

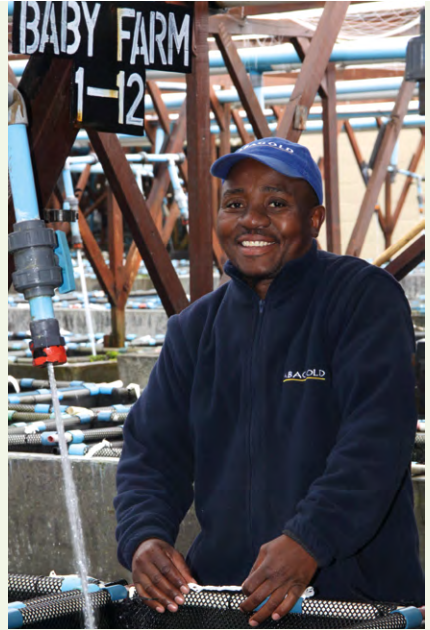


ABAGOLD

INTERIM REPORT

(UNAUDITED)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2015



INTERIM REPORT (UNAUDITED) FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

ABAGOLD LIMITED

DIRECTORATE

Non-executive

HR van der Merwe (Chairman of the Board)	✱
P du P Hugo	✱
W Keast	
P du P Kruger	❖ ✱
GM Negota	
YJ Visser	❖
JW Wilken	❖ ✱

Executive

TR Hedges (Managing Director)	❖ ✱
CH van Dyk (Operations Director)	

- ❖ = Member of audit and risk committee
- ✱ = Member of remuneration and nomination committee
- ★ = Member of social and ethics committee

Company Secretary

J Hugo

ADMINISTRATION

Registered office

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

Auditors

KPMG Inc

Bankers

The ABSA Group

Website and share trading

www.abagold.com

Company registration number

1995/070041/06

Review of interim results

for the six months ended 31 December 2015

FINANCIAL OVERVIEW

Turnover for the six months to 31 December 2015 came to R103,9 million, an increase of 69% over the comparative six months in the previous year (December 2014). This increase was supported by a significant sales volume increase (+31%), increased USD selling price (6%) and the weaker USD/Rand rate (28,5%). In constant currency terms turnover increased by 44% to R88,9 million.

The net result is a 221% increase in net profit before tax from December 2014 to R66,8 million.

	UNAUDITED 31 DEC 2015 6 months	UNAUDITED 31 DEC 2014 6 months	% change	AUDITED 30 JUN 2015 12 months
Turnover (Rm)	103,9	61,5	69%	125,5
Live equivalent tonnes sold	233	178	31%	337
Tonnes growth recorded	202	186	9%	354
Total expenses	59,4	45,5	30%	84,6
Net profit before tax (Rm)	66,8	20,8	221%	49,6
Cash generated from/(utilised in) operations (Rm)	20,3	-8,3	344%	16,3
Sales price per kg (Rand)	433	329	32%	363
Cost per kg growth recorded	294	245	20%	239

The increase in tonnage sold was mostly supplied by Abagold's own pipeline, with only 8,6 tonnes of live abalone bought in from third party producers.

A net fair value gain of R123 million is recorded for the period and consists of three components: the weakening of the exchange rate from ZAR12,14/USD at 30 June 2015 to ZAR15,60/USD at 31 December 2015 which resulted in an unrealised fair value gain of R54,7 million in biological assets; an unrealised fair value gain of R50 000, in line with the upward revision of live USD selling prices; and the growth in biological asset tonnages which increased the fair value gain by R68,3 million.

Expenses for the six months under review increased by 30% year-on-year, ahead of inflation at 5,1%. The main drivers are: higher marketing costs; electricity costs (due to Eskom rate increases); increased headcount and production costs due to the expansion and completion of Sulamanzi; and, higher depreciation resulting from the capitalisation of the Sulamanzi and Feed Factory projects. The Board is satisfied that these increases are in line with the expanded scope of the business, and thus justified.

Cash generated from operations amounted to R20,3 million compared to cash utilised (deficit) in operations of R8,3 million in the comparative period. The increased sales volume and efficient customer collections, combined with lower purchases of third party live abalone stock, resulted in this increase in cash generated from operations.

R11,7 million spent on capital items was lower than the prior year, due to the fact that the majority of the Sulamanzi production units and feed factory development were completed in the previous year. Some capital projects were delayed in the first half, but these will be completed in the second half of the year.

Adequate bank financing in the form of a committed overdraft facility is available to fund operations for the foreseeable future.

OPERATIONAL OVERVIEW

Hatchery and Grow-out farms: Total growth recorded increased by 9% from 186 tonnes in the comparative period last year to 202 tonnes in this reporting period. Surplus production in our world-class hatchery enabled us to sell excess spat to the value of R1,7 million.

Review of the interim results (continued)

for the six months ended 31 December 2015

Sales and marketing: Despite tough trading conditions during the six months under review (as a result of the demand for smaller, cheaper abalone products due to Chinese austerity measures, weaker economic growth and general outlook in Asian markets) the business was able to increase sales volume by 55 tonnes, without compromising on the overall dollar selling price. Although the market remains under pressure with the low-growth Chinese economy and political environment, the progress that the Abagold brand and quality has made in the past few years should continue to allow Abagold to demand a premium price for our products.

Feeds: Development of our own and related aquaculture feeds continues to gather momentum, with significant expansion in the capacity of the facility and development of feeds for other species. 46 tonnes of third party abalone feed and 127 tonnes of trout feed sales were recorded for the 6 months under review.

PROSPECTS

While demand for smaller, more economical sizes of abalone is expected to persist, the strong market presence that Abagold has developed and our ranged pipeline of product have allowed the business to satisfy customer demand. The work done in previous years to entrench the larger abalone sizes will continue to deliver results, and a number of initiatives bode well for the second half of the financial year. Further diversification in geographical customer base and product format available from Abagold has enhanced this position.

Specialised Aquatic Feeds (Pty) Ltd expects third party feed sales, particularly trout and pigeon feed, to increase significantly.

Although the second half of the financial year is usually slower than the first, due to the predominant sales volume around Chinese New year, the business expects a strong operational performance for the full financial year.

DECLARATION OF DIVIDEND (NUMBER 13)

Notice is hereby given that the Board has declared an interim dividend of 3,9 cents per share (interim dividend 2015: 2,25 cents per share), payable on 11 March 2016 to all shareholders registered as at close of business on 24 February 2016.¹ This dividend is in line with the Company's dividend policy of returning 60% of cash profit to shareholders, should debt levels, future cash flow requirements and other relevant factors allow. 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.

Note that:

- As no secondary tax on companies' credits are available, dividend withholding tax at the rate of 15% will be applicable to shareholders who are not exempt, which will result in a net dividend of 3,315 cents per share to such shareholders;
- Abagold's tax reference number is 9008/001/76/1; and
- Abagold's issued share capital at the declaration date is R6 667 (133 333 334 ordinary shares with no par value).

Signed on behalf of the Board of Directors at Hermanus on 19 February 2016.



HR van der Merwe
Chairman



TR Hedges
Managing Director

¹ Shareholders who have sold shares to Futuregrowth under its offer that closed on 31 January 2016, will continue to receive this dividend on the shares sold, notwithstanding that transfer of such shares may be registered prior to 24 February 2016, as the Futuregrowth offer was ex this dividend.

Condensed consolidated statement of financial position

at 31 December 2015

	UNAUDITED 31 DECEMBER		AUDITED 30 JUNE	
	2015 R'000	% change	2014 R'000	2015 R'000
ASSETS				
Non-current assets	283 481		218 963	258 879
Property, plant and equipment	162 252	15%	140 667	156 664
Biological assets	110 839	64%	67 488	91 844
Trademarks	248	(2%)	253	255
Goodwill	7 979	0%	7 979	7 979
Equity accounted investments	2 163	(16%)	2 576	2 137
Current assets	178 884		148 104	132 286
Current portion of biological assets	106 493	24%	85 566	89 788
Inventories	41 980	(6%)	44 685	31 623
Trade and other receivables	30 412	70%	17 853	10 468
Derivative financial instruments	–	0%	–	407
Total assets	462 366	26%	367 067	391 165
EQUITY AND LIABILITIES				
Equity	288 596		232 885	247 545
Share capital	7	0%	7	7
Share premium	87 498	0%	87 498	87 498
Retained earnings	201 091	38%	145 380	160 040
Total equity	288 596	24%	232 885	247 545
Non-current liabilities	138 942		114 803	117 334
Deferred income tax	93 348	48%	63 044	74 160
Deferred income grant	3 970	(8%)	4 317	4 145
Long term borrowings	41 624	(4%)	43 215	39 029
Trade and other payables	–	(100%)	4 227	–
Current liabilities	34 828		19 379	26 286
Current portion of deferred income grant	348	0%	348	347
Current portion of long-term borrowings	2 510	(9%)	2 751	–
Trade and other payables	14 451	34%	10 767	13 330
Derivative financial instruments	10 547	920%	1 034	966
Bank overdraft	6 972	56%	4 479	11 643
Total liabilities	173 770	30%	134 182	143 620
Total equity and liabilities	462 366	26%	367 067	391 165

Condensed consolidated statement of comprehensive income

for the six months ended 31 December 2015

	UNAUDITED 31 DECEMBER			AUDITED 30 JUNE
	2015 6 months R'000	% change	2014 6 months R'000	2015 12 months R'000
Revenue	103 955	69%	61 520	125 467
Other income	1 753	49%	1 175	1 576
Fair value (losses)/gains in financial instruments	(12 254)	914%	(1 209)	(1 212)
Fair value gain on biological assets	123 020	1 577%	(8 330)	128 644
Cost of abalone sold	(90 290)	(786%)	13 155	(118 571)
Production costs	(14 171)	11%	(12 814)	(19 373)
Employee benefit expenses	(21 457)	34%	(16 011)	(31 907)
Depreciation and amortisation	(6 125)	48%	(4 128)	(8 907)
Other operating expenses	(15 305)	30%	(11 815)	(23 052)
Profit from operations	69 127	221%	21 543	52 665
Finance costs	(2 322)	207%	(756)	(1 406)
Share of loss of equity accounted investments	–	0%	–	(1 696)
Profit before income tax	66 805	221%	20 787	49 563
Income tax expense	(19 087)	306%	(4 697)	(15 813)
Profit for the period	47 718	197%	16 090	33 750
Total comprehensive income for the period	47 718	197%	16 090	33 750

Condensed consolidated statement of changes in owners' equity

for the six months ended 31 December 2015

	UNAUDITED 31 DECEMBER		AUDITED 30 JUNE	
	2015 6 months R'000	% change	2014 6 months R'000	2015 12 months R'000
Equity at the beginning of the period	247 545	11%	223 462	223 462
Profit for the period	47 718	197%	16 090	33 750
Dividend paid	(6 667)	0%	(6 667)	(9 667)
Equity at the end of the period	288 596	24%	232 885	247 545

Condensed consolidated statement of cash flow

for the six months ended 31 December 2015

	UNAUDITED 31 DECEMBER		AUDITED 30 JUNE	
	2015 6 months R'000	% change	2014 6 months R'000	2015 12 months R'000
CASH FLOW FROM OPERATING ACTIVITIES	18 018		(9 085)	14 888
Cash received from clients	84 023	70%	49 509	121 242
Cash paid to suppliers and employees	(63 683)	10%	(57 838)	(104 948)
Cash generated from operations	20 340	344%	(8 329)	16 294
Finance costs	(2 322)	207%	(756)	(1 406)
CASH FLOW FROM INVESTMENT ACTIVITIES	(11 786)		(28 747)	(49 947)
Purchases of property, plant and equipment	(11 743)	(56%)	(26 798)	(47 983)
Investment in equity accounted entities	(27)	(99%)	(1 823)	(1 823)
Purchases of trademarks	(16)	(87%)	(126)	(142)
CASH FLOW FROM FINANCING ACTIVITIES	(1 561)		35 074	25 137
Increase in long-term borrowings	5 106	(88%)	41 741	34 804
Dividend paid to shareholders	(6 667)	0%	(6 667)	(9 667)
Net cash flow for the period	4 671		(2 758)	(9 922)
Cash and cash equivalents – beginning of the period	(11 643)		(1 721)	(1 721)
Cash and cash equivalents – end of the period	(6 972)	(56%)	(4 479)	(11 643)

Notes to the interim results

for the six months ended 31 December 2015

1. CORPORATE INFORMATION

Abagold Limited (the “Company”) is a company incorporated and domiciled in South Africa. The Company has one wholly owned subsidiary, Specialised Aquatic Feeds (Proprietary) Limited which produces and sells formulated feeds.

2. ACCOUNTING POLICIES AND BASIS OF PREPARATION

Basis of preparation

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

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

Interim condensed financial statements do not include all the information and the disclosures required in the audited annual financial statements, and should be read in conjunction with the Company’s audited annual financial statements as at 30 June 2015. The 30 June 2015 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 2015.

3. EARNINGS PER SHARE

	Unaudited 31 December		Audited 30 June
	2015 R'000	2014 R'000	2015 R'000
Total profit attributable to ordinary shareholders	47 718	16 090	33 750
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)	35.79	12.07	25.31

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