets are not recognised in the statement of financial position but are disclosed in the notes to the financial statements if the inflow of financial benefits is probable.

1.25 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

1.25.1 Judgements and estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates, which may be material to the financial statements. Significant judgements include:

Expected manner of realisation of deferred tax

Deferred tax is provided based on the expected manner of recovery, i.e. sale or use. This manner of recovery affects the rate used to determine the deferred tax asset or liability.

Assets' useful lives, residual values and impairment

Property, plant and equipment are depreciated over their useful lives taking into account the residual values and possible impairment where appropriate. The actual useful lives of assets and residual values are assessed annually. In reassessing assets' useful lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Whether an asset is impaired is subject to management's view of changes in circumstances which could indicate that the carrying value may not be recoverable.

Impairment of goodwill

Goodwill is subjected annually to an impairment test. The impairment test is performed by calculating a value-in-use for the cash generating unit to which the goodwill is allocated. The calculation of value-in-use requires assumptions to be made regarding future cash flows and appropriate outcomes.

1.25.1 Judgements and estimates (continued)

Biological assets
In order to measure and value biological assets, management uses a growth-formula and drip- and purge-loss factors to determine the weight of the animals at the reporting date. These formulas are based on empirical evidence and confirmed industry norms.

1.25.2 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 financial manager. 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.

Significant valuation issues are reported to the Audit and Risk Committees.

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)

If the inputs 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 3), share-based payments (note 12) and financial instruments (note 20).

1.26 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2017, and have not been applied in preparing these financial statements. Those which may be relevant to the Group are set out below. The Group do not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

Effective for the financial year commencing 1 July 2017

- ***Disclosure Initiative (Amendments to IAS 7)***
  No significant impact expected
- ***Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)***
  No significant impact expected.

1.26 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE (CONTINUED)

Effective for the financial year commencing 1 July 2018

- **IFRS 15 *Revenue from Contracts with Customers***
  This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

  The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

  The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

- **IFRS 9 *Financial Instruments***
  On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

  The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.

Effective for the financial year commencing 1 July 2019

- **IFRS 16 *Leases***
  IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 *Leases*, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the statement of financial position. No significant changes have been included for lessors.

  The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors.

  All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the entity) and the impact on the Group's financial results is still being considered.

2. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings R'000	Equipment R'000	Furniture and fittings R'000	Computer equipment R'000	Vehicles R'000	Assets under construction R'000	Total R'000
Book value at 30 June 2015	82 583	46 507	224	657	983	25 710	156 664
Cost at 30 June 2015	100 755	82 796	374	1 159	1 532	25 710	212 326
Accumulated depreciation and impairment	(18 172)	(36 289)	(150)	(502)	(549)	–	(55 662)
Reallocate between categories	(2 011)	–	–	2 011	–	–	–
Cost	(2 155)	–	–	2 155	–	–	–
Accumulated depreciation	144	–	–	(144)	–	–	–
Additions	35	1 495	–	114	262	18 295	20 201
Sale	(346)	(311)	–	–	(119)	–	(776)
Depreciation	(561)	(755)	–	–	(326)	–	(1 642)
Depreciation allocated to feed	215	444	–	–	207	–	866
Production costs	(3 945)	(8 618)	(12)	(140)	(109)	–	(12 825)
Completed and transferred	12 670	30 201	141	570	422	(44 005)	–
Book value at 30 June 2016	88 986	69 274	353	3 212	1 439	–	163 264
Cost at 30 June 2016	110 744	113 738	515	3 998	1 890	–	230 885
Accumulated depreciation and impairment	(21 758)	(44 464)	(162)	(786)	(451)	–	(67 621)
Reallocate between categories	378	–	–	(378)	–	–	–
Cost	442	–	–	(442)	–	–	–
Accumulated depreciation	(64)	–	–	64	–	–	–
Additions	2,598	3 381	15	68	5	35 837	41 903
Disposal	(108)	(1)	–	(7)	(71)	–	(187)
Cost	(709)	(3 608)	(3)	(7)	(207)	–	(4 535)
Accumulated depreciation	601	3 607	3	–	136	–	4 348
Depreciation	(4 211)	(8 894)	(21)	(190)	(137)	–	(13 452)
Completed and transferred	3 298	5 830	48	721	542	(10 440)	–
Book value at 30 June 2017	90 940	69 590	396	3 427	1 778	25 398	191 529
Cost at 30 June 2017	116 372	119 341	576	4 338	2 230	25 398	268 253
Accumulated depreciation and impairment	(25 432)	(49 751)	(180)	(911)	(452)	–	(76 724)

2. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the current year R251 000 (2016: R23 000) fully depreciated assets were scrapped. Assets under construction at the end of the current year were R25 million (2016: RNil).

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

Land and buildings include the following two properties which are owned by the Group, at cost:

Erf	Name	Size	Purchase date	Cost
Erf 11068, Hermanus	Bergsig farm	2.4 ha	April 2002	1 377
Erf 11166, Hermanus	Sulamanzi farm	6.9 ha	July 2010	9 610
Total				**10 987**

Refer to note 17 for encumbrances on property, plant and equipment.

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

3. BIOLOGICAL ASSETS

The Group owns biological assets in the form of abalone livestock. At 30 June 2017 there were 338 tonnes (2016: 565 tonnes) of live abalone on the farms. Biological assets are measured at the best estimate of fair value less anticipated marketing and other related selling costs.

(a) Reconciliation

	2017 R'000	2016 R'000
Opening carrying amount	237 557	181 632
Net fair value adjustment for growth and mortalities	35 919	141 066
Fair value adjustment due to changes in US Dollar sales prices	9 665	14 130
Fair value adjustment due to exchange rate changes	(16 051)	40 510
Port Nolloth spats	(947)	(1 623)
Transfer to inventories	(136 093)	(138 158)
Closing carrying amount	130 050	237 557

The net growth value decreased signficantly from the prior year due to 140 tonnes of livestock mortalities arising from an unprecedented red tide event experienced in the 2017 fiscal year. The farm is expected to recover by July 2019.

3. **BIOLOGICAL ASSETS** (CONTINUED)

Biological assets typically have a production cycle of more than one year and are classified as non-current assets. A portion of biological assets are projected to be harvested for sale within the next financial year and are classified as current assets. This division between non-current and current assets is made based on the expected harvest dates of the different aged animals and is set out below:

	2017 R'000	2016 R'000
At 30 June:		
– Non-current biological assets	48 915	132 756
– Current portion of biological assets	81 135	104 801
	130 050	237 557

(i) Fair value hierarchy

The fair value measurements for abalone biological assets of R130.1 million (2016: R237.6 million) have been categorised as Level 3 fair values based on the inputs to the valuation techniques used.

(ii) Level 3 fair values

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

The fair value of biological assets are determined using the market comparison technique and is based on market export prices of abalone in a format representing the highest and best use of a similar size and breed, i.e. the export prices of live, canned and dried abalone are used when valuing biological assets per size category. In the previous fiscal years, the fair value of biological assets was determined using export prices for live abalone only. The dried and canned format export prices have been included in this fiscal year as not all size categories will ultimately be sold as live abalone. Market prices are denominated in US Dollars. Biological assets are continuously counted and weighed in predetermined cycles and at reporting dates a formula is used to project the present weight of the abalone at each reporting date. The present weight is calculated by extrapolating the average weight of each of the baskets on the farms at a growth rate which is equal to its life-to-date growth rate. The abalone are then classified into weight classes for valuation purposes and valued using relevant selling prices for each weight class, adjusted for drip and purge losses, and cost to sell.

(b) Measurement of fair values

Smaller abalone (less than 5 grams each) are valued at between R1.86 and R5.19 each which is the market price for selling small abalone (known as "spats") between farms in South Africa. These values are extrapolated for valuing each weight class of abalone up to 30 grams as no active export market exists for these sizes. Abalone in the weight classes from 30 grams to 350 grams are valued using the highest and best use market US dollar selling price per kilogram (active market price) for each weight class. As there is no active live market for larger abalone, and in order to be conservative, the value for abalone in the weight classes greater than 350 grams is capped at the value used for 350 gram abalone.

The drip (9%) and purge (5%) loss used in the valuation model is based on results from empirical tests and industry benchmarking. At 30 June 2017, 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 R13 million (2016: R24.9 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 and loss. The lower US Dollar price sensitivity in profit in 2017 compared to 2016 is attributable to an decrease in livestock tonnage on the farms, as a result of the significant stock mortalities incurred due to a Red Tide event experienced during the 2017 fiscal year.

3. BIOLOGICAL ASSETS (CONTINUED)

Spats are priced in Rands and not Dollars, and are thus not included in the exchange rate sensitivity analysis above. At 30 June 2017, the value of spat included in biological assets was R30 million (2016: R27.8 million).

Although the Group 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 Group reviews its outlook for the price of abalone regularly in considering the need for active risk management.

The Group is also exposed to risks arising from changes in the Rand-US Dollar exchange rate. At 30 June 2017, if the Rand had weakened 10% against the US Dollar with all other variables held constant, the value of biological assets and profit before tax for the year would have been R13 million (2016: R24.9 million) higher. Conversely, if the Rand strengthened 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. The lower exchange rate sensitivity in profit in 2017 compared to 2016 is attributable to an decrease in livestock tonnage on the farms, as a result of significant stock mortalities incurred due to a Red Tide event experienced during the 2017 fiscal year.

(c) Risk management strategy related to aquacultural activities

The Group is exposed to the following risks related to aquacultural activities:

(i) Exchange rate risks

The Company is subject to changes in the exchange rate as abalone sales prices are denominated in US dollar and biological assets are measured at fair value which is also based on the US dollar market price. The Group's currency risk management is described in note 19.7.

(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 Group 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 experienced a severe and unprecedented Red Tide event in the latter part of this fiscal year, resulting in signficant stock mortalities. Although the stock mortalities were covered by insurance, loss of abalone growth and profits were not covered. As a result, Abagold is in the process of implementing physical measures to mitigate the risk and negative conseqences of a Red Tide event reoccurence.

4. TRADEMARKS

	2017 R'000	2016 R'000
Reconciliation		
Opening carrying value	219	255
Cost	448	425
Accumulated amorisation and impairment	(229)	(170)
Additions	15	23
Impairments	–	–
Amortisation	(46)	(59)
Closing carrying value	188	219
Cost	463	448
Accumulated amorisation and impairment	(275)	(229)

5. GOODWILL

	2017 R'000	2016 R'000
Recoverable amount	7 979	7 979

Goodwill arose with the purchase of the operations of a subsidiary, Specialised Aquatic Feeds (Pty) Ltd (previously Abamax Abalone Farm (Pty) Ltd). For purposes of impairment testing goodwill is allocated to the Amaza farm as a cash-generating unit.

Goodwill is tested annually for impairment. The recoverable amount of this cash-generating unit has been determined based on its value-in-use calculation, using a discounted cash flow method.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represents management's assessment of the future trends in the relevant industry and were based on historical data from both internal and external sources.

In present	2017 %	2016 %
Discount rate	16.5	12.3
Terminal value growth rate	3.0	15.1
Budgeted free cash flow (average of the next ten years)	10.5	9.0

The discount rate that was used is the yield on the 186 day government bond and adjusted for specific risks relating to the industry and the Group as a whole, size of the company, with a possible debt:equity ratio of 20:80 at a market interest rate of 10.5% (2016: 10.5%).

The cash flow projections used included specific estimates for ten years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual free cash flow growth rate, consistent with the assumption that a market participant would make.

Had the discount rate used in the discounted cash flow calculation above been 1% greater, there would still be no impairment of the goodwill.

6. EQUITY ACCOUNTED INVESTMENTS

6.1 INVESTMENT IN OMAN AQUACULTURE CO LLC

During the 2015 fiscal year, Abagold entered into a share purchase agreement with Muscat Overseas Co LLC whereby Abagold obtained 50% interest in a newly formed joint venture company, Oman Aquaculture Co LLC. The joint venture was originally set-up to run a pilot project to determine whether Omani abalone could be breed in captivity. The pilot has been a success, and, as a result, the first phase of the commercial development project was approved in the 2016 fiscal year by Abagold's Board. Abagold has further capital commitments of R14.2 million on this first phase which will be spend over the two years ended 30 June 2019, provided specific milestones are met.

The initial phase included a feasibility study and a pilot project. The first phase of commercial development has included an enviromental impact assessment, full farm design and project management costs to date. Both parties have incurred certain costs related to the initial phase, of which Abagold's contribution at year-end is R4.7 million.

	2017 R'000	2016 R'000
Investment in Oman Aquaculture Co LLC at cost	4 657	3 348

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.

	2017 R'000	2016 R'000
Fixed assets	198	360
Current assets (consisting of cash and cash equivalents)	3 045	1 515
Assets (100%)	3 243	1 875
Group's share of assets (50%)	**1 621**	**938**
Trade and other payables	(693)	(71)
Group's share of trade and other payables (50%)	**(346)**	**(36)**
Group's share of net assets (50%)	**1 275**	**902**
Net loss (100%)	(1 768)	(2 737)
Group's share of net loss (50%)	**(884)**	**(368)**
Prior year equity-accounted loss (50%)	(2 921)	(1 553)
Group's share of accumulated net loss (50%)	(3 805)	(2 921)
Remaining net investment	**852**	**427**

6.2 INVESTMENT IN MEAN SEA LEVEL (PTY) LTD

At the end of the 2016 fiscal year, Abagold owned 31.95% in Mean Sea Level (Pty) Ltd ("MSL"). MSL pursues renewable energy projects and its first two projects included the construction of a Energy Recovery Turbine (ERT) which generates electricity from Abagold's return-water to the ocean, and a pilot Wave Energy project. During the 2015 fiscal year, Abagold had signed a guarantee over a R4.6 million loan from the IDC to MSL for the construction of the ERT. In addition to this, Abagold had entered into a Power Purchase Agreement with MSL to purchase electricity generated by the ERT at a fixed rate below the Eskom rate. In the 2017 fiscal year, Abagold paid for and took ownership of the ERT, and MSL have settled the outstanding loan with the IDC and released Abagold from the guarantee. The Power Purchase Agreement has accordingly fallen away. In the 2016 fiscal year, MSL entered into a finance lease agreement with ABSA for an excavator and Abagold agreed to stand surety. This agreement is still in effect. Abagold invested a further R1.95 million in MSL during the 2017 fiscal year, which took their shareholding in MSL to 32.01%. Subsequent to this investment, MSL had another rights issue which Abagold declined to participate in. This has resulted in a dilution of Abagold's shareholding at the 2017 year-end in MSL to 29.58%.

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

	2017 R'000	2016 R'000
Investment in Mean Sea Level (Pty) Ltd at cost	2 375	425

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

Non-current assets	28 823	25 010
Current assets	2 771	2 734
Assets (100%)	31 594	27 745
Group's share of assets (29.58%)	**9 346**	**8 864**
Long term liabilities	(4 380)	(8 933)
Current liabilities	(668)	(633)
Liabilities (100%)	(5 048)	(9 566)
Group's share of liabilities (29.58%)	**(1 493)**	**(3 056)**
Net assets (100%)	26 546	18 178
Share of net assets (29.58%)	**7 852**	**5 808**
Net profit (100%)	654	29
Group's share of net profit (29.58%)	**193**	**9**
Prior year equity-accounted loss (29.58%)	(134)	(143)
Group's share of accumulated net profit/(loss) (29.58%)	**59**	**(134)**
Remaining net investment	**2 434**	**291**

No dividends were received by the Group.

6.3 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 has agreed to supply PNSFR with spat at no charge for a period of seven years. Abagold will have the right of first refusal on all abalone harvested in five year's time.

	2017 R'000	2016 R'000
Investment in Port Nolloth Sea Farm Ranching (Pty) Ltd	3 828	2 881

The investment is calculated using the net realisable value of the spat multiplied by the number of spat supplied by Abagold to PNSFR. PNSFR is still in the start-up phase, thus there is no significant income generated nor expenses incurred to date, and, thus no equity accounted adjustments.

TOTAL INVESTMENTS

Opening balance	3 599	2 137
Investment – current year	4 206	2 821
Share of net loss – current year	(691)	(1 359)
Total net investments	**7 114**	**3 599**

Notes to the consolidated financial statements

for the year ended 30 June 2017 continued

7. 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.

	2017 R'000	2016 R'000
Reconciliation abalone inventory		
Opening carrying amount	21 942	28 987
Transfer from biological assets	136 093	138 158
Purchases	8 532	10 177
Adjustments	(156)	3 297
Abalone sales	(155 681)	(158 677)
Closing carrying amount	10 730	21 942

The carrying amount includes work-in-progress of R1.9 million (2016: R5.6 million) which represents harvested abalone being processed but not yet in a final product ready for sale at the reporting date.

Inventory is valued at the lower of cost or net realisable value. Cost is determined using the fair value of biological assets at point of harvest. The net realisable value of inventory is dependent on current USD market prices of abalone and consequently also on the Rand-US Dollar exchange rate.

	2017 R'000	2016 R'000
Non-abalone inventory		
Raw materials	2 906	1 885
General	2 204	1 985
Finished goods – feed	553	659
Closing carrying amount	5 663	4 529
Total inventory	**16 393**	**26 471**

8. TRADE AND OTHER RECEIVABLES

	2017 R'000	2016 R'000
Trade receivables	6 478	10 592
Prepaid expenses	1 250	737
Loans receivable	167	167
Sundry receivables	79	–
Trade payables with debit balance	102	–
Value added tax	7 432	590
	15 508	12 086

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

	2017 R'000	2016 R'000
South African Rand	12 086	3 725
US Dollar	3 422	8 361
	15 508	12 086

8. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade and other receivables are assessed individually for any indication that the counterparty might not be able to honour its commitments.

No impairment was recognised on trade receivables for the year ended 30 June 2017 (2016: R51 000).

Nominal value less impairment provision of trade receivables approximate fair value.

Trade receivables that are less than one month past due are not considered impaired unless there is objective evidence that the Group will not be able to collect the outstanding debt. As at 30 June 2017 no portion of trade receivables (2016: no portion) was past due or impaired. The aging analysis of trade receivables is as follows:

	2017 R'000	2016 R'000
Up to 1 month	4 799	8 297
1–2 months	925	2 115
More than 2 months	754	180
	6 478	10 592

9. DERIVATIVE FINANCIAL INSTRUMENTS

	2017 R'000	2016 R'000
The derivative financial instruments at 30 June comprise of:		
– Forward foreign exchange contracts – assets	635	2 162
– Forward foreign exchange contracts – liabilities	(466)	–
	169	2 162

	2017 R'000	2016 R'000
Reconciliation of derivative financial instruments:		
Opening balance	2 162	(559)
– Contracts entered into	169	2 162
– Contracts expired	(2 162)	559
Closing balance	169	2 162

The forward foreign exchange contracts do not qualify for hedge accounting.

The notional principal amount of the outstanding forward foreign exchange contracts at 30 June was USD 3.7 million (2016: USD 3.7 million) with forward rates ranging from R12.88/USD to R14.37/USD (2016: R15.48/USD to R16.45/USD).

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

10. SHARE CAPITAL

	2017 R'000	2016 R'000
Authorised		
200 000 000 ordinary shares of 0.005c each	10	10
3 000 000 old redeemable preference shares of 1c each	30	30
1 000 000 new redeemable preference shares of 0.1c each	1	1
	41	41

10. SHARE CAPITAL (CONTINUED)

	2017 R'000	2016 R'000
Issued		
133 333 334 (2016: 133 333 334) ordinary shares of 0.005c each	7	7
	7	7

There has been no change to the authorised or issued share capital during the year.

All shares issued by the Group are fully paid.

During the year the Group declared a final dividend of R16 million relating to the 2016 financial year. No interim or final dividend was declared for the 2017 financial year due to the negative impact of the Red Tide event on the Group's financial results and forecasted cash flows.

Unissued

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

11. SHARE INCENTIVE PLAN

The Group has granted incentive plans in the form of "phantom shares" to members of its executive management team. These plans entitle the participants to receive cash payments calculated as the difference (if any) between the formula (or deemed) value per share of the company at the dates of the grants ("award value") and such formula value per share on the maturation dates of the rights three years later.

Participants are encouraged to invest at least half of the after-tax return in physical shares of the Group and keep these shares for a minimum of three years, although there is no obligation to do so. The calculated total provision of RNil (2016: R5.5 million) is classified as "cash settled" under liabilities.

The number of "phantom shares" on which the participation rights are based as well as the award values and maturation dates are set out below.

	Number of shares on which the right is based	
	2017 R'000	2016 R'000
Movement in rights to share-based payments (Average award value is in brackets):		
Balance at the beginning of the year	2 044	196
Issued on 1 July 2014 (R6.67/share)	–	–
Issued on 1 July 2015 (R2.81/share	–	278
Issued on 1 July 2016 (R2.50/share)	-	103
Exercised during the year	(577)	1 467
Relinquished (through resignation)	–	–
Balance at the end of the year	1 467	2 044

11. SHARE INCENTIVE PLAN (CONTINUED)

	Number of shares on which the right is based	
	2017 R'000	2016 R'000
Rights to share-based payments on 30 June are unconditional on the following dates:		
1 July 2016 (R1.42/share)	–	196
1 July 2017 (R6.67/share) – paid on 25 June 2017	–	278
1 July 2017 (R2.81/share) – paid on 25 June 2017	–	103
1 July 2018 (R2.50/share)	1 467	1 467
	1 467	2 044

The "award values" indicated above bear no resemblance to any market value of Abagold's physical shares and is merely a calculated value to be used for the purposes of this plan. Note that the difference in award values indicated above is due to a change in the formula used to determine the award value for the new plan. This value is calculated such that it incentivises those elements that the board considers necessary to build longer-term value in the Group.

Refer to note 24 for the expense recognised in the statement of comprehensive income as employee benefits expense.

12. TAXATION

12.1 INCOME TAX EXPENSE

	2017 R'000	2016 R'000
Current tax – current year	4 932	–
Deferred tax – current year	(20 733)	22 597
Deferred tax – prior year under provision	18	–
Total deferred tax expense	(15 783)	22 597

12.2 DEFERRED INCOME TAX

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

Deferred tax liability		
– Property, plant and equipment	44 550	38 493
– Trademarks	53	61
– Prepaid expenses	350	200
– Biological assets	36 414	66 516
Deferred tax asset		
– Accumulated tax loss	(3 272)	(5 435)
– Loss in equity accounted investments	(574)	(381)
– Provision for doubtful debts	–	(11)
– Provision for leave pay	(597)	(489)
– Operating lease liabiltiy	(726)	(652)
– Long term share incentive liability	(174)	(1 545)
Net deferred tax liability	76 024	96 757

12.2 DEFERRED INCOME TAX (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	Other R'000	Total R'000
Balance at 30 June 2015	28 462	50 857	(3 943)	(1 216)	74 160
Charged/(credited) to profit or loss	10 031	15 659	(1 492)	(1 601)	22 597
Balance at 30 June 2016	38 493	66 516	(5 435)	(2 817)	96 757
Charged/(credited) to profit or loss	6 057	(30 102)	2 163	1 149	(20 733)
Balance at 30 June 2017	44 550	36 414	(3 272)	(1 668)	76 024

12.3 TAX RATE RECONCILIATION

The income tax on the profit before tax differs from the theoretical amount that would arise using the statutory rate of 28% (2016: 28%) as follows:

	2017 %	2016 %
South African normal tax rate	28.00	28.00
Adjusted for:		
– Non taxable income	(0.21)	(0.00)
– Other differences	4.30	(0.52)
– Prior period under provision – deferred tax	0.04	–
Actual effective tax rate	32.13	27.48

12.4 TAX LOSSES

	2017 R'000	2016 R'000
Estimated tax losses and capital development costs available for set-off against future taxable income	11 686	21 997

13. DEFERRED INCOME GRANT

	2017 R'000	2016 R'000
Current portion	347	347
Long-term portion	9 097	3 798
	9 444	4 145

During the 2014 fiscal year R5.6 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 R5.7 million was received in June 2017 and relates to both the Sulamanzi farm expansions cost and the feed factory development costs.

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

14. LONG-TERM BORROWINGS

	2017 R'000	2016 R'000
ABSA Agri Loan	17 198	25 276
ABSA Feed Loan	6 976	9 757
Total long-term borrowings	24 174	35 033

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

Non-current portion of long-term borrowings	18 530	30 235
Current portion of long-term borrowings	5 644	4 798
Total long-term borowings	24 174	35 033

The long-term borrowings from ABSA consist of the Agri Loan in the form of an access bond over erf 11166, and, a Feed Loan in the form of a finance lease. The Agri loan has been used to finance the expansion of the Sulamanzi farm, which was completed in the 2016 fiscal year. The Agri loan facility is R35 million and is repayable in monthly instalments at 0.75% below the prime interest rate over a period of 20 years. The Feed Loan has been used to finance the construction of the new feed production plant. The feed plant was completed and fully commissioned in the 2017 fiscal year. The feed plant was leased to Abagold's wholly-owned subsidiary, Specialised Aquatic Feeds (Pty) Ltd, for the production of formulated feeds for the 2017 fiscal year. This will cease from the 2018 fiscal year onwards as these fixed assets were transfered from Abagold to SAF at the end of the 2017 fiscal year. The Feed Loan is R11.5 million (excluding VAT) and is repayable in monthly instalments over a term of 5.5 years at an interest rate of 1% below the prime interest rate.

15. TRADE AND OTHER PAYABLES

	2017 R'000	2016 R'000
Trade and other payables comprise the following items:		
Trade payables	27 145	4 690
Accrual for leave	2 324	1 753
Cash-settled share based payment liability	–	5 519
Trade receivables with credit balances	–	60
Other personnel accruals	3 819	5 650
Operating lease liability	2 594	2 016
Other payable	(613)	900
Loans payables	584	–
	35 854	20 588

The carrying amount of trade and other payables approximates its fair value due to the short-term nature.

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

Non current trade and other payables	2 595	7 250
Current portion of trade and other payables	33 259	13 338
	35 854	20 588

16. CASH AND CASH EQUIVALENTS

	2017 R'000	2016 R'000
Net bank overdraft	(1 589)	(1 795)
Bank balance	25 813	344
Cash on hand	14	0
Balance on credit cards	(110)	(59)
	24 128	(1 510)

Positive bank balances earn interest at market related money market rates which was 5.5% on average for the year.

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

Total approved banking facility includes a general banking facility of R31 million (2016: R31 million), an Agri-loan of R35 million (2016: R35 million) and a loan for the feed plant construction of R13.9 million (2016: R13.9 million). The facility also includes limits for entering into forward exchange contracts and credit cards. The next facility review date is 20 October 2017.

17. SECURITIES

The following items are secured to the Group's bankers, ABSA, at the reporting date:

First and second general notarial bond over biological assets and inventory for R10 million and R20 million; registered cession of insurance policy over biological assets and inventory; first and second covering mortgage bond for R2.5 million and R7.5 million over erf 11068; registered cession of reversionary rights in combined insurance policy.

A covering mortgage bond has been registered in the current year for R35 million over erf 11166 which serves as security for the R35 million Agri-loan which has financed the Sulamanzi expansion.

18. DEFINED CONTRIBUTION PLAN

The Group provides retirement benefits for its full time employees by way of contributions to a third party administered provident fund. All full-time employees are eligible to join the fund. Contributions to the fund is paid on a fixed scale. Substantially all the Group's full-time employees are members of this plan.

An amount of R3.0 million (2016: R2.3 million) was recognised during the year as an expense in relation to the provident fund's contributions.

19. FINANCIAL INSTRUMENTS

19.1 FAIR VALUE ESTIMATION

For financial instruments that are measured in the statement of financial position at fair value, disclosure is required of fair value measurements by level of the following fair value measurement hierarchy:

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

19.1 FAIR VALUE ESTIMATION (CONTINUED)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgment by the Group. The Group considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table presents the financial assets and liabilities that are measured at fair value at 30 June 2017:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Assets				
Financial assets at fair value through profit or loss				
– Foreign exchange contract assets	–	635	–	2 162
Total assets	–	635	–	2 162
Liabilities				
Financial liabilities at fair value through profit or loss				
– Foreign exchange contract liabilities	–	(466)	–	(466)
Total liabilities	–	(466)	–	(466)

The following table presents the financial assets and liabilities that are measured at fair value at 30 June 2016:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Assets				
Financial assets at fair value through profit or loss				
– Foreign exchange contract assets	–	2 162	–	2 162
Total assets	–	2 162	–	2 162
Liabilities				
Financial liabilities at fair value through profit or loss				
– Foreign exchange contract liabilities	–	–	–	–
Total liabilities	–	–	–	–

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily JSE equity investments classified as equity securities or available-for-sale.

19.1 FAIR VALUE ESTIMATION (CONTINUED)

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

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The Group does not have any level 3 instruments for the year ended 30 June 2017 and 2016.

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.

19.2 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of cash and cash equivalents, trade and other receivables and payables and foreign exchange contracts reported in the statement of financial position approximate fair value.

19.3 FINANCIAL RISK MANAGEMENT

Financial instruments are subject to the relevant risks in the table below:

	Credit risk	Liquidity risk	Interest rate	Exchange rate
Financial assets:				
Foreign exchange contract asset	✔			✔
Trade and other receivables	✔			✔
Financial liabilities:				
Foreign exchange contract liability		✔		✔
Trade and other payables		✔		
Borrowings		✔	✔	
Bank overdraft		✔	✔	

19.4 CREDIT RISK MANAGEMENT

Credit risk arises from financial instruments with banks and trade and other receivables (refer to note 8 excluding prepayments and value added tax) which exposes the Group to credit risk.

The Group uses derivative financial instruments in the form of foreign exchange contracts. Only financial institutions with a minimum independent credit rating of "A" are used for these purposes.

Substantially all foreign trade receivables relate to clients in the Far East (Hong Kong, Singapore, China, Japan and Malaysia). Credit risk is reduced by performing credit checks on all clients prior to engaging in trade and enforcing strict payment terms. At year-end there was no provision for bad debts.

19.5 LIQUIDITY RISK MANAGEMENT

The Company's cash and cash equivalents are monitored and measured against budget on a weekly basis and it is expected that the Group will be able to settle its trade and other payables as they become due. The credit terms with trade and other payables are 30 days from statement date.

The contractual periods of the 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	Total R'000
At 30 June 2017:				
Trade and other payables	33 259	2 595	–	35 854
Derivative financial instruments	466	–	–	466
Borrowings	5 644	18 204	326	24 174
Bank overdraft	(1 589)	–	–	(1 589)
	37 780	20 799	326	58 905
At 30 June 2016:				
Trade and other payables	13 338	2 233	5 017	20 588
Derivative financial instruments	–	–	–	–
Borrowings	4 798	5 009	25 226	35 033
Bank overdraft	(1 510)	–	–	(1 510)
	16 626	7 242	30 243	54 111

19.6 INTEREST RATE RISK

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

At 30 June 2017, if interest rates were 1 percentage point higher, with all other variables held constant, the loss before income tax for the year would have been R333 700 greater (2016: R454 500), arising as a result of the overdraft and loan positions at the end of 2017. Conversely, if interest rates were 1 percentage point lower, it would have an opposite effect on the loss with the same amounts. The sensitivity for 2017 and 2016 differ due to a decrease in the overdraft and loans at year-end.

19.7 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:

19.7.1 Foreign trade receivables

At 30 June 2017, if the Rand had weakened 10% against the US Dollar with all other variables held constant, the loss before income tax for the year would have been R0.34 million (2016: R0.83 million) lower. Conversely, if the Rand strengthened 10%, the loss would be less with the same amounts. This variation in the loss would be due to the fair value adjustment of foreign currency denominated trade receivables. The lower foreign exchange rate sensitivity in the loss is attributable to an decrease in these trade receivables at year-end.

19.7.2 Biological assets

Please refer to note 3.

Notes to the consolidated financial statements

for the year ended 30 June 2017 continued

19.7 CURRENCY RISK MANAGEMENT (CONTINUED)

19.7.3 Forward foreign exchange contracts

The Group uses derivative financial instruments to reduce exposure to fluctuating foreign exchange rates. To this effect the Group 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 2017, 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 R16.9 thousand (2016: R5.37 thousand) less. Conversely, if the Rand strengthened 10%, profit would be higher with the same amounts. The increased foreign exchange rate sensitivity in profit in 2017 compared to 2016 is attributable to the increase in open foreign exchange contracts at year-end.

Refer to note 9 on derivative financial instruments for details of the forward foreign exchange contracts.

19.8 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, less amounts accumulated in equity related to cash flow hedges. 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 return on capital above 20%; in 2017 the return was -13% (2016: 20.3%). In comparison, the weighted average interest expense on interest-bearing borrowings was 9.6% (2016: 9.4%).

The Group monitors capital using a debt to equity ratio. For this purpose, debt is defined as total liabilities (including deferred taxation) and equity comprises all components of equity. The Group's policy is to keep the ratio below 1.00. The Group's adjusted net debt to equity ratio at the end of the reporting period was 0.60 (2016: 0.54).

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

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

20. REVENUE

	2017 R'000	2016 R'000
Revenue comprises of the following sales of abalone products and related services:		
– Canned abalone	95 046	87 621
– Dried abalone	30 161	48 491
– Live abalone	33 521	38 330
– Live baby abalone (spats)	3 962	3 796
– Animal feed	24 993	8 228
– Frozen abalone	–	826
– Live packing of abalone	4	386
– Abalone livers	–	91
– Processing of abalone	–	76
	187 687	187 845

21. OTHER INCOME

The following items are included in Other Income:

– Shared infrastructure	1 458	1 212
– Insurance claim and rebates received	37 634	414
– Tourism income	–	3
– ADEP grant	375	347
– Profit/(loss) on disposal of fixed assets	67	(152)
– Other	354	79
	39 888	1 903

22. FAIR VALUE GAINS AND LOSSES IN FINANCIAL INSTRUMENTS

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

– Realised foreign exchange gains	18 395	5 534
– Realised foreign exchange losses	(9 666)	(18 284)
– Unrealised foreign exchange gains	9 345	4 024
– Unrealised foreign exchange losses	(11 338)	–
Net fair value gains/(losses) on financial instruments	6 736	(8 724)

23. PRODUCTION COSTS

Production costs comprise the following:

– Utilities (electricity and water)	19 087	18 278
– Feed	863	1 242
– Consumables	2 245	2 209
– Chemicals	1 038	854
Total production costs	23 233	22 583

Notes to the consolidated financial statements
for the year ended 30 June 2017 continued

24. EMPLOYEE BENEFIT EXPENSES

	2017 R'000	2016 R'000
Employee benefit expenses comprise the following items:		
– Wages and salaries	33 001	29 924
– Directors' remuneration	12 308	6 591
– Adjustment to share-based payment accrual	(1 190)	5 519
– Adjustment to accrual for short term incentive	2 203	3 385
– Provident fund contributions	2 542	2 250
– Protective clothing	542	297
– Staff tea and welfare	263	131
– Recruitment costs	178	41
Total employee benefit expense	49 847	48 138

The remuneration paid to directors and prescribed officers of the Group is detailed in the table below:

	2017 (R'000)					
	Basic salaries	Company contributions	Performance related 2016	Performance related 2017	Fees for meetings	Total
Executive director:						
TR Hedges	2 299	49	1 288	1 672	–	5 308
CH van Dyk	1 113	26	651	738	–	2 528
L-A Lubbe	–	23	691	661	–	2 246
Prescribed officer:						
J Bakker	858	13	159	190	–	1 220
Non-executive directors:						
HR van der Merwe	–	–	–	–	288	288
Dr P du P Hugo	–	–	–	–	120	120
Dr P du P Kruger***	–	–	–	–	51	51
GM Negota**	–	–	–	–	89	89
YJ Visser	–	–	–	–	102	102
JW Wilken	–	–	–	–	120	120
W Keast	–	–	–	–	89	89
SL de Villiers#	–	–	–	–	97	97
P Davies*	–	–	–	–	50	50
Total	**5 140**	**111**	**2 760**	**3 261**	**1 006**	**12 308**

* *Appointed on 1 January 2017*
** *Deceased on 7 May 2017*
*** *Resigned on 31 December 2016*
# *Representative for Futuregrowth*

24. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

	2016 (R'000)					
	Basic salaries	Company contributions	Performance related 2015	Performance related 2016	Fees for meetings	Total
Executive director:						
TR Hedges	2 190	25	456	–	–	2 671
CH van Dyk	1 049	14	188	–	–	1 251
L-A Lubbe*	787	11	157	–	–	955
Prescribed officer:						
J Bakker***	788	10	54	–	–	852
Non-executive directors:						
HR van der Merwe	–	–	–	–	269	269
Dr P du P Hugo	–	–	–	–	94	94
Dr P du P Kruger	–	–	–	–	99	99
GM Negota	–	–	–	–	83	83
YJ Visser	–	–	–	–	91	91
JW Wilken	–	–	–	–	112	112
W Keast	–	–	–	–	83	83
SL de Villiers**	–	–	–	–	31	31
Total	**4 814**	**60**	**855**	**–**	**862**	**6 591**

* *Appointed on 19 February 2016*
** *Appointed on 1 March 2016*
*** *Appointed on 1 July 2015*

Please refer to note 11 for details relating to the vesting of rights to executive directors in terms of the share-based payments plans.

25. (LOSS)/PROFIT FROM OPERATIONS

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

	2017 R'000	2016 R'000
Auditor's remuneration for audit services	452	330
Amortisation and write-offs of trademarks	46	59
Depreciation	13 452	12 825
Maintenance	4 730	4 219
Rentals	704	–
Operating lease charges	578	1 007
Professional fees	3 712	3 831
Legal fees	847	136

26. FINANCE COSTS

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

	2017 R'000	2016 R'000
Bank overdraft	200	982
Agri loan	2 375	2 690
Feed loan	806	994
Total finance costs	3 381	4 666

Notes to the consolidated financial statements
for the year ended 30 June 2017 continued

27. EARNINGS PER SHARE – BASIC

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

	2017 R'000	2016 R'000
(Loss)/profit attributable to ordinary shareholders (rands)	(33 337)	59 626
Weighted number of ordinary shares issued	133 333	133 333
Basic earnings per share (cents)	(25.00)	44.72

There are no potential dilutive instruments as at 30 June 2017 (2016: none).

28. EARNINGS PER SHARE – HEADLINE

Profit attributable to ordinary shareholders	(33 337)	59 626
Adjusted for:		
Net loss on sale of property, plant and equipment	(48)	109
Gross amount	(67)	152
Taxation	19	(43)
Net insurance claim and rebates received	(27 096)	(266)
Gross amount	(37 634)	(370)
Taxation	10 538	104
Headline earnings	(60 481)	59 469
Headline earnings per share (cents)	(45.36)	44.60

29. NOTES TO THE STATEMENTS OF CASH FLOWS
29.1 CASH RECEIVED FROM CLIENTS

	2017 R'000	2016 R'000
Revenue	187 687	187 845
Other income	39 888	1 903
Plus: Receivables at the beginning of the year	12 086	10 468
Less: Receivables at the end of the year	(15 508)	(12 086)
	224 153	188 130

29.2 CASH GENERATED FROM OPERATIONS

	2017 R'000	2016 R'000
Profit before tax	(49 121)	82 223
Adjustments for non-cash items	122 299	(46 221)
– Trademark amortisation and write-offs	46	59
– Amortisation of deferred income grant	(375)	(347)
– Depreciation	13 452	12 825
– Loss on sale of property, plant and equipment	(67)	152
– Fair value gains on biological assets	(29 533)	(195 706)
– Transfers from biological assets to inventories	136 093	138 158
– Share of loss in equity accounted investments	690	1 359
– Unrealised gain on revaluation of foreign exchange contracts	(635)	(2 162)
– Unrealised loss on revaluation of foreign exchange contracts	466	–
– Reversal of prior year gain on foreign exchange contracts	2 162	407
– Reversal of prior year loss on foreign exchange contracts	–	(966)
Separately disclosed items in statement of cash flow	3 381	4 666
– Finance costs	3 381	4 666
Changes in working capital:	22 867	10 792
– Decrease in inventory	11 024	5 152
– Increase in receivables	(3 422)	(1 618)
– Increase in trade payables	15 265	7 258
Cash generated from operations	99 426	51 460

30. RELATED PARTIES

30.1 IDENTITY OF RELATED PARTIES

- Mr TR Hedges is a director of Specialised Aquatic Feeds (Pty) Ltd, Mean Sea Level (Pty) Ltd and Abagold Ltd.
- Mr CH van Dyk is a director of Specialised Aquatic Fees (Pty) Ltd and Abagold Ltd.
- Dr P du P Hugo is a director of both Mean Sea Level (Pty) Ltd and of Abagold Ltd.
- The executive management team is considered to be key management. Executive management comprises of six (2016: six) employees which includes three executive directors, Mr TR Hedges, Mr CH van Dyk and Mrs L-A Lubbe.

30.2 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

30.2.1 Transactions with joint ventures

Refer to note 7 for transactions with joint ventures.

30.2.2 Transactions with key management

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

	2017 R'000	2016 R'000
Basic salaries	6 886	6 799
Share-based payments	4 245	–
Company contributions	154	149
Performance related	4 202	1 301
	15 487	8 249

30.2.3 Material related party balance

Loans receivable include the following amount to a related party:

	2017 R'000	2016 R'000
Abagold Development Trust	167	167

30.2.4 Securities issued to directors

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

	Number of shares ('000)		
Director	**Direct**	**Indirect**	**Total**
TR Hedges	443	–	443
CH van Dyk	42	–	42
L-A Lubbe	100	–	100
Dr P du P Hugo	–	6 000	6 000
GM Negota (deceased 7 May 2017)	100	15 067	15 167
YJ Visser	–	7 131	7 131

31. COMMITMENTS

31.1 CAPITAL COMMITMENTS

	2017 R'000	2016 R'000
Authorised by the directors		
– Contracted for	–	–
– Not contracted for	1 946	425

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

31.2 OPERATING LEASE COMMITMENTS

The Group rents certain of its farming land and the future minimum lease payments are as follows:

– Within one year	781	724
– After one year, but not longer than five years	4 951	3 521
– After five years	17 964	20 176
	23 696	24 421

In 2014 the 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.

32. EVENTS AFTER THE REPORTING DATE

Viking Aquaculture (Pty) Ltd purchased 30% of the Group's wholly owned subsidiary Specialised Aquatic Feeds (Pty) Ltd on 7 July 2017 for R9 950 000.

33. CONTINGENT LIABILITY

There are no contingent liabilities, other than those detailed in note 6.2.

34. OPERATING SEGMENTS

Basis for segmentation

The Group has the following two divisions, which are its 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 and non-abalone feeds.

The managing director and financial manager 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.

34. OPERATING SEGMENTS (CONTINUED)

	2017		2016	
	ABAGOLD R'000	SAF R'000	ABAGOLD R'000	SAF R'000
External revenue	156 243	24 993	170 575	8 228
Inter-segment revenue	6 452	11 169	9 042	12 013
Segment revenue	162 694	36 161	179 617	20 241
Segment profit (loss) before tax	(36 492)	(5 989)	88 953	(5 372)
Interest expense	(3 268)	(113)	(4 519)	(148)
Depreciation and amortisation	(13 497)	–	(12 884)	–
Share of profit (loss) of equity-accounted investees	(690)	–	(1 359)	–
Other material non-cash items:				
Changes in biological assets	29 533	–	195 706	–
Segment assets	413 063	31 072	458 352	5 498
Equity accounted investees	10 859	–	3 599	–
Capital expenditure	41 888	–	20 201	–
Segment liabilities	144 791	23 275	156 334	9 538

Reconciliation of information on reportable segments to IFRS measures

	2017 R'000	2016 R'000
Revenues		
Total revenue for reporting segments	198 855	199 858
Elimination of inter-segment revenue	(11 169)	(12 013)
Consolidated revenue	187 687	187 845
(Loss)/profit before tax		
Total (loss)/profit before tax for reportable segments	(42 480)	83 582
Elimination of inter-segment profit	(5 951)	–
Share of profit/(loss) of equity-accounted investees	(690)	(1 359)
Consolidated (loss)/profit before tax	(49 121)	82 223
Assets		
Total assets for reportable segments	444 135	463 850
Elimination of inter-segment transactions	(57 725)	(14 112)
Equity-accounted investees	7 114	3 599
Consolidated total assets	393 524	453 337
Liablities		
Total liabilities for reportable segments	168 066	165 872
Elimination of inter-segment transactions	(20 509)	(7 839)
Consolidated total liabilities	147 557	158 033
Other material items		
Interest expense	(3 381)	(4 666)
Capital expenditure	(41 888)	(20 201)
Depreciation and amortisation	(13 497)	(12 884)
Biological asset movements	29 533	195 706

Shareholder and administrative information

Analysis of shareholders at 30 June 2017

	Number of shareholders		% Holding	
Size of holdings	**2107**	**2016**	**2017**	**2016**
Less than or equal to 1%	56	56	8.65%	9.5%
More than 1% but less than or equal to 5%	7	7	13.5%	20.7%
More than 5% but less than or equal to 10%	3	3	27.8%	22.7%
More than 10% but less than 20%	4	4	50.1%	47.1%
	70	**70**	**100%**	**100%**

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

Entity	Holding
Afropulse 496 (Pty) Ltd	15.0%
Old Mutual Life Assurance Company Ltd	13.0%
Bonne Esperance Trust	11.6%
Wenakker (EDMS) BPK (OFR71)	10.5%
Sea Yields Investments (Pty) Ltd	10.0%
KGMF Trust	9.7%
Johan van Dyk Family Trust	8.0%

Corporate information
Abagold Limited
Reg no: 1995/070041/06

Company Secretary
Deon Malherbe

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

Auditors
KPMG Inc.
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 2017 annual general meeting ("the meeting") of the shareholders of Abagold Limited ("the Company") will be held at 09h00 on Saturday, 9 December 2017, at The Class Room Restaurant and Function Venue, Hemel en Aarde Village, corner R43 and Main Road, 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, be adopted with or without amendment.

Special resolution 1: Non-executive directors' remuneration
Resolved that the non-executive directors' annual remuneration, in their capacity only as directors of the Company, from 1 January 2018 be paid in accordance with the following, together with such amount of Value-Added Tax ("VAT") as may be attributable thereto:

For services as:	
Basic remuneration as director, excluding chairman of the Board	R98 003
Basic remuneration as chairman of the Board	R294 010
Chairman of a committee of the Board	R24 501
Member of a committee of the Board	R9 800

as well as such VAT as may be attributable to directors' fees for services rendered for the period from 1 June 2017.

Reason and effect
The reason for and the effect of special resolution number 1 is to grant the Company authority to pay remuneration to its non-executive directors for their services as directors, as well as VAT thereon, in line with the requirements of King III, King IV and the Act.

Special resolution 2: Financial assistance to related or interrelated entities
Resolved that the directors, in terms of and subject to the provisions of Section 45 of the Act, be authorised to cause the Company to provide any financial assistance to any company or corporation which is related or interrelated to the Company.

Reason and effect
The reason for and effect of this special resolution number 2 is to grant the directors of the Company the authority to cause the Company to provide financial assistance, in the normal course of business, to any company or corporation which is related or interrelated to the Company.

Ordinary resolution 1: Consideration of the annual financial statements
Resolved that the meeting has considered the consolidated annual financial statements for the year ended 30 June 2017.

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 JW Wilken
2.3 Mr W Keast

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

Ordinary resolution 3: Election of members of the audit and risk committee

Resolved that the following independent non-executive directors be elected, each by way of a separate resolution, as members of the audit and risk committee of the Company for the period from 10 December 2017 until the conclusion of the next annual general meeting (in the case of Mr Wilken, subject to his re-election as director pursuant to ordinary resolution 3.2 above):

3.1 Mr P Davies
3.2 Mr YJ Visser
3.3 Mr JW Wilken

Auditor appointment

Shareholders will be addressed prior to the meeting by way of a separate circular regarding the Board's recommendation to shareholders on the appointment of the independent auditor at the meeting.

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 one vote irrespective of the number of shares held or represented. On a poll, he/she/it will have a number of votes equal to the number of ordinary shares held or represented.

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

Forms of proxy are requested to be lodged with the Company secretary (using the return options set out on the back of the proxy form), for ease of administration, by no later than 16h00 on Thursday, 7 December 2017. 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

D Malherbe
Company Secretary
22 September 2017


ABAGOLD

ABAGOLD

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

PROXY FORM

Proxy form for use at the annual general meeting ("the meeting") of Abagold Ltd (the Company) to be held on 9 December 2017 at 09h00 by ordinary shareholders who are unable to, or who do not wish to, attend the meeting in person, but wish to be represented thereat.

I, the undersigned ______________________________

Please print full names

of address: ______________________________

being the registered holder of ______________________________ ordinary shares
in the capital of the Company do hereby appoint

______________________________ or failing him/her

______________________________ or failing him/her

the chairman of the meeting as my proxy to act for me and on my behalf at the above-mentioned meeting for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed for adoption thereat, and at any adjournment of that meeting, and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares registered in my name, in accordance with the following instructions:

No.	Business	In favour of	Against	Abstain
	Special resolutions			
1	Approval of non-executive directors' remuneration from 1 January 2018			
2	To enable the provision of financial assistance to related or interrelated entities			
	Ordinary resolutions			
1	Consideration of consolidated annual financial statements for the year ended 30 June 2017			
2	Re-election of directors retiring by rotation, each by separate vote:			
	2.1 Mr H van der Merwe			
	2.2 Mr W Keast			
	2.3 Mr H Wilkin			
3	Election of members of the audit and risk committee, each by separate vote:			
	3.1 Mr P Davies			
	3.2 Mr YJ Visser			
	3.3 Mr JW Wilken			

(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 ____________________ 2017

Signature: ______________________________

NOTES

1. A member entitled to attend and vote is entitled to appoint a proxy to attend, speak and on a poll vote in his/her stead, and such proxy need not also be a member of the Company.
2. Should a proxy not be specified, the chairman of the meeting will act as the proxy.
3. An ordinary shareholder's instructions to the proxy must be indicated by inserting the relevant number of votes exercisable by him/her in the appropriate space provided above.
4. If any ordinary shareholder does not indicate on this instrument that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives 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 2017, 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 Paragraph 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 2017.

Notes

Notes

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