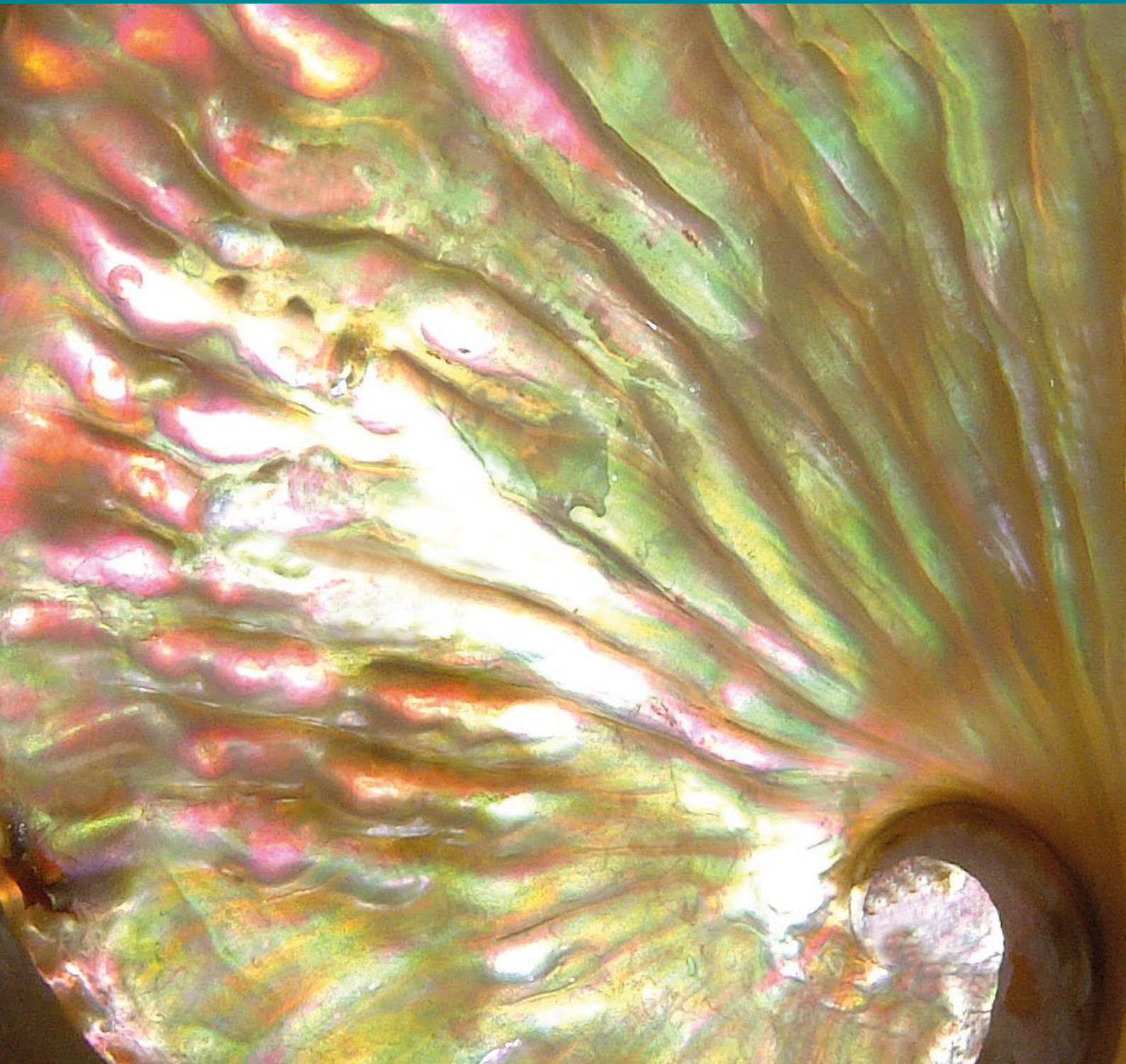


**ABAGOLD**

**INTERIM REPORT**

(UNAUDITED)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2013





# INTERIM REPORT (UNAUDITED) FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

## ABAGOLD LIMITED

### DIRECTORATE

#### Non-executive

HR van der Merwe (Chairman of the Board)	*
P du P Hugo	
P du P Kruger	*
GM Negota	
SG Sokhela	❖
YJ Visser	❖
JW Wilken	* ❖

#### Executive

CM du Plessis (Managing Director)  
CH van Dyk (appointed 24 February 2014)

- ❖ = Member of audit and risk committee  
\* = Member of remuneration and nomination committee

#### Company Secretary

J Hugo

### ADMINISTRATION

#### Registered office

Abagold Limited  
New Harbour  
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

#### Bankers

The ABSA Group

#### Brokers for share trading

First National Bank Securities

#### Website and share trading

www.abagold.com

#### Company registration number

1995/070041/06

# Review of the interim results

for the six months ended 31 December 2013

## FINANCIAL OVERVIEW

Turnover for the six months to 31 December 2013 increased by a pleasing 39% to R58m over the comparative six months in the previous year, supported by a sales volume increase and the weaker exchange rate, countered somewhat by lower US Dollar sales prices.

The net result is a satisfactory 25% increase in net profit before tax to R24m. In constant currency terms turnover increased by 17% to R49.8m.

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

	Unaudited 31 December			Audited 30 June
	2013 6 months	2012 6 months	%	2013 12 months
Turnover (Rm)	58.1	41.8	39%	71.0
Turnover (USDm)	5.7	4.8	19%	8.2
Average spot rate (Rand:USD)	10.20	8.74	17%	8.70
Live equivalent tonnes sold	158	121	31%	207
Tonnes growth recorded	177	150	18%	310
Average USD sales price/kg	36.2	39.6	-9%	39.4
Total expenses	41.0	31.6	30%	68.3
Net profit before tax (Rm)	24.0	19.2	25%	51.8
Cash generated from operations (Rm)	8.8	6.1	44%	8.4
Sales price per kg (Rand)	369	346	7%	343
Cost per kg growth recorded	232	211	10%	220

The increase in tonnage sold was achieved partly by lowering sales prices and successfully diversifying into new markets and new products to address significantly weaker market demand.

The weakening of the exchange rate from R9.90/USD at 30 June 2013 to R10.51/USD at 31 December accounted for R9.2m of a R15.6m fair value gain in biological assets. This gain was offset by an unrealised loss of R11.0m on the revaluation of biological assets, in line with a downward revision of live USD prices. The net *growth* in biological assets therefore contributed R17.0m (2012: R4.8m) to the fair value gain of R15.6m.

Expenses for the six months under review accelerated in line with budget by 30%, ahead of inflation at 5.7% over the half year to 31 December 2013. The main drivers are electricity rate increases, larger feed volumes to sustain the abalone growth, increased headcount due to the expansion of farming activities, higher volume of processing and increased depreciation charges on the larger asset base. Export costs have also increased significantly due to the introduction of live abalone sales, with the concomitant airfreight charges.

Cash generated from Operations improved by 44% to R8.8m from R6.1m in the comparative period due to the increase in net profit. We paused development of the Sulamanzi project from July 2013 due to uncertain markets. Spending on capital items therefore reduced to R2.2m from R17.1m in the comparative period. The development of a further Sulamanzi production unit at a cost of R4m will commence in March 2014, advisable in the light of these improved results and improving prospects. Further capital commitment will be considered on a unit by unit basis.

## OPERATIONAL OVERVIEW

**Hatchery and Grow-out farms** – Total growth recorded increased by 18% from 150 tonnes in the comparative period to 177 tonnes in this reporting period. We have expanded our hatchery capacity significantly over the last year and were able to sell excess spat to the value of R0.8m due to surplus production.

# Review of the interim results

for the six months ended 31 December 2013 (continued)

**Processing facility** – Record tonnage and numbers of abalone were processed, including the packing of live abalone for the first time in ten years. Processing and packing fees amounting to R1.1m was earned from third parties.

**Sales and marketing** – We focused on new markets, products and channels during the six months under review and success is evident from the increased volume of sales. Demand for dried abalone has contracted, compensated for by the re-introduction of live abalone exports, sales into retail channels and promotions of canned abalone to targeted large-volume customers.

**Feeds** – Development of our own and related aquaculture feeds continues unabated. We recorded the first sale of our base abalone feed to a third party in the reporting period and look to significantly expand on this opportunity in the second half of the 2014 calendar year when our new feed production facility will be commissioned.

## PROSPECTS<sup>1</sup>

If current circumstances prevail we may expect another satisfactory operational performance for the full financial year. Market demand is anticipated to taper off in February after the Chinese New Year, but the continuing diversification of our channel and product offerings is designed to pursue steady sales. We continue to capitalise on the benefits of a weaker Rand using forward exchange contracts. We also expect continued revenue and earnings growth from contract processing and packing as well as feed sales.

## DECLARATION OF DIVIDEND (NUMBER 9)

Notice is hereby given that the Board has declared an interim dividend of 2.25 cent per share (interim dividend 2013: 1.3 cent per share), payable on 14 March 2014 to all shareholders registered as at close of business on 7 March 2014.

Dividends will be paid by direct electronic transfer where shareholder bank details have been supplied. All other dividends will be paid via cheques posted to registered addresses.

Signed on behalf of the Board of Directors at Hermanus on 24 February 2014.



**HR van der Merwe**  
*Chairman*



**CM du Plessis**  
*Managing Director*

<sup>1</sup> This paragraph contains statements which relate to our future business and financial performance of Abagold that may constitute forward-looking statements. Such statements are based on current expectations and certain assumptions of Abagold's management, and are, therefore, subject to certain risks and uncertainties. A variety of factors, many of which are beyond Abagold's control, affect its operations, performance, business strategy and results and could cause the actual results, performance or achievements of Abagold to be materially different from any future results, performance or achievements that may be expressed or implied by these forward-looking statements or anticipated on the basis of historical trends.

# Condensed consolidated statement of financial position

at 31 December 2013

	Unaudited 31 December			Audited 30 June
	2013 R'000	% change	2012 R'000	2013 R'000
<b>ASSETS</b>				
<b>Non-current assets</b>	182 756		161 887	178 390
Property, plant and equipment	111 550	7%	104 527	113 506
Biological assets	63 086	28%	49 184	56 750
Trademarks	141	(28%)	197	155
Goodwill	7 979	0%	7 979	7 979
<b>Current assets</b>	125 055		81 435	120 011
Current portion of biological assets	92 321	60%	57 763	83 049
Inventories	22 117	54%	14 366	32 493
Trade and other receivables	10 617	23%	8 664	4 410
Derivative financial instruments	—	100%	642	59
<b>Total assets</b>	<b>307 811</b>	<b>27%</b>	<b>243 322</b>	<b>298 401</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>	217 945		181 299	204 559
Share capital	7	0%	7	7
Share premium	87 498	0%	87 498	87 498
Retained earnings	130 440	39%	93 794	117 054
<b>Total equity</b>	<b>217 945</b>	<b>20%</b>	<b>181 299</b>	<b>204 559</b>
<b>Non-current liabilities</b>	59 067		43 267	50 414
Deferred income tax	56 955	36%	41 728	49 376
Trade and other payables	2 112	37%	1 539	1 038
<b>Current liabilities</b>	30 799		18 756	43 428
Trade and other payables	5 434	(3%)	5 593	14 346
Derivative financial instruments	906	(100%)	—	2 283
Bank overdraft	24 459	86%	13 163	26 799
<b>Total liabilities</b>	<b>89 866</b>	<b>45%</b>	<b>62 023</b>	<b>93 842</b>
<b>Total equity and liabilities</b>	<b>307 811</b>	<b>27%</b>	<b>243 322</b>	<b>298 401</b>

# Condensed consolidated statement of comprehensive income

for the six months ended 31 December 2013

	Unaudited 31 December			Audited 30 June
	2013 6 months R'000	% change	2012 6 months R'000	2013 12 months R'000
Revenue	58 119	39%	41 770	70 995
Other income	2 156	491%	365	1 689
Fair value gains and (losses) in financial instruments	237	52%	496	(2 465)
Purchases of biological assets	(804)	(60%)	(1 988)	(11 269)
Fair value changes in biological assets	15 608	100%	7 823	40 675
Changes in inventory	(10 376)	(539%)	2 363	20 490
Production costs	(12 785)	21%	(10 576)	(21 776)
Employee benefit expenses	(14 385)	27%	(11 361)	(25 054)
Depreciation and amortisation	(4 113)	39%	(2 965)	(6 951)
Other operating expenses	(8 414)	30%	(6 465)	(13 574)
Profit from operations	25 243		19 462	52 760
Finance costs	(1 293)	100%	(272)	(933)
Investment income	—	(100%)	8	13
Profit before income tax	23 950	25%	19 198	51 840
Deferred income tax charge	(7 579)	26%	(6 028)	(13 676)
<b>Profit for the period</b>	<b>16 371</b>	<b>24%</b>	<b>13 170</b>	<b>38 164</b>
<b>Total comprehensive income for the year</b>	<b>16 371</b>	<b>24%</b>	<b>13 170</b>	<b>38 164</b>

# Condensed consolidated statement of changes in owners' equity

for the six months ended 31 December 2013

	Unaudited 31 December			Audited 30 June
	2013 6 months R'000	% change	2012 6 months R'000	2013 12 months R'000
<b>Equity at the beginning of the period</b>	204 559	19%	171 462	171 462
Adjustment to opening balance	(52)	(100%)	—	—
Profit for the period	16 371	24%	13 170	38 164
Dividend paid	(2 933)	(12%)	(3 333)	(5 067)
<b>Equity at the end of the period</b>	<b>217 945</b>	<b>20%</b>	<b>181 299</b>	<b>204 559</b>

# Condensed consolidated statement of cash flow

for the six months ended 31 December 2013

	Unaudited 31 December		Audited 30 June	
	2013 6 months R'000	% change	2012 6 months R'000	2013 12 months R'000
<b>Cash flow from operating activities</b>	<b>7 484</b>		<b>5 791</b>	<b>7 504</b>
Cash received from clients	54 068	39%	38 833	73 636
Cash paid to suppliers and employees	(45 291)	38%	(32 778)	(65 212)
<b>Cash generated from operations</b>	<b>8 777</b>	<b>45%</b>	<b>6 055</b>	<b>8 424</b>
Finance costs	(1 293)	375%	(272)	(933)
Investment income	—	(100%)	8	13
<b>Cash flow from investment activities</b>	<b>(2 211)</b>		<b>(17 135)</b>	<b>(30 750)</b>
Purchases of property, plant and equipment	(2 211)	(87%)	(17 135)	(30 732)
Invested in trademark registration	—	0%	—	(18)
<b>Cash flow from financing activities</b>	<b>(2 933)</b>		<b>(3 333)</b>	<b>(5 067)</b>
Dividend paid to Company's shareholders	(2 933)	(12%)	(3 333)	(5 067)
Net cash flow for the period	2 340		(14 677)	(28 313)
Cash and cash equivalents - beginning of the period	(26 799)		1 514	1 514
<b>Cash and cash equivalents - end of the period</b>	<b>(24 459)</b>	<b>(86%)</b>	<b>(13 163)</b>	<b>(26 799)</b>



# Notes to the interim results

for the six months ended 31 December 2013

## 1. CORPORATE INFORMATION

Abagold Limited (the "Company") is a company incorporated and domiciled in South Africa. The Company has one wholly owned subsidiary, Abamax Abalone Farm (Proprietary) Limited which is currently a dormant entity.

## 2. ACCOUNTING POLICIES AND BASIS OF PREPARATION

### Basis of preparation

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

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

Interim condensed financial statements do not include all the information and the disclosures required in the audited annual financial statements, and should be read in conjunction with the Company's audited annual financial statements as at 30 June 2013. The 30 June 2013 figures are included for ease of reference and comparison.

### Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 30 June 2013.

## 3. EARNINGS PER SHARE

	Unaudited 31 December		Audited 30 June
	2013 6 months R'000	2012 6 months R'000	2013 12 months R'000
Total profit attributable to ordinary shareholders	16 371	13 170	38 164
The entire "Profit for the period" is attributable to ordinary shareholders			
Weighted average number of ordinary shares (in thousands)	133 333	133 333	133 333
Earnings per share (in cents per share)	12.28	9.88	28.62

**Note:** There are no instruments in issue that could have a dilutive effect and therefore the diluted earnings per share equal the earnings per share.

There are no material adjustments to earnings required in determining the headline earnings and therefore the headline earnings per share equal the earnings per share.