ABAGOLD

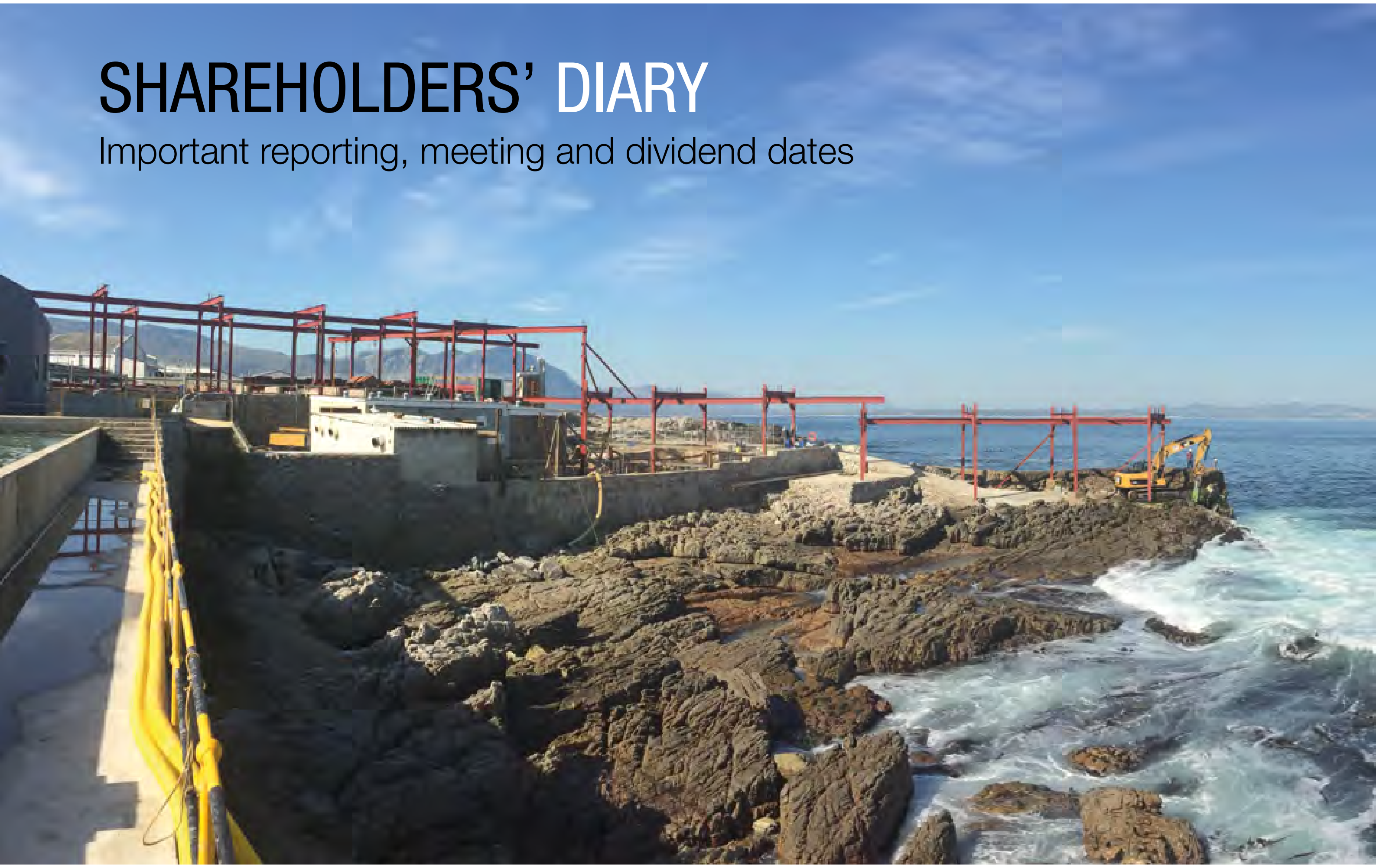
INTEGRATED REPORT
2015


PEOPLE. PLANET. PROFIT.


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

SHAREHOLDERS' DIARY

Important reporting, meeting and dividend dates



REPORTS AND DIVIDENDS:

30 JUNE 2015
Financial year-end

18 SEPT 2015
Annual financial statements approved

18 SEPT 2015
Declaration of final dividend

16 OCT 2015
Last day to register (LDR)

30 OCT 2015
Payment of final dividend

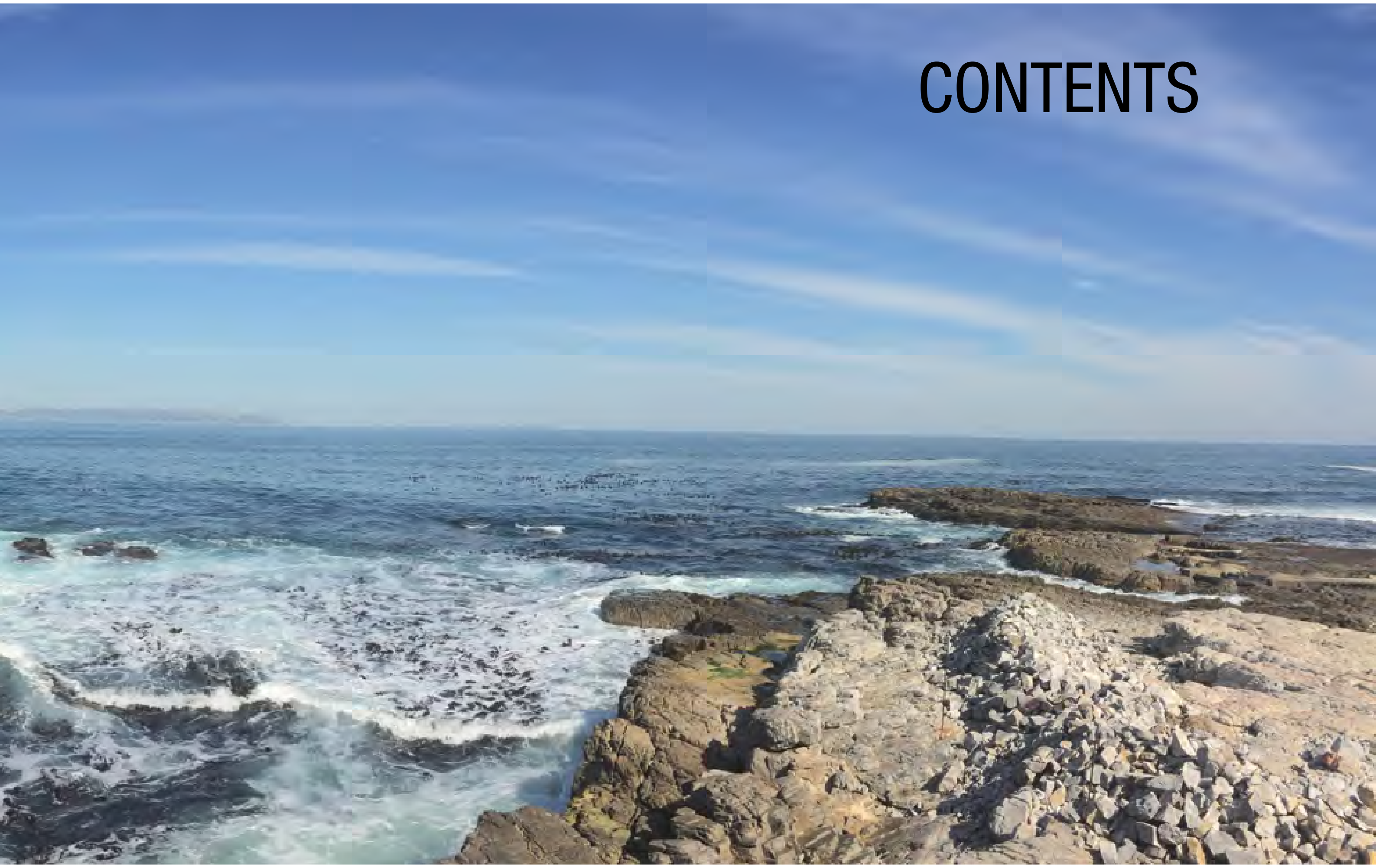
29 FEB 2016
Interim financial statements for the half-year to 31 December 2015

MEETINGS:

12 DECEMBER 2015
ANNUAL GENERAL MEETING

DATE Saturday, 12 December 2015
TIME 09h30
VENUE Whale Coast Hotel
Hermanus

CONTENTS



Samela Mgwedane (Sulamanzi) is the Abagold Way – Kaizen, champion for Sulamanzi.

WE ARE COMMITTED TO A SUSTAINABLE OPERATION

VISION / MISSION / VALUES

INTEGRITY
RESPECT
QUALITY
INNOVATION
RESPONSIBILITY

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 commensurate returns to our shareholders, returning value to our stakeholder community through environmentally responsible practices, social upliftment and world-class operational excellence and profitability.

OUR Values

Integrity

尊重

Through purpose and principle we ensure natural and safe products

Respect

廉正

For each other, shareholders, society and the planet

Quality

责任

Everything we do and produce

Innovation

革新

Striving for continuous improvement

Responsibility

质量

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

ACHIEVEMENTS DURING 2015

Highlights

Abagold has continued to grow its turnover, to R125 million for the 2015 financial year, an increase of 6% from the R119 million in the 2014 year – this was achieved despite difficult market conditions which resulted in the average USD price dropping on all abalone formats.

Growth on the farms exceeded 300 tonnes.

Total tonnage on the farms increased by 11% to reach 549 tonnes.

Sulamanzi farm expansion continued and houses 175 tonnes (2014: 85.3 tonnes), over 6 million animals.

Our hatchery produced 7 million spats (2014: 5.9 million) and sold excess spats to the value of R2.0 million (2014: R1.5 million).

Average monthly production of formulated feed for abalone increases from 50 tonnes (2014) to 625 tonnes (2015).

Specialised Aquatic Feeds (Pty) Ltd feed plant nears completion and includes the capacity to produce non-abalone feeds.

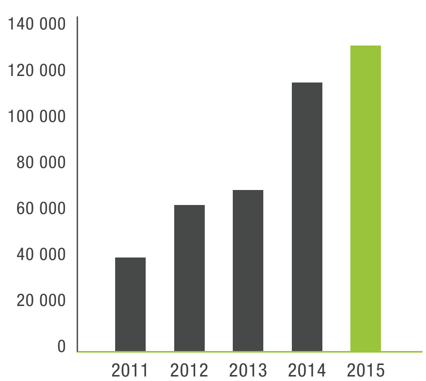
Abagold receives its "Friend of the Sea" certification – this is the first abalone farm in the world to do so.

Total employment reached 376 employees in 2015, making Abagold one of the largest private sector employers in Hermanus.

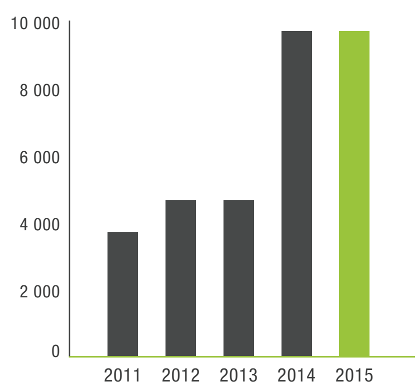
Abagold employed 66 learners as part of government's Workplace Skills Programme.

Abagold continues with its joint venture and pilot project to develop an abalone farm in Oman.

REVENUE R'000



DIVIDENDS DECLARED R'000



Kwanele Tom (Sulamanzi) is busy completing his Aquaculture Production Management Diploma through Stellenbosch University and is a supervisor at Abagold.

DATES THAT MADE HISTORY

1984

Dr Pierre Hugo researches breeding abalone in captivity

1989

Experimental breeding of abalone in Old Harbour, Hermanus

1991

Pilot hatchery set up in the Old Harbour, Hermanus

1993

500 000 abalone larvae released into the Old Harbour for re-seeding

1995

Hermanus Abalone (Pty) Ltd incorporated

1998

Sea View abalone farm (60 tonnes per annum capacity) established in the New Harbour, Hermanus

1999

100 kg of live farmed abalone exported to the Far East

2002

Bergsig abalone farm in Hermanus purchased

2003

Hermanus Abalone (Pty) Ltd changes its name to Abagold (Pty) Ltd

2005

Bergsig development is completed

2006

Joint venture Abamax Abalone Farm (Pty) Ltd is set up in the New Harbour

World-class processing facility is commissioned

2007

Abagold develops its "Pure Gold Abalone" brand

Abagold becomes the sole owner of Abamax Abalone Farm (Pty) Ltd (Amaza farm)

2008

Abagold converts to a public company, traded on the "over-the-counter" market

2010

Abagold purchases a 7ha site adjacent to the New Harbour to develop the Sulamanzi farm

BBBEE shareholding transaction concluded

2011

Sulamanzi development begins

2013

Abagold wins the inaugural South African Premier Business Award for Exporter of the year 2013

Abagold wins the Cape Chamber of Commerce Innovation Award

2014

Specialised Aquatic Feeds (Pty) Ltd set up to develop group's feed production business. Construction of a new feed plant commences

Abagold obtains a 43% stake in Mean Sea Level (Pty) Ltd to pursue Abagold's renewable energy goals. Construction begins on wave energy and effluent power recovery

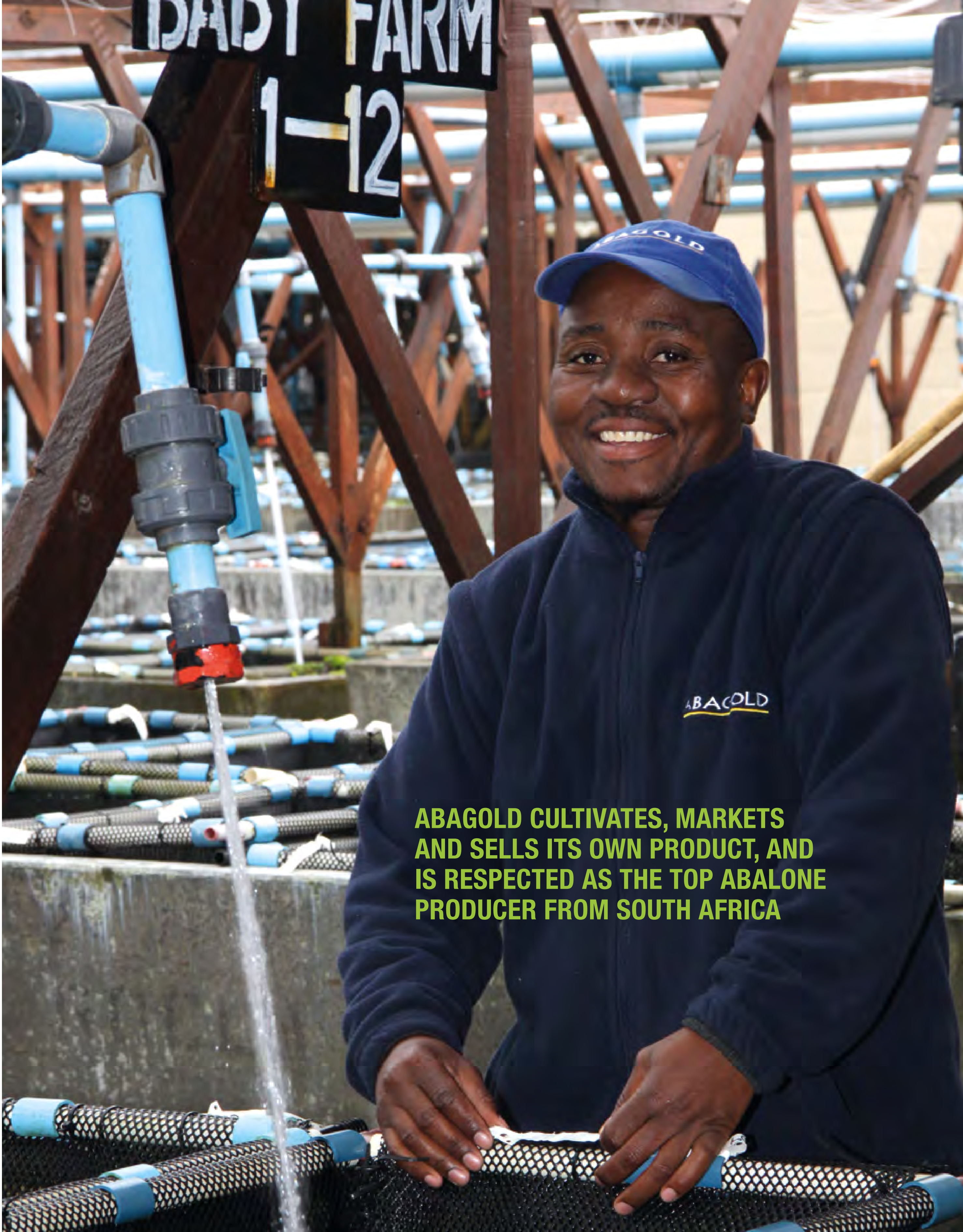
Abagold obtain a stake in Port Nolloth Sea Farm Ranching in Kleinzee

Joint venture is entered into for the pilot development of an abalone farming business in Oman

2015

See "Achievements during 2015" on page 06


WE ASPIRE TO ACHIEVE OUR VISION
THROUGH INNOVATION, SCIENCE AND
AQUACULTURE BEST PRACTICE



Nkosemntu Gwazela (Sea View) is the section manager, and is busy completing the Aquaculture Animal Production Learnership Programme.

ABAGOLD CULTIVATES, MARKETS AND SELLS ITS OWN PRODUCT, AND IS RESPECTED AS THE TOP ABALONE PRODUCER FROM SOUTH AFRICA

BUSINESS MODEL AND STRATEGY

Abagold is the largest abalone producer in South Africa and the only one to export its abalone under its own registered Chinese trademark. The farms' abalone is processed in our world-class ISO 22000-accredited facility and sold on a sustainable basis through our established marketing and sales channels.

4-tier business model	Description of tiers	Current status	10-year strategic objectives
		Market: Asian high-end	
Marketing	Brand/trademarks/ alliances	Abagold markets and sells its own product and is respected as the top abalone producer from South Africa. Market intelligence allows the business to be flexible and succeed in a changing environment.	To achieve premium pricing through consistent quality and establishing the Number 1 brand for abalone in all our markets. To unlock value through sales partnerships in export countries.
Processing	Recipes/styles	Abagold owns a world-class ISO 22000-accredited processing facility which enables us to leverage off good customer relations and acquired intellectual property in processing techniques, to satisfy changing market needs and demands.	To achieve product diversification through processing and value adding.
Production	Grow out/farming operations	Abagold currently owns the following four farms: Sea View, Bergsig, Amaza and Sulamanzi. Ranching partners are identified and spats are being continually placed in the sea on the West Coast of South Africa. Abagold has engaged in a 50/50 joint venture to farm abalone in Oman and this project is nearing commercialisation.	To grow production of abalone to a total of 1 000 tonnes per annum. To diversify production of abalone through ranching and international presence. To develop and produce other complementary species to ultimately represent 25% of turnover. To enhance production efficiency through selective breeding and husbandry.
Infrastructure and systems	Hatcheries	Abagold owns a state-of-the-art hatchery which produces industry best spats for its own production, ranching needs and for selling to other farms.	World-class hatcheries producing top-quality spat.
	Management systems	Abagold is the forerunner in terms of operating and management systems. This enables running nearly 44 000 baskets on our current farms at 95–98% occupancy, well above the industry norm.	To establish scaleable IT and management systems to support our growth strategy. The intention is to have a supply and demand system directly interlinked to enable fast adaptation to changing market conditions.
	Feeds	Abagold has researched and developed several abalone feed formulations and built its own feed manufacturing plant to produce required volumes. The ability to produce in excess of 200 tonnes of varied aquaculture and specialised feed has created the ability to diversify risk profile and generate a stable source of revenue.	To produce a range of feeds (natural and formulated) for own use and for sale, producing in excess of 1 000 tonnes per month.
	Alternative energy	Abagold has invested in Mean Sea Level (Pty) Ltd which is developing alternative energy solutions, including a world-first wave energy converter (WEC).	To have participated and shared in a range of renewable energy options, including wave, in order to maximise cost effectiveness and reduce dependence on the national grid.

SUSTAINABILITY REPORT

Our objective at Abagold is to deliver sustainable value to stakeholders through three critical elements…

PEOPLE, PLANET AND PROFIT

Our short-, medium- and long-term strategies are built on these elements which in turn inform values, key performance indicators and measurements from company-wide to individual level.

PEOPLE

We believe that our employees are the heart of our business and that sustainability is built by the long-term development and retention of a skilled, motivated workforce.

Long-term retention is achieved through offering each employee fair remuneration, opportunities for development, a safe working environment and effective communication.

Fair remuneration

Abagold's remuneration strategy is driven by its remuneration committee and its aim remains to attract, develop and retain high performing employees, while motivating them to perform in alignment with clearly defined business objectives. The business strives to recognise and reward outstanding performance, innovation and the embracing of our core values. Remuneration trends are continually monitored and assessed. Abagold's minimum wage is 57% more than the minimum Sectorial Determination (SD) for farm workers as set by the Department of Labour.

Development

Individual development

Individual development is achieved through training. During 2015 we invested nearly R1 million of our remuneration costs and an average of 1 065 hours per month in training and development across all levels of employment.

Abagold was the first abalone farm to invest in adult basic education and training (ABET) as the primary means of improving employees' communication and numeracy skills. This education is the foundation for further development of employees. At a foundation level both adult education and training (AET) and life-skills training continue to be offered to interested employees. A total of 304 AET certificates have been awarded to date. The life-skills programme focuses on HIV/AIDS and tuberculosis, substance abuse, personal hygiene, building effective relationships, financial management, and positive parenting.

Abagold has introduced aquaculture training through learnerships. Learning material has been developed to comply with registered unit standards for "Animal Production: Aquaculture Skills Training Programme" at NQF level 1, and was presented to learners through skills courses. The first eight learners have earned a full qualification – this was a first in the aquaculture industry. Subsequent to this, Abagold has commenced training with another 22 learners (whom we expect to qualify by January 2016), and other abalone farms have followed suit and adopted this programme too.

Community development

In addition to individual development, we are committed to community development through the Abagold Development Trust (the Trust). The Trust is a 10% shareholder of Abagold and is therefore entitled to dividends. These dividends must first pay back the R35 million relating to the financing of the shares. Abagold Ltd has committed to contribute its annual Corporate Responsibility (CSR) budget to the Trust to enable it to start reaching its stated objectives. The Trust's objectives include activities in the areas of education, development programmes and job creation in the Greater Hermanus region, and in advancing community upliftment and development of impoverished individuals in Mount Pleasant, Hawston and Zwelihle.

Initiatives completed this year include the allocation of funds to the launch of the Clive Prins Youth Substance Intervention programme (CPYSI). This programme aims to address the lack of treatment available in the Overstrand area for children battling addiction. This programme was named after one of Abagold's longest standing employees who was killed by a youth allegedly under the influence of a habit-forming substance.

The programme seeks to:

- provide an outpatient programme for learners in the Hawston, Mount Pleasant and Zwelihle areas who are addicted to substances. The programme will be based in schools to facilitate ease of access for patients (based on the Mudita Foundation Model);
- provide an opportunity for these learners to detoxify and offer them support in order to rehabilitate themselves;
- provide a support programme for parents whose children have committed to rehabilitation; and

In 2015 Abagold celebrated Mandela Day by upgrading the Khanye Educare Centre in Zwelihle.

Khanye Educare Centre in Zwelihle.

ABOVE: Great care being provided at the Izibusiso Shelter, a home in Zwelihle for abandoned and vulnerable children under the age of four. Abagold has been supporting their infrastructure, electricity and some healthcare needs for a number of years.
BELOW: The Abagold Choir at their much acclaimed Hermanus FynArts Festival performance in June 2015.

ABOVE: The Abagold Development Trust contributed to the establishment of a sustainable vegetable garden at the Waldorf School in Sandbaai, which now feeds all the children on a daily basis.

After the improvements that Abagold made on Mandela Day in July 2015 to the EJ Lombardi House in Mount Pleasant, the participants were quick to show that age is no impediment as they practised for their Golden Games Competition.

THE ABAGOLD DEVELOPMENT TRUST FOCUSES ON EDUCATION AND JOB CREATION IN COMMUNITIES AROUND US

- ensure that the learners' academic progress is not impeded by their participation in the programme, and provide the learners with support to improve their academic performance.

The intervention will use the Matrix Model which is a tried and tested outpatient model for rehabilitation, and is the only one approved by the Department of Social Development.

Abagold also supported the Abagold Choir, which was once again invited to participate in the FynArts Festival. The well-attended performance has already led to a number of further invitations to perform within Hermanus and in next year's FynArts festival. Members of the choir feel that it provides a platform for sharing views, relationship-building, travel, and the opportunity to express themselves whilst entertaining others.

Transformation

We are mindful that operating in a post-Apartheid South Africa requires us to empower our previously disadvantaged employees (PDEs) with the opportunities to realise their career objectives and to grow within our organisation. To this end, Abagold has invested over 70% of its development budget in PDEs, and 64% of all appointments and 100% of all promotions were of PDEs.

A safe working environment

Occupational health and safety

Abagold prioritises the occupational health and safety of our employees, and makes every effort to embed safety into our culture. We comply fully with the Occupational Health and Safety Act 8, 85 of 1993, including its regulations, as well as the Compensation for Occupational Injuries and Diseases Act, 130 of 1993.

During the past year, Abagold intensified its occupational health and safety by:

- implementing daily safety talks;
- training all appointed health and safety representatives, first aiders and fire fighters;
- reviewing and renewing all mandatory safety signs and displaying safety information and awareness signs; and
- awarding recognition awards for champions of safety.

Workplace Wellness Programme

The Abagold Workplace Wellness Programme is designed to support employee health through a variety of activities. These activities include health education, medical screenings, wellness days, and HIV/AIDS testing and education. Due to the significant impact that HIV/AIDS has on employees and the community, we have made this a focus area. Our initiatives include on-site testing, education and the distribution of antiretroviral drugs to affected employees.

In addition to this, the Abagold Clinic has obtained authorisation to dispense Schedule 4 medicines. This assists our employees and their immediate dependents in obtaining affordable access to optimal healthcare. Abagold also benefits from improved productivity and work attendance from employees.

Communication

Abagold remains committed to transparent and consistent communication. We continue to share information with shop stewards and workplace committees, and ensure that we practise fair labour practices on a consistent basis. Abagold has had no CCMA complaints for a third year running. We are committed to sound relationships which serve to enhance productivity and performance and which are not purely compliance-orientated.

PLANET

Our main environmental objective is to minimise and manage our impact on the environment. This is done by embedding best practices into our farming disciplines.

Regulatory compliance

Abagold's activities in primary aquaculture are highly regulated by various laws and standards. The Integrated Coastal Management Act focuses on the conservation of coastal resources and protection of the environment. The National Environmental Management Act ensures environmental sustainability in our industry. The Marine Living Resources Act provides the framework under which we receive our rights and permit to farm and export our product internationally.

Accreditations

Abagold's processing facility received its Hazard Analysis and Critical Control Point (HACCP) accreditation through the internationally recognised certification agency SGS. Compliance with food safety standards is achieved as all canned products are tested and approved by the National Regulator for Compulsory Specifications (NRCS) prior to export. Our products are measured against the guidelines set by the Food and Agriculture Organisation (FAO).

During the year the processing facility obtained the prestigious ISO 22000 Food Safety Management System accreditation which assures customers of the quality of our product in addition to ensuring food safety. In the current year, Abagold was audited and received the critical "Friend of the Sea" sustainability accreditation – the first abalone farm in the world to do so.

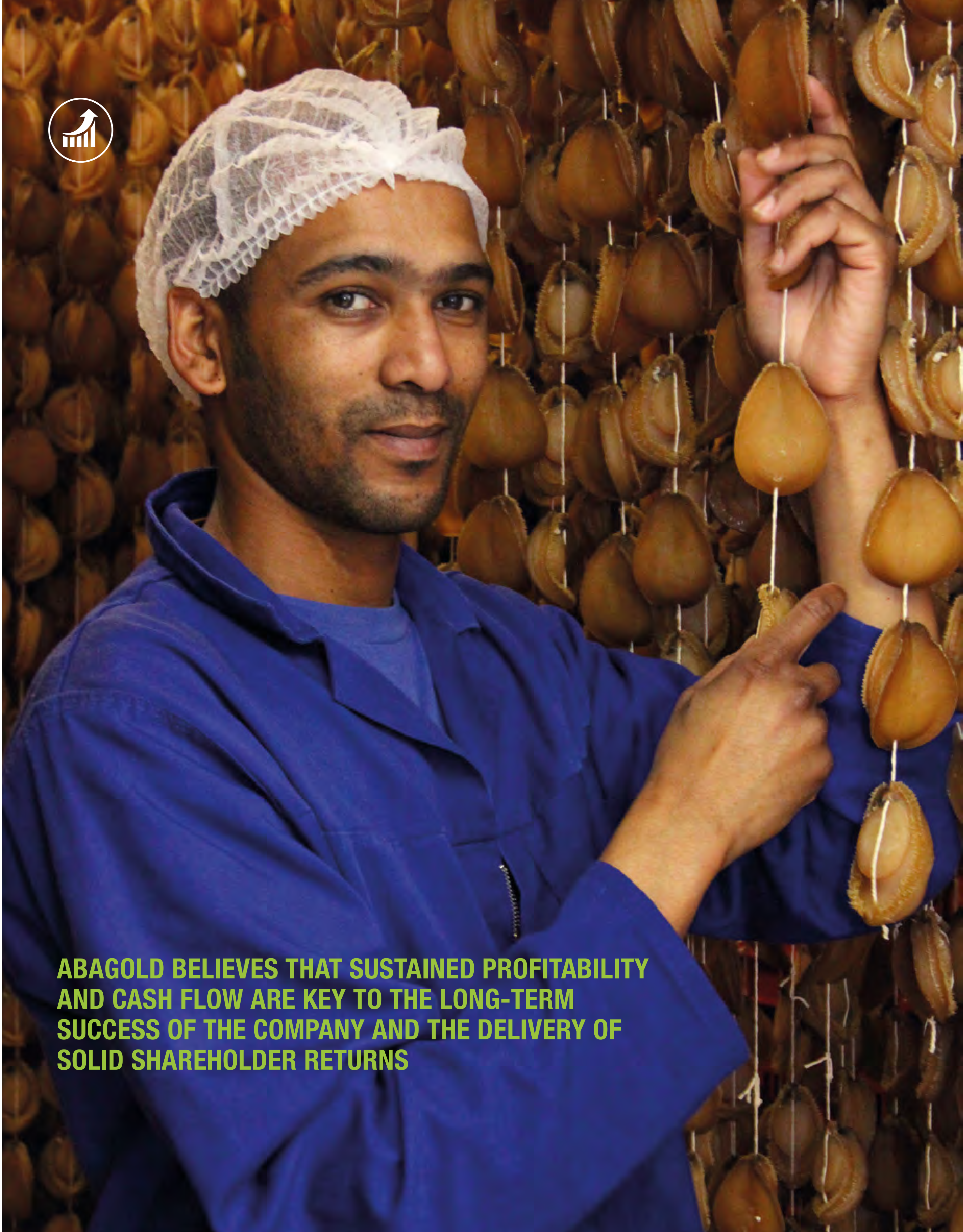
Energy consumption

The consistent, cost-effective supply of electricity is of critical importance to the sustainability of farming operations. As a result, systems, processes and initiatives are continuously monitored and evaluated to ensure an optimal and sustained supply.

South Africa has been hard hit by continuous load-shedding over the past year, resulting in interrupted electricity supply and concerns over possible rolling black-outs in the future. To counter this, Abagold has increased generator capacity and on-site fuel storage capacity to ensure continuous running during these periods of interruption. Furthermore, a comprehensive disaster recovery plan is in the process of being completed to further mitigate these risks.

The implementation of several capital projects to optimise energy usage has been completed. Despite a 15% increase in water flow and a 55% increase in air flow due to additional production units being

The Abagold Development Team helped to build this house from 2 litre plastic bottles in Zwelihle.



Roderick Louskit (Abagold Processing) is a specialist in the drying of abalone and he operates both the boiler and forklift.

ABAGOLD BELIEVES THAT SUSTAINED PROFITABILITY AND CASH FLOW ARE KEY TO THE LONG-TERM SUCCESS OF THE COMPANY AND THE DELIVERY OF SOLID SHAREHOLDER RETURNS

developed, our energy usage only increased by 3%.

Abagold's associate company Mean Sea Level (Pty) Ltd continues to focus on alternative energy generation. MSL has successfully commissioned the Energy Recovery Turbine (ERT) which was designed and built in-house and is currently recovering more than 40KW of energy on a continuous basis from the Bergsig return flow stream. The water stream from the Sea View and Amaza farms will be added to the ERT in the forthcoming year to increase the recovered energy. Development on the construction of the Wave Energy Converter (WEC) has continued. All equipment and components for this world-first project have been constructed, and the next phase of casting and placing the precast concrete units in the sea will begin in the next financial year.

Abagold and MSL continue to investigate and analyse all potential areas of energy optimisation that can benefit Abagold. Photovoltaic (solar) generation, pumped reservoirs and wind generation are frequently revisited to determine their benefits and feasibility.

Feed consumption

Abagold manages feed sources and feeding efficiency to internationally accepted environmental standards. Over the year, Abagold has reduced its dependency on kelp harvested from the sea, thereby reducing pressure on natural resources. To the extent that Abagold needs to purchase kelp, it is only done from a well-managed resource that has been legally harvested.

Abagold produces its own formulated feed to largely substitute for kelp. As feed efficiency and raw material selection are central to feed production and responsible aquaculture practices, Abagold has invested considerably in improving feed formulations with regard to feed conversion ratio and the selection of only approved and registered sustainable raw materials.

Effluent water and waste management

Abagold continuously monitors and evaluates samples of the farms' effluent to ensure compliance with relevant regulations. We comply with the Department of Water Affairs regulations and we are monitored by the Department of Agriculture, Forestries and Fisheries.

PROFIT

Abagold believes that sustained profitability and cash flow are key to the long-term success of the Company and the delivery of solid shareholder returns.

Profitability

To maximise profitability over the short, medium and long term, Abagold will continue to focus on increasing turnover, optimising return on investment and ensuring sustainability of supply, while managing cost efficiency.

Our turnover strategy centres on delivering a high-quality product and service to a core base of loyal sales agents and customers, while developing new products, customers and expanding into new territories. We focus on entrenching our Abagold brand position and implementing and leveraging key differentiators. We are critically aware that the customer drives our business, and as such we invest heavily in market intelligence and relationship building. Given the current volatility in our market, we intend to intensify this approach and commitment in the forthcoming years.

Cost control is essential to maintaining our margins in an inflationary operating environment, where the market that has seen significant recent price pressure. We strive to optimise our farming and processing practices to deliver the highest quality products at the lowest possible cost. Improved husbandry techniques and general business intelligence are key to Abagold's ability to achieve this and will remain a focal point in 2016. In addition, strong governance practices will continue to result in responsible and accountable spending in all areas of our business. While controlling costs, we are cognisant of the sustainability of key supplies to our operations such as electricity, feed, water and processing. To this end, Abagold has strengthened its position through vertical integration. Since opening its own processing factory, Abagold has successfully produced its own canned, dried and live abalone products. In 2013, Abagold commenced with the production of its own abalone feed and this has been further consolidated into a state-of-the-art factory, Specialised Aquatic Feeds (Pty) Ltd. This factory is now focusing on expanding its product offering to non-abalone feed, which will further bolster Abagold's profitability, while helping to diversify the business. Supply of electricity remains a challenge, and has intensified in the face of recent load-shedding. To this end, Abagold has supported and invested in various initiatives as mentioned earlier.

We use IRRs (internal rates of return) to ensure the highest possible return on capital expenditure, and we continuously re-examine our margins on all products and services to ensure that our resources are optimally deployed to deliver the highest profitability.

Cash flow

Cash flow is the life-blood of any company, and this is even more so at Abagold as we focus on an aggressive growth strategy.

To optimise cash flow and cash on hand, we manage our cash business cycle very tightly. Debtors days, creditors days and stock turnover days are continuously monitored and corrective action taken immediately on any negative variances.

We monitor our cash flow to ensure that our treasury function delivers the highest returns and a sustained funding supply.


ABAGOLD

CHAIRMAN AND MANAGING DIRECTOR REPORT

Overview of the year ended 30 June 2015

The format, introduced last year, of a combined report by the chairman and managing director in which we address the key aspects in our business without unnecessary duplication, was well received as effective and informative, and has thus been retained this year.

Financial results

Abagold's performance in a year that can be described as difficult and somewhat complicated, may be regarded as quite satisfactory. By carefully managing harvesting from our production pipeline to match market demand, we were able to achieve this without undue impact on our longer-term growth plans.

As these are important for a better understanding of our business, we explain the three key elements that largely shape our operating results – sales, production performance, and costs.

Sales are the result of tonnages sold, USD prices achieved and the applicable ZAR/USD exchange rate. We achieved record sales of 337.4 tonnes of live equivalent abalone, improving last year's record high by 1%. Due to continuing weak market conditions and smaller average sizes of abalone sold (in line with market demand) prices achieved were on average 9% lower in USD terms. Fortunately, these lower USD prices were compensated for by a 12% weaker average R/USD exchange rate.

Production performance was increased to 354 tonnes total growth from 305 tonnes in 2014, a marked improvement on the previous year's flat growth. Lower market demand overall, coupled with a higher demand for smaller abalone, required a deviation from our previously planned harvesting programme as we had to process animals smaller and earlier than planned to meet current market demand. This did affect our stockholding negatively, but by year-end the situation had normalised.

Cost control remained pleasing, but inflation and three unavoidable key items contributed to a 12% increase in total costs from the previous year. These were export costs, third-party stock purchases, and cost of planned expansion.

Export costs remained significantly higher due to airfreight charges for live abalone and some canned abalone. Live abalone requires overnight delivery (i.e. air freighting), and 24% of canned sales were last-minute orders requiring urgent delivery. Fortunately, these higher export costs were mostly recovered from higher sales prices per kilogram for live abalone, which reflected in the increased turnover.

The changed market demand for smaller abalone sizes resulted in Abagold buying in third-party stock in order to meet demand and maintain market share. This was necessary as we had limited quantities of the specific sizes in stock.

The expansion of the Sulamanzi farm resulted in costs increasing in line with the growing levels of activity on the farm. This trend will flatten out as we reach full production on Sulamanzi towards the end of calendar year 2015.

Demand for abalone continued to recover in the 2015 year from the downward spike in 2013/2014, albeit at lower USD prices. Growing demand further and getting USD price levels up remain the greatest challenges to the business.

The different formats of abalone – dried, live and canned product – each faced its unique challenges in the fiscal year. Demand for dried abalone improved during the latter part of 2014 and through Chinese New year 2015, but the price has almost halved in the market, primarily due to the lower demand for dried product from mainland China. We continue to see large volumes of illegal (i.e. poached) South African abalone being sold in China, and although general demand is improving, price recovery may take a few years.

Live abalone has been the most stable form of sales in 2014 and 2015, and here downward pressure on pricing has been less severe and the demand remains consistent. The Abagold product is highly sought after due to the hardy nature of the Haliotis Midae species and the ability for it to be exported with very low levels of mortality.

Abagold continues to export the majority of our volume in canned format. Unfortunately, it is this market that has experienced the most change. Compared to the historical demand curve, the market is demanding smaller sizes of canned abalone. This has resulted in us reviewing the way our abalone is farmed and the sizes at which it is harvested. A more robust and flexible abalone pipeline has now been developed which has positioned the business well to react more swiftly to future changes in market demand.


Tel:
Fax:

Over the past eighteen months Abagold has successfully targeted geographical markets beyond Hong Kong, to now include Singapore, Japan, Korea, Taiwan, Thailand and Malaysia. It has been difficult to maintain pricing in these new markets, where weakening local exchange rates versus the USD have also had an impact on the average USD selling price to many of these markets.

Cash generated from operations decreased by 56% from R37.2 million last year to R16.2 million in 2015. Increased export costs, the purchase of third-party stock and the Sulamanzi expansion are the main reasons for this decrease.

During this financial year the Sulamanzi project, which was previously paused to assess the impact of the downward spike in the market, was brought back on track, and 90% of all the planned units are now in operation, with the last two units to be completed in the 2016 fiscal year. This expansion, along with the development of the Feed Factory and other capital projects, resulted in a R48 million capital spend versus R13 million in the previous year. At year-end we had 175 tonnes or 6.6 million abalone on this new farm out of a total of 549 tonnes or 12.5 million abalone on all our farms combined.

Fair value adjustments to biological assets and inventory have a material impact on our results due to changes in prices and exchange rates reflected in these. To facilitate an improved understanding of the Company's core operational performance we present an alternative Income Statement, reconciled to the reported results.

Profit from Operations is the reported profit excluding the effect of any unrealised currency exchange gains or losses arising from the revaluation of biological assets and inventory from year to year. This amounted to R28.2 million for 2015 compared to R31.1 million in 2014. The lower 2015 profit is mainly due to the higher increase in export costs, purchases of third-party livestock, and additional costs incurred on the Sulamanzi expansion. Sales from the Sulamanzi farmed abalone will start to reflect on the income statement from the 2016 financial year onwards.

Business overview

At 354 tonnes, total biomass growth for the year was 16.1% higher than in 2014 (305 tonnes). The added capacity from the Sulamanzi project contributed to this growth, but was partially offset by a difficult market which forced us to sell some younger, faster growing abalone and keep older abalone that otherwise would have been harvested. This situation has returned to normal by year-end and is unlikely to be repeated. We expect higher operational performance in the 2016 year due to the increased biomass on the farms.

The quality of our products, both processed and live abalone, assisted us in weathering some of the most difficult market conditions in a decade, and emerging stronger than before. Our production pipeline has been adjusted to also produce popular abalone sizes for live export in future, thereby broadening our offering and diversifying our exposure to the different abalone markets.

Processing facility

We processed a record 437 tonnes of live abalone in our facility over the year, an increase of 9.2%, which included 54 tonnes of contract processing for others.

Specialised Aquatic Feed (SAF)

Abagold invested R16.2 million in the design, building and completion of a highly specialised feed facility at Abagold. The primary function of this operation is to deliver the highest quality Abalone feed to our own operations. In addition, Abagold has identified a significant niche aquafeed and specialised animal-feed market outside abalone feed, hence the additional capacity and technical components incorporated into the design and functioning of this plant. We commissioned the facility in late August 2015 and plan to produce the full range of formalised feeds by October 2015.

	% Change	30 June 2015 R'000	30 June 2014 R'000
Revenue	6	125 467	118 821
less Cost of sales	2	(47 467)	(R46 469)
Gross profit	**8**	**78 000**	**72 352**
plus Other income	(45)	1 576	2 855
plus Net realised forex gain/(loss)	(204)	(773)	744
less Sales costs	(8)	(7 026)	(7 637)
less Administrative expenses	20	(25 666)	(21 473)
less Depreciation and amortisation	8	(8 907)	(8 259)
less Other operating expenses	21	(8 969)	(7 438)
Profit from operations	**(9)**	**28 235**	**31 144**
less Finance charges	(25)	(1 406)	(1 885)
plus: Investment income	0	–	–
Realised Profit before taxation	**(8)**	**26 829**	**29 259**
less Production costs capitalised in stock	(330)	(2 205)	958
plus Unrealised fair value adjustment to stock	582	25 378	3 722
plus Net unrealised forex gain/(loss)	233	(439)	(132)
Profit before taxation	**47**	**49 563**	**33 807**
Taxation	76	(15 813)	(8 971)
Net profit	**36**	**33 750**	**24 836**
Gross profit %		62%	61%
Realised profit %		21%	25%
NPBT %		40%	28%

Marketing and sales

Even though market demand has declined, the long-term relationships developed with our sales partners allowed us to increase the volume of product sold in 2015. In addition to this, the lower USD sales prices were mostly offset by the weaker R/USD exchange rate.

Our continued success in the live abalone market enabled us to gain significant market share in Japan, Hong Kong, Singapore and Taiwan. We are well placed to maintain and grow this market share through our offering of a wide range of farmed live, dried and canned abalone on a consistent basis.

We managed to reduce our inventory of canned abalone even post-Chinese New Year 2015. Although customers are a little hesitant to hold high volumes of stock, a general feeling of recovery in the market does exist.

Future outlook

Production

Existing farms: Our Sea View, Amaza and Bergsig production pipelines are at full capacity and we expect this to continue. We shall enhance productivity through further improvements in our own formulated feeds, selective breeding programme and husbandry practices.

We concluded the 2015 financial year with a cumulative 549 tonnes of abalone on the farms (2014: 495 tonnes), slightly behind our planned total pipeline weight.

Sulamanzi project: The Sulamanzi abalone pipeline will start to deliver its first harvested animals from September 2015. The fact that this state of the art farm is out-performing all other farms from a production and quality standpoint, pays tribute to the learnings from previous expansions.

Hatchery: We sold R2.1 million of abalone spat to other South African abalone farmers during the year and plan to continue with these sales in the next year. The hatchery will be further expanded to provide the necessary spat to service the "ranged/flexible" pipeline as well as demand from Port Nolloth Sea Farms Ranching (Pty) Ltd (PNSFR) and additional demand in the market.

Ranching

Abalone ranching is the placing of abalone seed in an accommodating ocean, where it does not occur naturally, to grow and prosper. We have finalised a 20% shareholding in PNSFR who are experienced ranching operators on the Northern Cape coast, and have obtained all necessary government permissions for an abalone ranching project at Kleinzee.

Abagold will contribute seed stock from our hatchery in Hermanus, while the other shareholders will contribute funding, time and expertise. Abagold has the first right to purchase, process and market all animals harvested by PNSFR. To date more than 600 000 juveniles have been placed in the ocean. The target is to continue to place a further 50 000 juveniles per month over the next seven years.

The performance of the abalone already planted in the ranching project is very encouraging and the high survival rates and growth have indicated significant long-term potential for all parties involved.

Feed

We have been manufacturing improved formulated abalone diets successfully for the past two years for use on our own farms. We have now started selling these diets to other abalone farming entities in South Africa. Abagold's wholly-owned subsidiary, Specialised Aquatic Feeds (Pty) Ltd, will focus on the manufacture and selling of different feeds for farmed aquatic and non-aquatic species, both locally and abroad.

Oman

Research into the cultivation of the Haliotis Midae species of abalone in the Sultanate of Oman continues with measured success in the early stages of this project. We have entered into a joint venture with an Omani business partner, the Muscat Overseas Group. We expect to be able to present our findings and future proposals to the Board of Abagold around the middle of the new financial year.

Energy

Abagold's alternative energy projects were transferred to Mean Sea Level (Pty) Ltd (MSL) in the prior financial year, in exchange for a material shareholding in that company. This gave these projects the necessary focus and ability to raise the dedicated funding required from external sources. MSL have made good progress in this regard, with installation of the Energy Recovery Turbine (ERT) completed in early 2015, and construction on the pilot Wave Energy Converter (WEC) started shortly thereafter. With the current risks surrounding energy in South Africa, the commencement of these projects is significant. We anticipate to benefit from the full efficiency on the ERT by the end of 2015, and the successful completion of the WEC pilot in early 2017.

In conclusion, the Abagold management team and Board remain focused on expanding production and optimising profitability in order to deliver maximum shareholder value over the short, medium and long term.

Dividend

The Board is pleased to announce a final dividend for the 2015 financial year of 5.0 cents per share. The total dividend of 7.25 cents for the 2015 financial year (interim and final combined) is in line with the 7.25 cents per share declared as a total dividend for the 2014 year, and continues the Company's commitment to maintain shareholder value with a credible, consistent and effective dividend policy.

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 of Abagold (Board) had to suspend trading in Abagold shares on the OTC platform of FNB Securities with effect from 19 September 2014.

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

Prospective sellers or buyers of Abagold shares may send an email to Johan Hugo, the company secretary of Abagold, at johan@abagold.co.za setting out their full name and contact details where prospective sellers/buyers of Abagold shares may contact them. By sending this email to the company secretary of Abagold each shareholder agrees that their name and contact details may be sent to any prospective counterparty.

It would then be up to the prospective purchasers and sellers to negotiate a transaction, including the purchase price payable.

Once a prospective purchaser and seller have agreed on the sale of any Abagold shares, they should contact the company secretary at johan@abagold.co.za who will assist the parties in effecting the payment and transfer of the relevant Abagold shares with its transfer secretaries, Link Market Services.

For questions relating to this interim procedure, please contact the company secretary on 028 313 8571.

Board of directors

This year saw the resignation of Christo du Plessis as managing director and his replacement by Tim Hedges in a smooth transition that had little impact on the momentum of the business. The Board is pleased to welcome Tim as managing director and look forward to the Abagold team's continued excellent performance under his leadership and guidance.

In line with the policy of the Board, George Negota is required to retire by rotation, but he has declared himself available for re-election.

Acknowledgements

Our experienced and diverse board of directors continues to serve with dedication and energy, and we thank the directors for this and their insightful guidance. We also thank our shareholders for their continued support.

The dedication of management and staff to the well-being of Abagold is exemplary, and we are thankful for their commitment and energy. This includes the important area of open and timely communication with the Board on key matters, enabling fruitful interaction, focused oversight by and input from the Board. We look forward to working with them in continuing to build a business of which all shareholders and stakeholders can be proud.

Hennie van der Merwe
Chairman

Timothy Hedges
Managing Director

NET PROFIT TARGETS WERE ACHIEVED WHILST PROTECTING OUR LONG-TERM GROWTH PLAN

549
TONNAGE ON FARMS

6%
REVENUE (ZAR) INCREASE

FIVE-YEAR REVIEW

	GROUP				
	2015 R'000	2014 R'000	2013 R'000	2012 R'000	2011 R'000
Statement of comprehensive income					
Revenue	**125 467**	118 821	70 995	64 354	47 483
Earnings before interest and tax (EBIT)	**52 665**	35 692	52 760	38 986	1 762
Net finance (charge)/income	**(1 406)**	(1 885)	(920)	607	1 095
Profit before taxation	**49 563**	33 807	51 840	39 593	2 857
Taxation	**(15 813)**	(8 971)	(13 676)	(11 451)	(1 011)
Net profit for the year	**33 750**	24 836	38 164	28 142	1 846
Fair value (loss)/gain on biological assets and inventory due to exchange rate changes	**20 702**	12 314	32 897	19 831	(10 331)
Net profit excluding value changes from exchange rates	**13 048**	12 522	5 267	8 311	12 177
Statement of financial position					
Total assets	**391 165**	307 810	298 401	216 763	179 035
Total current assets	**132 286**	115 400	120 011	73 212	76 836
Total non-current assets	**258 879**	192 410	178 390	143 551	102 199
Total biological assets and inventory ("stock")	**213 255**	176 014	172 292	111 127	73 919
Non-current portion of biological assets	**91 844**	65 831	56 750	45 586	30 141
Total current liabilities	**26 286**	15 147	43 428	7 734	6 343
Total liabilities	**142 620**	84 348	93 842	45 302	31 669
Total equity	**247 545**	223 462	204 559	171 462	147 366
Share capital and premium	**87 505**	87 505	87 505	87 505	87 505
Retained earnings	**160 040**	135 957	117 054	83 957	59 548
Statement of cash flow					
Cash generated from operations	**16 296**	37 209	8 424	7 738	3 062
Dividend paid	**9 667**	5 933	5 067	3 733	3 133
Purchases of property, plant and equipment	**47 984**	13 074	30 732	31 577	34 624
Financial ratios and exchange rates					
Solvency ratio	**2.8**	3.6	3.2	4.8	5.7
Current ratio	**5.0**	7.6	2.8	9.5	12.1
Acid test ratio	**0.4**	0.3	0.1	1.0	5.2
Return on equity	**14.2%**	11.1%	18.7%	16.4%	1.3%
Return on assets	**9.0%**	8.1%	12.8%	13.0%	1.0%
Operating profit margin	**40.6%**	30.0%	74.3%	60.6%	3.7%
Financing cost cover (times)	**37.5**	18.9	57.3	–	2.6
Average exchange rate for the year (R/USD)	**11.48**	10.24	8.70	8.05	6.99
Closing exchange rate (R/USD)	**12.14**	10.63	9.90	8.17	6.76
Earnings per share (cents)	**25.31**	18.63	28.62	21.11	1.48
Dividends per share (cents)	**7.25**	4.45	3.80	2.80	2.51
Weight on the farm (tonnes)	**549**	495	474	398	384

Nomzamo Memani (section manager on Bergsig) is celebrating her 11th year at Abagold.

BOARD OF DIRECTORS

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1/ **HR VAN DER MERWE**
Chairman of the board of directors

2/ **TR HEDGES**
Managing director

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

4/ **DR P DU P KRUGER**
Non-executive director

5/ **J HUGO**
Company secretary

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

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

8/ **CH VAN DYK**
Operations director

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

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

Siyabonga Ntengo (Abagold Processing) is the nightshift supervisor for live packing and is busy completing his boiler operator training programme.

EXECUTIVE MANAGEMENT TEAM


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1/ **TR HEDGES**
Managing director

2/ **CH VAN DYK**
Operations director

3/ **J BAKKER**
Financial manager

4/ **C DE WET**
Engineering manager

5/ **L-A LUBBE**
Human Resources manager

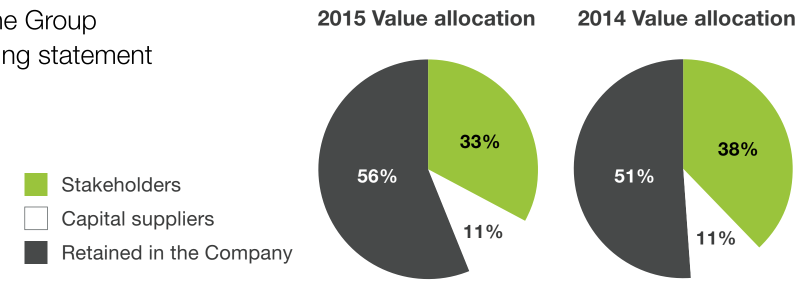
6/ **W PIEK**
Marketing manager

7/ **D GRIFFITHS**
Processing manager

VALUE-ADDED STATEMENT

for the year ended 30 June 2015

Value added is a measure of the wealth that the Group has created through its operations. The following statement illustrates how this value was allocated:



	GROUP	
	2015 R'000	2014 R'000
Revenue	125 467	118 821
Other income	1 576	2 855
Investment income	–	–
Fair value gains and losses on financial instuments	(1 212)	612
Changes in biological assets and inventory	10 073	(4 882)
Production costs	(19 373)	(24 284)
Operating costs	3 534	(16 742)
Value added	**120 065**	**76 380**
Applied as follows:		
Employees and advisors		
To auditors	257	202
To legal advisors	98	44
To employees	31 218	28 445
To directors	689	593
	32 262	**29 284**
Capital suppliers		
To lenders as finance charges	1 406	1 980
To shareholders as dividends	9 667	5 933
	11 073	**7 913**
Reinvested		
By the Company for future expansion and growth	47 837	18 904
By the Company for maintaining capital	28 893	20 279
Depreciation and maintenance	13 080	11 308
Deferred tax	15 813	8 971
	76 730	**39 183**
Value distributed and retained	**120 065**	**76 380**

CORPORATE GOVERNANCE

Good 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 2015.

Besides ensuring that all decision-making takes place against the backdrop of Abagold's stated values, good corporate governance must include a 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.

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 and enhanced focus on corporate governance and, in particular, sustainable business practices.

The recommendations outlined in King III were to a large extent entrenched by the Companies Act. King III continues to be regarded as an important milestone for South Africa, which is positioning itself at the forefront of promoting sound corporate governance principles in the international domain.

Abagold endorses and remains fully committed to compliance with the principles and practices of good corporate governance as set out in King III. 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 new requirements of the Companies Act's provisions in daily operations, corporate structuring and governance remained the focus for 2015.

The board of directors

Abagold has a fully functional Board that leads and controls the Company. The Board is responsible for strategic direction, management of risks, and sustainability.

The Board is guided by its formalised 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 – its stakeholders (people), financial results (profits) and the environment (planet).

Composition and size

At the date of this report the Board consists of seven elected non-executive directors, one re-elected executive director, and one newly-appointed executive director appointed by the Board.

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 Abagold's Memorandum of Incorporation (MOI).

Executive directors are initially appointed by the Board, and then re-elected by the shareholders at the first 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 matters for the Board as a whole.

The Board members are listed on page 31 of this report.

Roles and responsibilities

The Board is responsible for the overall performance of the Company. The Board meets its responsibilities by giving strategic leadership, appointing competent leadership, delegating responsibilities in a structured manner, assessing business plans and budgets and monitoring their implementation and

CREATING VALUE FOR ALL OUR STAKEHOLDERS IS A PRIORITY

Supervisors attending lectures as part of the Aquaculture Technical Skills course for completion of their Learnership, a programme developed by Abagold, together with the training facilitator, and now used more widely in the industry.

Evan May joined Abagold in 2008 as a farm worker. He is now the assistant manager across three areas of our operations.

results, and overseeing risk management. The directors have a wide range of expertise in the areas of general commerce, law, finance, aquaculture 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 of day-to-day operations, enabling the Board to identify goals, provide direction and determine the feasibility of the strategies proposed. These 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 its subcommittee meetings 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 – collective and individual;
- responsibility for reporting to the Board any failure on the part of the Group and/or a director, in compliance with the MOI, any of the rules of the Company or the requirements outlined in the Companies Act;
- overseeing the induction of new directors and responsibility for regular briefings and training of directors and prescribed officers regarding applicable laws and regulations; and
- coordinating the process of evaluating the Board and its subcommittees.

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, advises the Board on the remuneration philosophies and terms of employment and is responsible for succession planning. Its purpose is to ensure that executive directors and senior management are remunerated fairly, responsibly and appropriately and that the remuneration scales and conditions of employment are market-related and serve to both attract and retain the required talent.

- The **audit and risk committee**, comprising three non-executive directors, reviews the adequacy and effectiveness of the financial reporting process; the system of internal control; the management of financial, technological and operational risks; appropriateness of accounting policies; interim and annual financial statements; external audit processes; the Company's process for monitoring compliance with laws and regulations; its own code of business conduct; and procedures implemented to safeguard the Company's assets. The committee approves the external auditor's fees for audit and non-audit services. KPMG Inc. were re-appointed as the external auditors and the audit and risk committee is satisfied that they are independent.

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

  The committee meets four times a year. The external auditors, the managing director, operations director and the financial manager attend these meetings by invitation, as required. Any other non-executive director may attend any meeting of the committee. The external auditors have unrestricted access to the committee and its chairman.

Meetings and quorums

The MOI requires three directors to form a quorum for Board meetings. A majority of 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. Both its committees also meet at least four times a year.

Nosikhokhele Ndinisa (Sea View) is treasurer of the Abagold Choir, and has been with Abagold for over 12 years. She is also currently pursuing an ABET qualification.

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

	Board	Audit and risk committee	Remuneration and nomination committee
Number of meetings held	**4**	**4**	**4**
Attendance by directors:			
HR van der Merwe (Chairman)	4	–	4
CM du Plessis (previous MD)	2†	2†	2†
TR Hedges (new MD)	2‡	2‡	2‡
P du P Hugo	4	4#	–
P du P Kruger	4	–	4
GM Negota	4	–	–
SG Sokhela	1*	1*	–
WB Keast	3◊	–	–
CH van Dyk	4	4#	–
YJ Visser	4	4	–
JW Wilken	4	4	4

† Resigned effective 31 March 2015; ‡ Appointed effective 1 April 2015; * Resigned effective 23 February 2015
◊ Appointed effective 23 February 2015; # Attended by invitation

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 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;
- 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 embraces 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
- 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 at the median (50th percentile) of our selected comparator groups and for our relevant geographic area. We started implementing this objective this past year, and while we have not yet achieved this across all job categories or individuals we aim to move towards this over the next three years. 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 off the organisation. We have a well-established short-term incentive programme, aligned to achieving our animal growth targets across all farms. Our next step is to develop an incentive programme that aims to recognise individual performance that exceeds expectations and contributes to the attainment of business objectives.

Benefits: Abagold aims to provide benefits comparative to and set to 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 shall recruit and retain valuable employees by fostering an organisational culture that is respectful of work/life balance, diversity and inclusion. We shall develop and promote relevant policies and interventions to achieve this.

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

- enabling employees to acquire the necessary knowledge and skills to perform their jobs effectively, thus creating an informed employee who is able to contribute effectively, and thereby making their role more rewarding.
- 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 executive director and member of senior management, and determines their annual salary adjustments. For this purpose it considers salary surveys compiled by independent organisations and also refers 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.

Among other remuneration aspects, these principles are included in the Company's formal remuneration policy which was approved by shareholders at the last annual general meeting held on 15 December 2014.

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 King III are applied where appropriate.

The directors are responsible for ensuring that the operations of the business are known to them 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 terms of 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 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 that are of significance to the Company's business and do not participate in the voting process of these matters.

All information acquired by directors in the performance of their duties, which is not disclosed publically, is treated as confidential. Directors may not 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 and the requirements of the JSE regarding insider information, 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 safe-guarded and that the risk of errors, fraud or losses is effectively being kept to a minimum. These control measures, which are contained in written policy documents and procedures, include the delegation of responsibilities and powers within a clearly defined framework, effective accounting procedures and the separation of duties and monitoring.

The audit and risk committee monitors the appropriateness of and compliance with the 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.

Due to the Financial Services Board's directive in the Government Gazette of the 11 July 2014, Abagold Ltd shareholders are still not able trade publicly 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.

Although there is uncertainty in the market regarding the eventual outcome of OTC trading, we are liaising with our brokers and other potential providers of a (to be) licensed exchange. At the date of this report no alternative share trading mechanism has been found. 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 the policies 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 the greater national and global economy, with particular focus on the economies of those countries we export to, 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 Declaration of the Directors' responsibility and approval on page 45 of the integrated report.

Travor Deez (section manager) has been with Abagold for 13 years.

Annual consolidated financial statements

for the year ended 30 June 2015

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 of Abagold Limited comprising the consolidated statements of financial position at 30 June 2015 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the directors’ report, the audit and risk committee report and the secretarial certification.

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

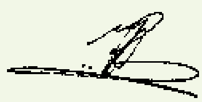
The directors have made an assessment of the ability of the Company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

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

Approval of consolidated annual financial statements

The consolidated annual financial statements of Abagold Limited, as identified in the first paragraph, were approved by the board of directors and signed by:

HR van der Merwe
Chairman



TR Hedges
Managing Director

Hermanus
18 September 2015

Secretarial certification

In accordance with section 88(2)(e) of the Companies Act No 71 of 2008 (the Act), it is hereby certified that the Company and its subsidiaries have lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Act and that all such returns are true, correct and up-to-date.

J Hugo
Company secretary

Hermanus
18 September 2015

Audit and risk committee's report

The audit and risk 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. During the year under review, these responsibilities were clearly defined and agreed upon 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 fulfils an independent role and is accountable to both the Board and the Group's shareholders. It is an integral part of the Group's governance structures and risk management protocols. Its continued focus remains on assisting the Board with executing its responsibilities pertaining to risk management and, at the same time, embedding best practices across all levels of the organisation.

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

1. Roles and responsibilities of the audit and risk 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, preliminary and abridged results as well as the year-end financial statements, culminating in a recommendation to the Board for approval. In the course of its review, the committee:
  - took the necessary steps to ensure that the financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act;
  - considered and, when appropriate, made recommendations on internal financial controls;
  - ensured that a process is in place to be informed of any reportable irregularities (as per the Auditing Professions Act, 2005) identified and reported by the external auditor; and
  - received and dealt appropriately with any concerns or complaints, whether from within or outside the Company, or on its own initiative, relating to the accounting practices, the content of the financial statements, the internal financial controls of the Company 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 Pierre Conradie (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 17 September 2015, 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 and risk committee's report/continued

2. Members of the audit and risk committee

During the past year Mr SG Sokhela resigned and Dr P du P Kruger was appointed in his place as a member of the 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 company, attended and reported to the committee at the meeting relating to the annual financial statements.

Executive directors and relevant senior managers attended meetings on invitation.

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

3. Meeting attendance

During the year under review, four meetings were held as prescribed by the committee's approved charter.

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

Name of member	12 Dec 2014	23 Feb 2015	12 Jun 2015	17 Sep 2015
Dr P du P Kruger	&	&	&	Present
Mr SG Sokhela	Present	@	@	@
Mr YJ Visser	Present	Present	Present	Present
Mr JW Wilken	Present	Present	Present	Present

@ Resigned on 23 February 2015
& Appointed on 12 June 2015

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 and risk committee

Hermanus
17 September 2015

Directors' report

for the year ended 30 June 2015

To the shareholders

The directors are pleased to submit their annual report as part of the annual consolidated financial statements of the Company for the year ended 30 June 2015.

Nature of the Company's business

During the year under review the Company continued its business of farming, processing, marketing and selling abalone.

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, statement of changes in shareholders' equity, statement of cash flows and notes thereto.

Share capital

Full details of the authorised and issued share capital appear in note 11 to the financial statements.

Dividends

During the year the Company declared a final dividend of R6.7 million relating to the 2014 (2014: R2.9 million relating to 2013) financial year and an interim dividend of R3.0 million for the 2015 (2014: R3.0 million relating to 2014) financial year.

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, appointed 1 April 2015)
C du Plessis (managing director, resigned 31 March 2015)
P du P Hugo (non-executive)
P du P Kruger (non-executive)
GM Negota (non-executive)
CH van Dyk (executive director)
YJ Visser (non-executive)
JW Wilken (non-executive)
S Sokhela (non-executive, resigned 23 February 2015)
W Keast (non-executive, appointed on 23 February 2015)

Remuneration of directors and prescribed officers

The remuneration of directors and prescribed officers of the Company 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 and risk committee
- remuneration and nomination committee

Directors' report/continued

for the year ended 30 June 2015

The audit and risk committee met quarterly and is chaired by a non-executive director. The remuneration and nomination committee is also chaired by a non-executive director and meets four times per year and as required from time to time.

Events after the reporting period

The directors are not aware of any other material fact, circumstance or event which occurred between the accounting date and the date of this report which might influence an assessment of the Company's financial position or the results of its operations.

Investment in subsidiary

	2015	2014
Specialised Aquatic Feeds (Pty) Ltd	100%	100%

Details of the Company's investment in subsidiary are set out in note 5.

Equity accounted- investments

	2015	2014
Oman Aquaculture Co LLC	50%	50%
Mean Sea Level (Pty) Ltd	35.61%	42%
Port Nolloth Sea Farm Ranching (Pty) Ltd	20%	–

Details of the Company'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 19 December 2014 and will again be put to the AGM.

Independent auditor's report

to the shareholders of Abagold Limited

Report on the financial statements

We have audited the consolidated financial statements of Abagold Limited, which comprise the consolidated statement of financial position at 30 June 2015, and the consolidated statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes as set out on pages 52 to 90.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Abagold Limited at 30 June 2015, and its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 30 June 2015 we have read the directors' report, audit and risk committee report and the secretarial certification for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the directors. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion thereon.

KPMG Inc.

Per PJ Conradie
Chartered Accountant (SA)
Registered Auditor
Director
18 September 2015

1 Mediterranean Street
Foreshore
Cape Town
8001

Consolidated statement of financial position

at 30 June 2015

	Notes	2015 R'000	2014 R'000
ASSETS			
Non-current assets		**258 879**	192 410
Property, plant and equipment	2	**156 664**	117 707
Biological assets	3	**91 844**	65 831
Trademarks	4	**255**	140
Goodwill	5	**7 979**	7 979
Equity accounted investments	6	**2 137**	753
Current assets		**132 286**	115 400
Current portion of biological assets	3	**89 788**	85 883
Inventories	7	**31 623**	24 300
Trade and other receivables	8	**10 468**	4 667
Derivative financial instruments	9	**407**	550
Total assets		**391 165**	**307 810**
EQUITY AND LIABILITIES			
Equity		**247 545**	223 462
Share capital	10	**7**	7
Share premium		**87 498**	87 498
Retained earnings		**160 040**	135 957
Total equity		**247 545**	**223 462**
Non-current liabilities		**117 334**	69 201
Deferred income tax	12.2	**74 160**	58 347
Deferred income grant	13	**4 145**	4 492
Long-term borrowings	14	**39 029**	4 225
Trade and other payables	15	**–**	2 137
Current liabilities		**26 286**	15 147
Current portion of deferred income grant	13	**347**	348
Trade and other payables	15	**13 330**	12 408
Derivative financial instruments	9	**966**	670
Cash and cash equivalents	16	**11 643**	1 721
Total liabilities		**142 620**	**84 348**
Total equity and liabilities		**391 165**	**307 810**

Consolidated statement of comprehensive income

for the year ended 30 June 2015

	Notes	2015 R'000	2014 R'000
Revenue	20	**125 467**	118 821
Other income	21	**1 576**	2 855
Fair value (losses)/gains in financial instruments	22	**(1 212)**	612
Changes in biological assets	3	**128 644**	86 785
Changes in inventory		**(118 571)**	(91 667)
Production costs	23	**(19 373)**	(24 284)
Employee benefit expenses	24	**(31 907)**	(29 038)
Depreciation and amortisation		**(8 907)**	(8 259)
Other operating expenses		**(23 052)**	(20 133)
Profit from operations	25	**52 665**	35 692
Finance costs	26	**(1 406)**	(1 885)
Share of loss of equity accounted investments	6	**(1 696)**	–
Profit before income tax		**49 563**	33 807
Income tax expense	12.1	**(15 813)**	(8 971)
Profit for the year		**33 750**	24 836
Other comprehensive income		**–**	–
Total comprehensive income for the year		**33 750**	24 836
Basic earnings per share (cents)	27	**25.31**	18.63
Diluted earnings per share (cents)	27	**25.31**	18.63

Consolidated statement of changes in shareholders' equity

for the year ended 30 June 2015

	Share capital R'000	Share premium R'000	Retained earnings R'000	Total equity R'000
Balance at 1 July 2013	**7**	**87 498**	**117 054**	**204 559**
Total comprehensive income for the year	–	–	24 836	24 836
Dividend paid	–	–	(5 933)	(5 933)
Balance at 30 June 2014	**7**	**87 498**	**135 957**	**223 462**
Total comprehensive income for the year	–	–	33 750	33 750
Dividend paid	–	–	(9 667)	(9 667)
Balance at 30 June 2015	**7**	**87 498**	**160 040**	**247 545**

Consolidated statement of cash flows

for the year ended 30 June 2015

	Notes	2015 R'000	2014 R'000
Cash flow from operating activities		**14 888**	**35 312**
Cash received from clients	29.1	**121 242**	121 419
Cash paid to suppliers and employees		**(104 948)**	(84 222)
Cash generated from operations	29.2	**16 294**	37 197
Finance costs	26	**(1 406)**	(1 885)
Cash flow from investment activities		**(49 947)**	**(13 366)**
Purchases of property, plant and equipment	2	**(47 983)**	(13 074)
Proceeds from disposal of property, plant and equipment		**–**	48
Investment in equity accounted entities	6	**(1 823)**	(328)
Purchases of trademarks	4	**(142)**	(12)
Cash flow from financing activities		**25 137**	**3 132**
Increase in deferred income grant	13	**–**	4 840
Increase in long-term borrowings	14	**34 804**	4 225
Dividends paid to shareholders		**(9 667)**	(5 933)
Net cash flow for the year		**(9 922)**	**25 078**
Cash and cash equivalents – beginning of the year		**(1 721)**	(26 799)
Cash and cash equivalents – end of the year	16	**(11 643)**	**(1 721)**

Notes to the consolidated financial statements

for the year ended 30 June 2015

1. ACCOUNTING POLICIES

Abagold Limited (the Company) is a company domiciled in South Africa. The consolidated financial statements at 30 June 2015 comprise the Company and its subsidiaries together referred to as the "Group" or individually referred to as the "Group entities".

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. All monetary information and figures presented in these financial statements are stated in South African Rands (R), unless otherwise indicated.

1.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of South Africa. The Group financial statements comprise the consolidated financial statements. The financial statements of the Company are presented separately from the consolidated financial statements and have been approved by the directors at the same date as these financial statements. The separate financial statements are available from the secretary of the Company.

The financial statements are presented in Rands, which is the Group's functional currency. They are prepared on the basis that the Company 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 originate 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

1. ACCOUNTING POLICIES (continued)

Interest-bearing loans and borrowings (continued)
of the borrowings on an effective interest basis. Where the difference between the fair value and the proceeds received is considered to be an equity contribution (i.e. as with shareholders' loans) the difference is taken directly to equity (net of deferred tax) at initial recognition.

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

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

1.3 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 Company 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.

Notes to the consolidated financial statements

for the year ended 30 June 2015

1. ACCOUNTING POLICIES (continued)

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).

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit and 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	=	20 years
Computer equipment	=	5–10 years
Equipment	=	5–15 years
Furniture and fittings	=	5 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 and loss.

1. ACCOUNTING POLICIES (continued)

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 as either a profit or loss. Point-of-sale costs include 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 Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

Notes to the consolidated financial statements

for the year ended 30 June 2015

1. ACCOUNTING POLICIES (continued)

1.12 Inventory

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

1.13 Impairment of assets

Non-financial assets

The carrying amounts of the Group's non-financial assets other than deferred tax assets, biological assets and inventory (see accounting policy note for deferred tax, biological assets and inventory), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

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

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.

1. ACCOUNTING POLICIES (continued)

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.

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.

1.14 Share capital

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

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the Company's equity holders, net of any directly attributable incremental transaction costs and the related income tax effects.

1.15 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit and 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 statement of financial position 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 income 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 statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income 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.

1. ACCOUNTING POLICIES (continued)

***1.15 Current and deferred income tax** (continued)*

Deferred income 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 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 income 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.

1.16 Employee benefits

Pension obligations

The Group only has defined-contribution plans. A defined-contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Other post-retirement benefits

The Group has no liabilities with regard to post-retirement medical benefits.

Annual leave

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated annual leave as a result of services rendered by employees up to statement of financial position 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.

1.17 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 re-measures 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 and loss for the period.

1.18 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.

1. ACCOUNTING POLICIES (continued)

1.18 Provisions (continued)

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.

1.19 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 all directors of Abagold Limited.

1.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of abalone to customers in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

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 and 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.

1.21 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.

1.22 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 and loss on a straight-line basis over the period of the lease.

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

1. ACCOUNTING POLICIES (continued)

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 and 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.

1.23 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.

1.24 Earnings per share

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

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

1.25 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 Company, 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.

1.26 Critical accounting estimates and judgements in applying accounting policies

1.26.1 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.

1. ACCOUNTING POLICIES (continued)

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

Biological assets

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

1.26.2 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 committee.

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 Company 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 19).

1. ACCOUNTING POLICIES (continued)

1.27 Standards, interpretations and amendments to published standards that are not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual reporting periods beginning on or after 1 July 2015, 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 (effective date) unless otherwise indicated:

1.28 Standards, interpretations and amendments to published standards that are not yet effective *(continued)*

IFRS 15 – Revenue from Contracts with Customers

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.

This new standard is likely to result in a possible change in the timing of when revenue is recognised and the amount of revenue recognised.

The standard is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted under IFRS. The Group is assessing the potential impact on its financial statements regarding the application of IFRS 15.

IFRS 9 – Financial Instruments

This standard includes changes in the measurement criteria of the Group's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which can potentially increase the provision for bad debts recognised.

The standard is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted under IFRS. The Group is assessing the potential impact on its financial statements regarding the application of IFRS 9.

The following new or amended standards are not expected to have a significant impact on the Company's financial statements:
Effective for annual reporting periods commencing on or after 1 January 2016:

- IFRS 14 Regulatory Deferral Accounts
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
- Agriculture: Bearer Plants (Amendment to IAS 16 and IAS 41)
- Equity Method in Separate Financial Statements (Amendments to IAS 27)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- Disclosure Initiative (Amendments to IAS 1)
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)

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 2013	73 603	37 752	223	291	515	1 123	113 506
Cost at 30 June 2013	83 202	66 604	304	660	953	1 123	152 846
Accumulated depreciation and impairment	(9 599)	(28 852)	(82)	(369)	(438)	–	(39 340)
Additions	8 626	3 799	45	121	483	–	13 074
Sale	–	–	–	–	(79)	–	(79)
Depreciation	(3 053)	(4 916)	(54)	(102)	(108)	–	(8 232)
Depreciation allocated to feed production costs	–	(137)	–	–	–	–	(137)
Completed and transferred	(4 939)	–	–	–	–	4 938	–
Assets transferred to investment in MSL	(425)	–	–	–	–	–	(425)
Book value at 30 June 2014	73 813	36 498	214	309	811	6 062	(117 707)
Cost at 30 June 2014	86 465	70 092	345	781	1 237	6 062	164 982
Accumulated depreciation and impairment	(12 652)	(33 594)	(131)	(472)	(426)	–	(47 275)
Additions	2 505	3 964	17	260	145	41 092	47 983
Disposal	(111)	(35)	–	–	–	–	(146)
Cost	(261)	(378)	–	–	–	–	(639)
Accumulated depreciaition	150	343	–	–	–	–	493
Depreciation	(5 670)	(3 038)	(19)	(30)	(123)	–	(8 880)
Completed and transferred	12 046	9 118	12	118	150	(21 444)	–
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)

2. PROPERTY, PLANT AND EQUIPMENT (continued)

During the current year Rnil (2014: Rnil) fully depreciated assets were scrapped. Assets under construction includes R16.2 million (2014: R4.5 million) which relates to a new feed production plant which is financed under an interim loan agreement. Once the construction is complete, this loan will be structured as a finance lease. Refer to note 14 for details of this lease.

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

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

Erf	Name	Size	Purchase date	Cost R'000
Erf 7994 (Hermanus)	Bergsig farm	2.4ha	April 2002	1 377
Erf 11166 (Hermanus)	Sulamanzi farm	6.9ha	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 Company's office.

3. BIOLOGICAL ASSETS

The Company owns biological assets in the form of abalone livestock. At 30 June 2015 there were 549 tonnes (2014: 495 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

	2015 R'000	2014 R'000
Opening carrying amount	151 714	139 799
Changes in biological assets	128 644	86 785
Fair value adjustment for growth	109 449	83 320
Fair value adjustment due to changes in US Dollar sales prices	(1 507)	(7 065)
Fair value adjustment due to exchange rate changes	20 702	10 530
Port Nolloth spats	(1 258)	–
Transfer to inventories	(97 468)	(74 870)
Closing carrying amount	181 632	151 714

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:

	2015 R'000	2014 R'000
At 30 June:		
– Non-current biological assets	91 844	65 831
– Current portion of biological assets	89 788	85 883
	181 632	151 714

3. BIOLOGICAL ASSETS (continued)

(i) Fair value hierarchy

The fair value measurements for abalone biological assets of R181.6 million (2014: R151.7 million) have been categorised as Level 3 fair values based on the inputs to the valuation techniques used.

(ii) Level 3 fair values

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

The fair value of biological assets is determined using the market comparison technique and is based on market prices of abalone of similar size and breed. Market prices are denominated in US Dollar. 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 R2 and R4 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 250 grams are valued using the live 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 250 grams is capped at the value used for 250 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 2015, if the US Dollar price of live abalone increased by 10% with all other variables held constant, the value of biological assets and the profit before income tax for the year would have been R20.3 million (2014: R17.6 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 higher US Dollar price sensitivity in profit in 2015 compared to 2014 is attributable to an increase in livestock tonnage on the farms.

Although the Company is exposed to risks arising from changes in the price of abalone it does not anticipate that abalone prices will decline significantly in the foreseeable future. The Company reviews its outlook for the price of abalone regularly in considering the need for active risk management.

The Company is also exposed to risks arising from changes in the Rand-US Dollar exchange rate. At 30 June 2015, 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 R20.3 million (2014: R15.2 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 and Loss. The higher exchange rate sensitivity in profit in 2015 compared to 2014 is attributable to an increase in livestock tonnage on the farms.

3. BIOLOGICAL ASSETS (continued)

(c) Risk management strategy related to aquacultural activities

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

(i) Exchange rate risks

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

(iii) Disease risks

The Company subscribes to the highest biosecurity measures. Abagold is part of a Health Monitoring Programme which includes detailed surveillance of the condition of abalone populations. Short-term insurance cover, as part of an overall management strategy, is utilised to protect the Company against the replacement cost of re-stocking the farms in the event of mortalities caused by natural perils, forced de-stocking, disease or mechanical failure.

4. TRADEMARKS

	2015 R'000	2014 R'000
Reconciliation		
Opening carrying value	140	155
Cost	283	271
Accumulated amorisation and impairment	(143)	(116)
Additions	142	12
Impairments	–	–
Amortisation	(27)	(27)
Closing carrying value	255	140
Cost	425	283
Accumulated amorisation and impairment	(170)	(143)

5. GOODWILL

	2015 R'000	2014 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 Company as a whole 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.

5. GOODWILL (continued)

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	2015 %	2014 %
Discount rate	12.0	15.1
Terminal value growth rate	15.1	15.1
Budgeted free cash flow (average of the next five years)	9.0	9.0

The discount rate that was used is the yield on the 182 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 50:50 at a market interest rate of 9.25% (2014: 9%).

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

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

6. EQUITY ACCOUNTED INVESTMENTS

6.1 Investment in Oman Aquaculture Co LLC

During the prior year Abagold entered into a cooperation agreement with Muscat Overseas Co LLC. This agreement set out the terms for jointly developing an abalone farming business in Oman. In the current year, a share purchase agreement was signed whereby Abagold obtained 50% interest in the newly formed joint venture company, Oman Aquaculture Co LLC. The joint venture is the vehicle to facilitate the possible commercial phase, should both parties agree to proceed. Abagold currently has no further capital commitments relating to this investee.

The initial phase includes a feasibility study and a pilot project. Both parties have incurred certain costs related to the initial phase, of which Abagold's contribution at year-end is R2.1 million.

	2015 R'000	2014 R'000
Investment in Oman Aquaculture Co LLC at cost	2 150	328

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.

	2015 R'000	2014 R'000
Fixed assets	601	–
Current assets (consisting of cash and cash equivalents)	1 035	431
Net assets (100%)	1 636	4 131
Group's share of net assets (50%)	**818**	**2 066**
Net loss (100%)	(3 106)	–
Group's share of net loss (50%)	**(1 553)**	**–**
Remaining net investment	**597**	**328**

6. EQUITY ACCOUNTED INVESTMENTS (continued)

6.2 Investment in Mean Sea Level (Pty) Ltd

During the prior year Abagold obtained a 42% interest in Mean Sea Level (Pty) Ltd (MSL). This investee serves to pursue any renewable energy endeavours of the Group and its first two projects involved the construction of an Energy Recovery Turbine to generate electricity from Abagold's return-water to the ocean, and a pilot Wave Energy project. In the current year Abagold entered into a Power Purchase agreement to purchase all the electricity generated by their Energy Recovery Turbine (ERT) project at a fixed price of R0.90 cents per kilowat for the next 20 years. Assuming 8% annual increases in Eskom's electricity tariffs, this contract has a positive net present value to Abagold of R1.5 million. In the current year MSL obtained a R4.6 million loan from the Industrial Development Corporation. One of the conditions to the loan is that Abagold guarantees the full R4.6 million loan in the event of a default. In exchange, in such event, Abagold takes ownership of the ERT, against meeting such a guarantee obligation. In exchange for such guarantee and paying 90c/kWh for energy from the ERT, Abagold accepted 12 additional ordinary shares in MSL, increasing its total holding to 43%. This shareholding was subsequently reduced to 35.61% after a share issue to other shareholders in MSL. MSL entered into a finance lease agreement with ABSA for an excavator of R2.8 million. Abagold has agreed to stand surety for this amount.

	2015 R'000	2014 R'000
Investment in Mean Sea Level (Pty) Ltd at cost	425	425

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

	2015 R'000	2014 R'000
Non-current assets	17 567	5 711
Current assets	2 365	697
Current liabilities	(419)	(357)
Long term liabilities	(6 356)	–
Net assets (100%)	13 157	6 051
Share of net assets (35.61%)	**4 685**	**2 541**
Income	147	87
Expenditure	(515)	(121)
Net loss (100%)	(368)	(34)
Prior year loss (100%)	(34)	
Total loss (100%)	(402)	
Group's share of net loss (35.61%)	**(143)**	**(14)**
Net investment	**282**	**411**

No dividends were received by the Group.

6.3 Investment in Port Nolloth Sea Farms

During the current year Abagold finalised a 20% share in Port Nolloth Sea Farm Ranching (Pty) Ltd (PNSFR) – an initiative whereby abalone is ranched in the sea. In return for this share, Abagold has agreed to supply PNSFR with spat at no charge. Abagold will have the right of first refusal on all abalone harvested in seven years' time.

	2015 R'000	2014 R'000
Investment in Port Nolloth Sea Farm Ranching (Pty) Ltd	1 258	0
Total equity accounted investments	**3 833**	**753**
Total share of loss of equity accounted invetsments	**(1 696)**	**–**
Net equity accounted investment	**2 137**	**753**

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.

	2015 R'000	2014 R'000
Reconciliation – abalone inventory		
Opening carrying amount	24 300	32 493
Transfer from biological assets	97 468	74 870
Purchases	18 226	8 604
Sales of abalone	(111 007)	(91 667)
Closing carrying amount	28 987	24 300

The carrying amount includes work in progress of R4.4 million (2014: R1.1 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.

	2015 R'000	2014 R'000
Reconciliation – non-abalone inventory		
Raw materials	769	–
General	1 349	–
Feed	518	–
Closing carrying amount	2 636	–
Total inventory	**31 623**	**24 300**

8. TRADE AND OTHER RECEIVABLES

	2015 R'000	2014 R'000
Trade receivables	7 821	2 449
Prepaid expenses	120	49
Loans receivable	167	167
Value added tax	2 360	2 002
Total trade and other receivables	10 468	4 667

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

South African Rand	4 017	1 664
US Dollar	6 451	3 003
Total carrying amount	10 468	4 667

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 2015 (2014: Rnil).

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 Company will not be able to collect the outstanding debt. As at 30 June 2015 no portion of trade receivables (2014: no portion) was past due or impaired. The aging analysis of trade receivables is as follows:

	2015 R'000	2014 R'000
Up to 1 month	7 138	2 321
1–2 months	470	49
More than 2 months	213	79
	7 821	2 449

9. DERIVATIVE FINANCIAL INSTRUMENTS

The derivative financial instruments at 30 June comprise of:		
– Forward foreign exchange contracts – assets	407	550
– Forward foreign exchange contracts – liabilities	(966)	(670)
	(559)	(120)
Reconciliation of derivative financial instruments:		
Opening balance	(120)	(2 224)
– Contracts entered into	(559)	(120)
– Contracts expired	120	2 224
Closing balance	(559)	(120)

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 4.3 million with forward rates ranging from R11.82/USD to R13.29/USD (2014: USD 2.3 million with forward rates ranging from R10.45/USD to R11.47/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

	2015 R'000	2014 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
Issued		
133 333 334 (2013: 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 Company are fully paid.

During the year the Company declared a final dividend of R6.7 million relating to the 2014 financial year and an interim dividend of R3.0 million for the 2015 financial year. A final dividend for the 2015 financial year of R6.7 million was declared by the Board on 19 September 2015.

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 Company and keep these shares for a minimum of three years, although there is no obligation to do so. The calculated total provision of R0.7 million (2014: R1.8 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	
	2015 R'000	2014 R'000
Movement in rights to share-based payments (Average award value is in brackets):		
Balance at the beginning of the year	1 290	1 579
Issued on 1 July 2013 (R1.42/share)	–	350
Exercised during the year	–	(639)
Relinquished (through resignation)	(1 094)	–
Balance at the end of the year	196	1 290

11. SHARE INCENTIVE PLAN (continued)

	Number of shares on which the right is based	
	2015 R'000	2014 R'000
Rights to share-based payments on 30 June are unconditional on the following dates:		
1 March 2014 (R3.00/share)	–	–
1 March 2015 (R3.00/share)	–	337
1 July 2015 (R1.51/share)	–	603
1 July 2016 (R1.42/share)	196	350
	196	1 290

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 Company.

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

	2015 R'000	2014 R'000
Deferred tax	14 236	8 971
Deferred tax prior year under provision	1 577	–
Total deferred tax	15 813	8 971

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:

	2015 R'000	2014 R'000
Deferred tax liability		
– Property, plant and equipment	28 462	20 622
– Trademarks	71	39
– Prepaid expenses	34	13
– Biological assets	50 857	42 480
Deferred tax asset		
– Accumulated tax loss	(3 943)	(3 841)
– Provision for leave pay	(350)	(281)
– Operating lease liabiltiy	(466)	(180)
– Long-term share incentive liability	(505)	(505)
Net deferred tax liability	**74 160**	**58 347**

12. TAXATION (continued)

12.2 Deferred income tax (continued)

The movement in net deferred tax liability during the year is as follows:

	Property, plant and equipment	Biological assets	Accumulated loss	Other	Total
Balance at 1 July 2013	14 919	39 144	(3 841)	(845)	49 376
Charged/(credited) to profit and loss	5 703	3 336	–	(68)	8 971
Balance at 30 June 2014	20 621	42 480	(3 841)	(913)	58 347
Charged/(credited) to profit and loss	7 841	8 377	(102)	(303)	15 813
Balance at 30 June 2015	28 462	50 857	(3 943)	(1 216)	74 160

The income tax on the profit before tax differs from the theoretical amount that would arise using the statutory rate of 28% (2014: 28%) as follows:

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% (2014: 28%) as follows:

	2015 %	2014 %
South African normal tax rate	28.00	28.00
Adjusted for:		
– Non taxable income	(0.19)	–
– Non deductible expenses	0.00	0.37
– Other permanent differences	0.92	(1.83)
– Prior period under provision – deferred tax	3.17	–
Actual effective tax rate	31.9	26.54

12.4 Tax losses

	2015 R'000	2014 R'000
Estimated tax losses and capital development costs available for set-off against future taxable income	47 602	39 333

13. DEFERRED INCOME GRANT

	2015 R'000	2014 R'000
Current portion	347	348
Long-term portion	4 145	4 492
	4 492	4 840

During the prior year R5.6 million was received as a government grant under the Aquaculture Development and Enhancement Programme (ADEP). The grant relates to the first claim of investment costs on the Sulamanzi expansion relating to the period 1 September 2012 to 30 June 2013.

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

14. LONG-TERM BORROWINGS

	2015 R'000	2014 R'000
ABSA Feed Loan	11 505	–
ABSA Agri Loan	27 524	4 225
Total long-term borrowings	39 029	4 225

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 and will be used to finance the expansion of the Sulamanzi farm, which is due to be completed in the next financial year. The Agri loan facility is R35 million and is repayable in monthly instalments at 0.65% 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. At year-end the construction of the feed plant was still in process, and it is expected that the plant will become operational in the next financial year. The feed plant is leased to Abagold's wholly-owned subsidiary, Specialised Aquatic Feeds (Pty) Ltd, for the production of formulated feeds. The Feed loan facility is R13.9 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

	2015 R'000	2014 R'000
Trade and other payables comprise the following items:		
Trade payables	3 763	9 019
Accrual for leave	1 249	1 005
Cash-settled share based payment liability	1 804	1 804
Debtors with credit balances	437	524
Other personnel accruals	2 943	218
Operating lease liability	1 665	644
Other payables	1 469	1 331
	13 330	14 545

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	–	2 137
Current portion of trade and other payables	13 330	12 408
	13 330	14 545

16. CASH AND CASH EQUIVALENTS

	2015 R'000	2014 R'000
Net bank overdraft	(11 640)	(1 685)
Cash on hand	3	1
Balance on credit cards	(6)	(37)
	(11 643)	(1 721)

16. CASH AND CASH EQUIVALENTS (continued)

Positive bank balances earn interest at market related money market rates which was 5% on average for the year.

The balance on credit cards and the bank overdraft are payable on demand and accrue daily interest at 0.65% below the prime interest rate.

Total approved banking facility includes a general banking facility of R27.0 million (2014: R25 million), an Agri loan of R35 million (2014: R35 million) and a revolving loan for the feed plant construction of R13.9 million (2014: R11.9 million). The facility also includes limits for entering into forward exchange contracts and credit cards. The next facility review date is 30 June 2016.

17. SECURITIES

The following items are secured to the Company'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 7994; 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.

Abagold has signed a cession of their loan account in favour of Specialised Aquatic Feeds (Pty) Ltd, limited to R2 million.

18. DEFINED CONTRIBUTION PLAN

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

An amount of R1.8 million (2014: R1.7 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:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- 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 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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.

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19. FINANCIAL INSTRUMENTS (continued)

***19.1 Fair value estimation** (continued)*

The determination of what constitutes 'observable' requires significant judgment by the Company. The Company 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 Company's financial assets and liabilities that are measured at fair value at 30 June 2015:

	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	–	407	–	407
Total assets	–	407	–	407
Liabilities				
Financial liabilities at fair value through profit or loss				
– Foreign exchange contract liabilities	–	966	–	966
Total liabilities	–	966	–	966

The following table presents the Company's financial assets and liabilities that are measured at fair value at 30 June 2014:

	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	–	550	–	550
Total assets	–	550	–	550
Liabilities				
Financial liabilities at fair value through profit or loss				
– Foreign exchange contract liabilities	–	670	–	670
Total liabilities	–	670	–	670

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 Company 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.

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.

19. FINANCIAL INSTRUMENTS (continued)

19.1 Fair value estimation (continued)

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The Company does not have any level 3 instruments for the year ended 30 June 2015 and 2014.

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 values.

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 9 excluding prepayments and value added tax) which exposes the Company to credit risk.

The Company 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.

Currently all foreign trade receivables relate to clients in the Far East (Hong Kong, Singapore 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 no portion of receivables is considered doubtful and no indication of default exists. Trade receivables do not have a formal credit rating.

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 it becomes due. The credit terms with trade and other payables are 30 days from statement date.

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19. FINANCIAL INSTRUMENTS (continued)

19.5 Liquidity risk management (continued)

The contractual periods of the Company'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 2015:				
Trade and other payables	13 330	–	–	13 330
Derivative financial instruments	966	–	–	966
Borrowings	5 595	5 561	27 873	39 029
Bank overdraft	11 643	–	–	11 643
	31 534	5 561	27 873	64 968
At 30 June 2014:				
Trade and other payables	11 185	–	1 804	12 989
Derivative financial instruments	670	–	–	670
Borrowings	–	–	4 225	4 225
Bank overdraft	1 721	–	–	1 721
	13 576	–	6 030	19 605

19.6 Interest rate risk

The Company'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 2015, if interest rates were 1 percentage point higher, with all other variables held constant, profit before income tax for the year would have been R320 000 less (2014: R60 000), arising as a result of the overdraft position at the end of 2014. Conversely, if interest rates were 1 percentage point lower, it would have an opposite effect on profit with the same amounts. The sensitivity for 2015 and 2014 differ due to an increase in the Agri and Feed Loans.

19.7 Currency risk management

Exposure to currency risk arises in the normal course of the Company'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 2015, 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 R0.6 million (2014: R0.2 million) higher. Conversely, if the Rand strengthened 10%, profit would be less with the same amounts. This variation in profit would be due to the fair value adjustment of foreign currency denominated trade receivables. The higher foreign exchange rate sensitivity in profit is attributable to an increase in these trade receivables at year-end.

19.7.2 Biological assets

Please refer to note 3.

19.7.3 Forward foreign exchange contracts

The Company uses derivative financial instruments to reduce exposure to fluctuating foreign exchange rates. To this effect the Company has entered into certain forward exchange contracts, which do not relate to specific items in the statement of financial position but were entered into to cover future foreign currency sales transactions. The contracts will be utilised against US Dollar receipts from foreign customers in the forthcoming financial year.

19. FINANCIAL INSTRUMENTS (continued)

19.7.3 Forward foreign exchange contracts (continued)

Whilst these financial instruments are subject to the risk of market rates changing subsequent to acquisition, such changes would generally be offset by opposite effects on the items being hedged. Open foreign exchange contracts at year-end are revalued using market rates for contracts with similar maturity dates with the adjustment to fair value affecting profit for the year. At 30 June 2015, 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 R0.9 million (2014: R2.5 million) less. Conversely, if the Rand strengthened 10%, profit would be higher with the same amounts. The decrease foreign exchange rate sensitivity in profit in 2015 compared to 2014 is attributable to the decrease 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 monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Company's target is to achieve a return on capital above 20%; in 2015 the return was 16.8% (2014: 11.1%). In comparison, the weighted average interest expense on interest-bearing borrowings was 8.5% (2014: 8.5%).

The Company 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 Company's policy is to keep the ratio below 1.00. The Company's adjusted net debt to equity ratio at the end of the reporting period was 0.53 (2014: 0.38).

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

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

20. REVENUE

	2015 R'000	2014 R'000
Revenue comprises of the following sales of abalone products and related services:		
– Canned abalone	75 607	69 389
– Pouched abalone	–	1 240
– Dried abalone	23 581	26 097
– Live abalone	20 405	18 461
– Live baby abalone (spats)	2 074	1 549
– Abalone feed	1 988	–
– Live packing of abalone	1 149	1 106
– Processing of abalone	647	979
– Seaweed	16	–
	125 467	118 821

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21. OTHER INCOME

	2015 R'000	2014 R'000
The following items are included in Other Income:		
– Shared infrastructure	1 037	459
– Insurance claim and rebates received	108	293
– Tourism income	11	27
– ADEP grant	347	792
– Other	73	1 284
	1 576	2 855

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	2 287	1 985
– Realised foreign exchange losses	(3 060)	(1 241)
– Unrealised foreign exchange gains	7 791	550
– Unrealised foreign exchange losses	(8 230)	(682)
Net fair value gains/(losses) on financial instruments	(1 212)	612

23. PRODUCTION COSTS

Production costs comprise the following:

– Utilities (electricity and water)	15 746	13 950
– Feed	1 260	8 897
– Consumables	1 862	939
– Chemicals	505	498
Total production costs	19 373	24 284

24. EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses comprise the following items:

– Wages and salaries	25 840	25 056
– Directors' remuneration	3 318	2 898
– Adjustment to share-based payment accrual	–	(264)
– Adjustment to accrual for short term incentive	–	(948)
– Provident fund contributions	1 910	1 663
– Protective clothing	507	633
– Staff tea and welfare	308	–
– Recruitment costs	24	–
Total employee benefit expense	31 907	29 038

24. EMPLOYEE BENEFIT EXPENSES (continued)

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

	2015 (R'000)					
	Professional fees	Basic salaries	Company contributions	Performance related	Fees for meetings	Total
Executive director:						
TR Hedges**	–	534	5	–	–	539
CM du Plessis***	–	1 123	51	–	–	1 174
CH van Dyk	–	905	11	–	–	916
Non-executive directors:						
HR van der Merwe	–	–	–	–	187	187
Dr P du P Hugo	–	–	–	–	78	78
Dr P du P Kruger	–	–	–	–	86	86
GM Negota	–	–	–	–	78	78
YJ Visser	–	–	–	–	86	86
JW Wilken	–	–	–	–	105	105
W Keast*	–	–	–	–	28	28
SG Sokhela****	–	–	–	–	41	41
Total	**–**	**2 562**	**67**	**–**	**689**	**3 318**

* Appointed on 23 February 2015
** Appointed on 1 April 2015
*** Resigned on 31 March 2015
**** Resigned on 23 February 2015

	2014 (R'000)					
	Professional fees	Basic salaries	Company contributions	Performance related	Fees for meetings	Total
Executive director:						
CM du Plessis	–	1 358	69	549	–	1 976
CH van Dyk	–	282	4	43	–	329
Non-executive directors:						
HR van der Merwe	–	–	–	–	109	109
Dr P du P Hugo	673	–	–	–	73	746
Dr P du P Kruger	–	–	–	–	80	80
GM Negota	–	–	–	–	73	73
SG Sokhela	–	–	–	–	80	80
YJ Visser	–	–	–	–	80	80
JW Wilken	–	–	–	–	98	98
Total	**673**	**1 640**	**73**	**592**	**593**	**3 571**

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

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25. PROFIT FROM OPERATIONS

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

	2015 R'000	2014 R'000
Auditor's remuneration for audit services	257	202
Amortisation and write-offs of trademarks	27	27
Depreciation	8 880	8 232
Maintenance	4 200	3 049
Rentals	(76)	–
Operating lease charges	1 594	856
Professional fees	3 415	2 608
Legal fees	98	44
Net loss on disposal of property, plant and equipment	146	31

26. FINANCE COSTS

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

Bank overdraft	510	1 885
Agri loan	896	–
Total finance costs	1 406	1 885

27. EARNINGS PER SHARE – BASIC

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

	2015 R'000	2014 R'000
Profit attributable to ordinary shareholders (rands)	33 750	24 836
Weighted number of ordinary shares	133 333	133 333
Basic earnings per share (cents)	25.31	18.63

There are no potential dilutive instruments as at 30 June 2015 (2014: none).

28. EARNINGS PER SHARE – HEADLINE

	2015	2014
Profit attributable to ordinary shareholders (R'000)	33 750	24 836
Adjusted for:		
Net loss on sale of property, plant and equipment (R'000)	105	23
Gross amount	146	31
Taxation	(41)	8
Net insurance claim and rebates received (R'000)	(78)	(211)
Gross amount	(108)	(293)
Taxation	30	82
Headline earnings (R'000)	33 777	24 648
Headline earnings per share (cents)	25.33	18.49

29. NOTES TO THE STATEMENTS OF CASH FLOWS

29.1 Cash received from clients

	2015 R'000	2014 R'000
Revenue	125 467	118 821
Other income	1 576	2 855
Plus: Receivables at the beginning of the year	4 667	4 410
Less: Receivables at the end of the year	(10 468)	(4 667)
	121 242	121 419

29.2 Cash generated from operations

	2015 R'000	2014 R'000
Profit before tax	49 563	33 807
Adjustments for non-cash items	(20 336)	6 323
– Trademark amortisation and write-offs	27	27
– Amortisation of deferred income grant	(348)	–
– Depreciation	8 880	8 232
– Depreciation allocated to feed production costs	–	137
– Loss on sale of property, plant and equipment	146	31
– Fair value gains on biological assets	(128 644)	–
– Transfers from biological assets to inventory	97 468	–
– Share of loss in equity accounted investments	1 696	–
– Unrealised gain on revaluation of foreign exchange contracts	(407)	(550)
– Unrealised loss on revaluation of foreign exchange contracts	966	670
– Reversal of prior year gain on foreign exchange contracts	550	59
– Reversal of prior year loss on foreign exchange contracts	(670)	(2 283)
Separately disclosed items in statement of cash flow	1 406	1 885
– Finance costs	1 406	1 885
– Investment income	–	–
	30 633	42 015
Changes in working capital:	(14 339)	(4 818)
– Increase in inventory and biological assets	(7 323)	(3 722)
– (Increase)/decrease in receivables	(5 801)	(257)
– (Decrease)/increase in trade payables	(1 215)	(839)
Cash generated from operations	16 294	37 197

Notes to the consolidated financial statements

for the year ended 30 June 2015

30. RELATED PARTIES

30.1 Identity of related parties

- Abagold Ltd owns 100% of the shares in a subsidiary, Specialised Aquatic Feeds (Pty) Ltd. See note 6 for the disclosure relating to Specialised Aquatic Feeds (Pty) Ltd. The subsidiary commenced trading from the 1 July 2014.
- Mr TR Hedges is the only director of Specialised Aquatic Feeds (Pty) Ltd and a director of Mean Sea Level (Pty) Ltd. He is also a director of Abagold Ltd.
- Mr CH van Dyk is a director of Specialised Aquatic Fees (Pty) Ltd. He is also a director of Abagold Ltd.
- Dr P du P Hugo and Dr P du P Kruger are directors 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 seven (2014: six) employees which includes two executive directors, Mr TR Hedges and Mr CH van Dyk.
- Mr GM Negota and Mr W Keast are directors of Afropulse 496 (Pty) Ltd which has a 15% shareholding in Abagold. Both individuals are also directors of Abagold.
- Mr GM Negota is a director of Abagold and is also a trustee on the Abagold Development Trust which has a 67% shareholding in Afropulse 496 (Pty) Ltd.

30.2 Material related party transactions and balances

30.2.1 Transactions with subsidiary

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

	2015 R'000	2014 R'000
Receivable from subsidiary	32	–
Payable to subsidiary	121	–

The following transactions between Abagold Ltd and its subsidiary, Specialised Aquatic Feeds (Pty) Ltd, previously Abamax Abalone Farm (Pty) Ltd, occurred during the year:

Feed expenses paid to subsidiary	9 712	–
Rental income received from subsidiary	2 502	–
Rental expenses paid to subsidiary	–	27

30.2.2 Transactions with joint ventures

Refer to note 6 for transactions with joint ventures.

30.2.3 Transactions with key management

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

	2015 R'000	2014 R'000
Basic salaries	5 250	4 976
Share-based payments	169	320
Company contributions	333	154
Performance related	–	823
	5 752	6 273

30. RELATED PARTIES (continued)

30.2.4 Material related party balances

Loans receivable include the following amounts to related parties:

	2015 R'000	2014 R'000
Abagold Development Trust	167	167
	167	167

The loan to the Abagold Development Trust does not have fixed repayment terms nor does it bear interest.

30.2.5 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	143	–	143
CH van Dyk	42	–	42
Dr P du P Hugo	–	18 735	18 735
Dr P du P Kruger	–	15 000	15 000
GM Negota	100	15 067	15 167
YJ Visser	–	7 131	7 131

31. COMMITMENTS

31.1 Capital commitments

	2015 R'000	2014 R'000
Authorised by the directors		
– Contracted for	–	7 765
– Not contracted for	24 538	42 992

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

31.2 Operating lease commitments

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

– Within one year	670	569
– After one year, but not longer than five years	3 260	2 771
– After five years	21 160	20 254
	25 090	23 594

During the prior year 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.

Notes to the consolidated financial statements
for the year ended 30 June 2015

32. EVENTS AFTER THE REPORTING DATE

No matters that occurred between the statement of financial position date and the date of the approval of the financial statements which are material to the financial affairs of the Company.

Refer to note 10 regarding the declaration of a final dividend relating to the 2015 financial year.

33. CONTINGENT LIABILITY

There are no contingent liabilities.

Shareholder and administrative information

Analysis of shareholders at 30 June 2015

	Number of shareholders		% Holding	
Size of holdings	**2015**	**2014**	**2015**	**2014**
Less than 1%	56	52	9.5%	9.1%
More than 1% but less than 5%	7	7	20.7%	20.8%
More than 5% but less than 10%	3	3	22.7%	23.0%
More than 10% but less than 20%	4	4	47.1%	47.1%
	70	**66**	**100%**	**100%**

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

Entity	Holding
Afropulse 496 (Pty) Ltd	15.0%
Bonne Esperance Trust	11.6%
Wenakker (Pty) Ltd	10.5%
Sea Yields Investments (Pty) Ltd	10.0%
KGMF Trust	9.7%
Johan van Dyk Family Trust	8.0%
Mike Family Trust	5.0%

Corporate information

Abagold Limited
Reg no: 1995/070041/06

Company secretary
J Hugo

Registered office
Cnr Church and Stil Street, 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 2015 annual general meeting (the meeting) of the shareholders of Abagold Limited ("the Company") will be held at 09h30 on Saturday, 12 December 2015 at the Whale Coast Hotel, 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 – Financial assistance to related or inter-related Company

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 inter-related to the Company.

Reason and effect

The reason for and the effect of special resolution number 1 is to grant the Company authority to pay fees to its non-executive directors for their services as directors, in line with the recommendations of King III and the Act.

Special resolution 2 – Non-executive directors' remuneration

Resolved that the directors' annual remuneration, in their capacity only as directors of the Company, from 1 January 2016 until 31 December 2016 be paid in accordance with the following:

For services as:	
Basic remuneration as director, excluding chairman of the board	R85 600
Basic remuneration as chairman of the board	R256 800
Chairman of a committee of the board	R21 400
Member of a committee of the board	R8 560

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 inter-related to the Company.

Ordinary resolution 1: Adoption of the annual financial statements

Resolved to adopt the consolidated annual financial statements for the year ended 30 June 2015.

Ordinary resolution 2: Re-election of the independent auditor and noting designated auditor

Resolved that, as recommended by the audit and risk committee, KPMG Inc. be re-elected as independent registered auditor of the Group and that shareholders note the appointment of Mr Pierre Conradie of the said firm as the designated registered auditor to hold office for the ensuing year.

Ordinary resolution 3: Re-election of directors retiring by rotation

Resolved that the following director, who retires by rotation and, being eligible and having made himself available for re-election as director of the Company, is re-elected as director:

3.1 Mr GM Negota

The directors unanimously recommend that the appointment in terms of resolution 3.1 be approved by the shareholders of the Company.

Ordinary resolution 4: Re-election of directors appointed by the Board

Resolved to re-elect the following directors, each by way of a separate vote, in respect of their recent appointment by the Board, whose appointment comes to an end at this meeting in terms of the Company's MOI, but being eligible, offers themselves for re-election:

4.1 Mr TR Hedges (co-opted executive director on 1 April 2015)
4.2 Mr WB Keast (co-opted as director on 23 February 2015)

Ordinary resolution 5: 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 vote, as members of the Audit and Risk Committee of the Company for the period from 13 December 2015 until the conclusion of the next annual general meeting:

5.1 Dr P du P Kruger
5.2 Mr YJ Visser
5.3 Mr JW Wilken

Voting and proxies

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

Any person present and entitled to vote at the meeting, as member or as proxy or as a representative of a body corporate, shall on a show of hands have on one vote irrespective of the number of shares held or represented. On a poll, he/she/it will have a number of votes equal to the number of ordinary shares held or represented.

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

Forms of proxy must be lodged for ease of administration with the company secretary (using the return options set out on the back of the proxy form), by no later than 16h00 on Thursday, 10 December 2015. 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

J Hugo
Company Secretary
18 September 2015

ABAGOLD

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

PROXY FORM

Proxy form for use at the annual general meeting (the meeting) of the Company to be held on 12 December 2015 at 09h30 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 abovementioned 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 directors' remuneration until the next annual general meeting			
2	To enable the provision of financial assistance to related or inter-related entities			
	Ordinary resolutions			
1	Adoption of consolidated annual financial statements for the year ended 30 June 2015			
2	Re-election of independent auditor and noting designated auditor			
3	Re-election of director retiring by rotation			
	3.1 Mr GM Negota			
4	Re-election of co-opted directors			
	4.1 Mr TR Hedges			
	4.2 Mr WB Keast			
5	Election of members of the audit and risk committee:			
	5.1 Dr P du P Kruger			
	5.2 Mr YJ Visser			
	5.3 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 ____________________ 2015

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 is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held. An ordinary shareholder's instructions to the proxy must be indicated by inserting the relevant number of votes exercisable by him/her in the appropriate space provided above.
4. If any ordinary shareholder does not indicate on this instrument that his proxy is to vote in favour of or against any resolution or to abstain from voting, or give contradictory instructions, or should any further resolution(s) or any amendment(s) which may be properly put before the meeting be proposed, the proxy shall be entitled to vote as he/she thinks fit.
5. Documentary evidence establishing the authority of a person signing the proxy form in a representative capacity must be attached to this proxy form, unless previously recorded by the Company or waived by the Chairman of the meeting.
6. This proxy form should 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, 10 December 2015 and may be returned in any manner set out below.
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. **Additional directors not appearing in the proxy form**: The proxy may vote with regard to the election of new additional directors that may be validly nominated prior to the meeting (if any) as the proxy deems fit. Persons nominated for appointment as directors must have consented in writing to their nomination and must not be disqualified by virtue of the provisions of par 5.1.5 of the Company's Memorandum of Incorporation.

Return options:

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

OR Post to:
The Company Secretary
Abagold Limited
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, 10 December 2015.

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

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