

**MINUTES OF THE ANNUAL GENERAL MEETING (“AGM”) OF THE
SHAREHOLDERS OF ABULON HOLDINGS LIMITED (“the Company”) HELD AT
10:00 ON 02 DECEMBER 2008
(Company registration number: 1997/019771/06)**

Present: As per the attendance register.

- 1. CHAIRMAN:** Mark Dale chaired the meeting.
- 2. QUORUM:** The required quorum (three members in person) was present and the meeting was duly constituted.

The chairman welcomed all and thanked them for their presence. He then dealt with the agenda.

3. ACCEPTANCE OF MINUTES OF THE PREVIOUS MEETING

The previous meeting's minutes were accepted.

4. CHAIRMAN'S REPORT

4.1 Introduction

2008 was a year of mixed fortunes. On the one hand the farm performed well showing good results and strong animal growth but on the other hand it was forced to accept the de-stocking order. Therefore the real challenge it had to deal with was in determining which route to follow to ensure the continuing health of the business and the survival of the Corporation.

4.2 Period under Review

In terms of the de-stocking order, Abatech was required to remove all animals from the farm, decontaminate the whole facility, and let it lie fallow for at least 6 weeks before resuming any further farming activities. From Marine and Coastal Management's (M&CM) standpoint this was a precautionary measure as the exact nature of the fungus had not yet been determined.

The company did not take this lying down and followed a 2 pronged approach in response. Firstly, it followed the legal route and used the services of a reputable law firm to assist in dealing with the authorities; and secondly it put into place an action plan to try and eliminate the presence of the fungus on the farm.

Due primarily to the lack of experts in the field, the company was unable to find any expert opinion which could be used to counter the arguments and decisions of M&CM therefore it was decided that the chances of succeeding in a pure legal battle would likely be more costly than beneficial.

On the practical side, however, the farm had a degree of success in countering the fungus by moving away from the pure recirculation systems on the farm and moving towards a hybrid flow-through system.

In parallel with this, other avenues were explored to ensure the wellbeing of the corporation in the long term. The main focus here was to try and establish a second farm, free of fungus and on a basis where there were no land encumbrances and limitations.

The efforts bear fruit and the company embarked on a Joint Venture (JV) with Paternoster Fisheries (PF) on land belonging to them, situated about 3 kilometres south of the existing farm. The intention was to sectionalise a part of the land from that belonging to PF and transfer it to the JV. The land was suitably located and large enough to accommodate a 50-ton farm which, over time, could expand to 250 tons.

The viability of the land was still subject to the successful completion of an Environmental Impact Analysis (EIA). This venture was initiated in September 2008. If funds could be secured for the operation and the EIA completed successfully, Abulon would provide the know-how, expertise and management in exchange for a management fee and an equitable portion of the shares in the venture. Now that land had been identified, the next phase was finding an appropriate funding partner. The increase in Rand/US\$ exchange rate had a positive effect on the revenues of the business and in the current market the profitability of the venture improved dramatically with the weakening of the Rand. An advantage of the de-stocking was that the growth rates of the remaining stock improved and the sales for the past year were good.

4.3 Future

The de-stocking program would continue until late 2009 and, in the process generate an estimated cash reserve of between R5 and R6 million. The company would continue to try and prevent the need for a total de-stock on the existing farm and would also consider the viability of continuing operations at the existing site. A shelf company was acquired to embark on the new venture. Directors were nominated by both parties and seed funding of R100, 000 (R50, 000 from each party) will cover the initial costs of the land subdivision and the EIA.

4.4 Shares

The board maintained the share price at 30cents. During the period under review 71, 000 company shares were sold in October and November of 2007. A decision was taken by the Directors in early 2008 to halt all share trading until all the issues surrounding the de-stocking were fully understood and under control.

4.5 Conclusion

Despite the on-going issue of the fungus and the de-stocking order, the business was operating in an effective and efficient manner and the board assured the shareholders of its best efforts to ensure a healthy future for the business.

4.6 Thanks

Mark thanked Chris, Dexter, Hannes, Gareth and the team on the farm for their efforts. Special thanks went to David Huth, Mark's fellow non-exec, for his tireless efforts and support on the administrative front.

5. OPERATIONAL REPORT: CHRIS NEVELING

Being faced with an opportunistic fungus with the gravel in the re-circulation system creating the ideal environment, a decision was made to remove all gravel from the system. Having received a de-stocking order from M&CM, the aim was to rid the farm of the fungus. Initially M&CM (and the Minister's letter) did not put any timeframe to the de-stocking and consequently the farm de-stocked at its own pace. This came to the attention of Dr. Anna Mouton and she reported it to M&CM which led to a request by M&CM to de-stock completely by the end of January 2009.

A meeting is scheduled with M&CM for Thursday 04 Dec where the matter will be addressed. Although Dr. Mouton could only find a few abalones with the fungus during her last inspection a negative report was issued to M&CM. The report was skewed and this will be brought to M&CM's attention at the meeting. Other expert opinion will also be consulted as it is believed that M&CM are easily swung by what Dr. Mouton says.

An option exists that should the farm be de-stocked, larger animals could be purchased to re-stock the farm.

The company believes that there is support from the government for Marine Aquaculture. Abalone ranching for instance is being promoted whereby rights holders will be able to harvest from the sea. Although it won't be that easy, at least government supports the initiative. The company is therefore hopeful that a solution might still be reached.

In terms of exports, Abatech's abalone is still very sought after because it has some of the whitest and softest flesh. Larger animals were harvested for drying until Australian dried product was dumped on the market. Therefore all Abatech's harvest is currently canned.

6. FARM MANAGER'S REPORT: GARETH LAWRENCE

Gareth was previously employed by Global Ocean, a farm where the fungus surfaced. He made notable impressions in his efforts to eradicate the fungus.

A year ago the farm in Paternoster suffered high mortalities as a result of the fungal infection. The gravel in the tanks was regarded as a major barrier to success (Dr Mouton disagreed with this notion) as it prompted bacterial and microbial growth. This promoted poor water quality and lower oxygen levels. Low water volumes going through the systems also added to stressing the animals.

Action has been taken since then. The crayfish store with its old style flow-through was closed down when M&CM discovered the prevalence of the fungus there. The rest of the farm was also gradually de-stocked reducing biomass by 50% or 18 tons.

The farm now boasts with growth rates of between 1, 4 and 2, 8 mm per month. Spat were the fastest growers. With a new larger main pump and suction line installed water flow has been increased from 40 m³ to 160 m³ washing away lots of the waste.

The farm took a hard look at the evidence and came up with a plan how to attack the fungus, a plan which would also prove that actions were effective. With the removal of the gravel from Phase 1 and increased water flow it now had the best flow-through system in the country. There were no difficulties with the water quality, oxygen levels and toxins. Add to those massive positive impacts on the mortalities with very little signs of the fungus. If there were any fungus spotted, it was surely brought from Phase 2. After these initial improvements, Dr. Mouton did an inspection and she noted the improvements in her report.

The same adjustments were then done to the larger Phase 2 of the farm. Cleaning happens more regularly, weekly or fortnightly. No room is left for the ideal fungus environment. After all gravel was removed Dr. Mouton once again visited the farm. This time round she found 2 animals with signs of the fungus, one in each phase. Her methods for determination of prevalence were questionable and Abatech's opinion is that it had the fungus completely under control. The total mortality count for November 08 was 700 which was not even 1%. However, Dr. Mouton believed that it was higher than industry standard. Gareth replied to M&CM regarding Dr Mouton's report.

Further improvements to the farm will be the installation of a 2nd larger pump and new larger input lines, increasing water flow to over 1000% (400 m³ plus) of the initial farm input. In the meanwhile effort was put into stringent cleaning and husbandry.

7. FINANCIAL REPORT: DAVID HUTH

David Huth referred to the financial report which was sent out with the notices.

Sales improved vastly from R3, 5 million to over R5 million. Gross profit also increased by 64, 5% due to an increase in sales.

Expenses increased by 8, 7%. Bearing in mind an inflationary increase of 14%, this was considered not severe and below inflation. Given that certain expenses did

increase substantially, again bearing in mind that operating in a smaller area such as Paternoster, a limited source of supply existed.

The ratio of expenses to sales was 43, 1% while 57, 6% in 2007. The ratio improved by 14, 5%. All things being equal 2008 was considered a good year.

In 2008 Abatech made a profit of R199, 164. Not only did it generate sufficient revenue for the running of the business but also generated some profit. Major losses were built up since the start when capital was used for revenue. Now a total turnaround could be seen.

At the previous AGM Mr. Wiese asked for more detail in the financial statements. More detail was now provided in the financial statements supported by the accompanying financial report.

The monthly mariculture cost is added to the cost of our Bio assets which enabled the company to determine the cost of its closing stock as well as the actual cost of the bio assets taken off the farm. The movement of bio assets off the farm were not considered a sale, only the sale of the final processed product. The cost of sale was determined on the cost of the processed abalone, not the bio assets.

Different ratios existed for the dried and canned product. Dried was sold per kg while cans were sold per can. In both cases higher prices were paid for bigger animals and less animals per can. In the final per kg analysis, only a slightly higher price was paid for the dried product.

The annual budget was normally done at R7 to the US\$. Fluctuations affected the profitability and it was therefore not always easy to determine the actual revenue for the next month as payment was only made after a 6-8 week cycle once the shipment was paid for.

Looking towards the future, the current cash resources of the operation was at R480, 000 with a further expected R615, 000 from Midae Marketing for product on the water. It was anticipated that this amount could increase to R900, 000 because of exchange rate fluctuations. Budgeting could in future be done at R8 to the US\$ if advice from financial experts was taken to heart who projected the Rand to settle at R8, 50 to the Dollar.

The fungus issue created unnecessary problems. Business aspects of the company have been good. Tackling the problem could mean that a new operation have to be started where equity can be obtained in a new joint venture which can be grown while increasing the value of the shares. A dividend was still seen to be paid only in the medium to long term, but not for the immediate foreseeable future. With a new venture better options would be on the table.

David expressed his appreciation to the very able Chris Neveling and Mark Dale whom it was a pleasure to work with. He also thanked the rest of the management team and the farm personnel.

8 QUESTION AND ANSWER PERIOD

A question was raised regarding the 8 week cycle of payment which seemed contra to industry norm. It was explained that selling costs such as insurance, marketing etc. were taken care of by Midae Marketing and that the company only got paid on landing and not via letter of credit.

Shareholders from Roc Mining, now shareholders of Abulon, indicated that they received dividends. Mark Dale explained the process the company went through to issue Roc Mining clients with Abulon shares and that Abulon has never paid any dividends. Abulon was not linked to Roc Mining and the dividends must have been paid by Roc Mining.

A question was asked regarding an alternate plan, should the company be forced to completely de-stock. Mark explained that there were 3 possible routes forward.

Regarding the current site, it could be de-stocked or, if compromise was reached with M&CM, continue its operations. The 3rd route was a new venture on new land with a new investor. The company now had access to new land from Paternoster Fisheries and were now trying to secure the last critical leg - the financing. Nothing could be guaranteed at this stage but the board would do their best. Come April 2009, hard decisions will be made if a new financial partner has not been found and we are still forced to totally de-stock the farm. If serious decisions have to be made regarding the future of the business, a Special General Meeting (SGM) will be called to obtain input from the shareholders regarding the different options on the table.

In response to a question related to the financial requirement for a new farm Mark indicated an injection of R20 – R25 million would be needed to set up a 50-ton farm with a hatchery on the new land. The company's percentage shareholding in the new venture was currently sitting at 50% which would be re-negotiated once a financial partner was found.

A question was raised regarding the possibility to farm with seaweed. The shareholders were reminded that the farm had a shareholding in Verdino, the Kelp harvesting concession holder. That was also the source of the company's first income from dividends.

Should the company go through the whole de-stocking process there were questions as to why it should lie fallow for 6 weeks only to restart on the same site. According to Dr. Mouton she would not recommend that further operations were carried out on the same farm as there would always be a possibility of contamination on the site. According to both her and the Chairman of Abagold there is no certainty as to where the fungus might hide and they feared Abatech might never be able to get rid of it completely. The company felt that the position taken regarding the fungus was unjustified and that it was an freely occurring, opportunistic fungus which could be controlled by using the right practices.

Shareholders asked whether there were any animosity against the Company from Dr. Mouton's side seeing that her most recent inspection report was perceived to be a bit skewed, unfair and biased linking any mortality directly to the fungus. The Company refrained from speculating about any animosity, mentioning that Dr. Mouton was employed by M&CM as a bio-security consultant and that she was super-cautious. Around the world she was also regarded as a watchdog for the industry. With the fungus being identified on 4 farms in South Africa, she wanted to be on the safe route. Even the Abalone Farmer's Association of SA (AFASA), Abulon being a member, found itself in a difficult position sympathising with Abulon on the one hand but also not wanting the fungus to spread to member farms. The question to be answered was therefore one of viability on the same site. The company put forward the point that it had the fungus well under control and that it felt that M&CM should revise its position in this regard. Failing a change of heart by M&CM, the concern is that there will always be a stigma attached to the farm which could affect future business.

A meeting was scheduled with M&CM the coming Thursday the outcome of which would be posted on the Abulon website. The company's position was that destocking and fallowing would not solve the problem. Another point was that M&CM have not proved the non-existence of the fungus on other farms.

Eyebrows also rose regarding bio-security procedures followed by Dr. Mouton when moving between farms. Furthermore, a representative from AFASA, M&CM or one of the other farms did not always accompany her adding to the biasness of her reports.

Other farms which had the fungus included Haga Haga (which had to close their hatchery), Global Ocean (which closed down) and Jacobsbaai (which had it in their recirculation system). They de-contaminated but did not de-stock and were still in existence, a point the company wanted to labour in its discussions with M&CM.

Another expert whose input could be valuable in terms of a different opinion was Dr. Hattai from Japan who did work on a similar fungus, possibly the same strain. The industry was hesitant to bring him over and, while initially, Abulon had not forced the issue we now felt it may benefit us to reopen communication with him.

If only M&CM could realize that it could be to their benefit to keep the farm open as this was a test case which could assist in setting the foundations of treatment procedures for the industry. M&CM did not have the same procedures which could be found at the department of Agriculture because they did not possess the necessary history.

Regarding a question on share sales and purchase, Mark re-iterated that the company had ceased trading in its shares until the whole fungus question was resolved but that there was nothing stopping shareholders from trading their shares privately. It was suggested that shareholders wishing to sell or buy shares should contact Hannes Human who would try to connect willing buyers and sellers.

The value of the company was estimated at ± R7-8 million with the share value still R0, 30.

9. ORDINARY RESOLUTIONS PASSED

It was resolved that the audited annual financial statements of the Company for the year ended 31 August 2008 be accepted and approved (*Mr A. Knoop, Mr Payne*)

It was resolved that Jackson Neethling be re-appointed as auditors (*Mr A. Knoop, Mr J.C. Muir*)

It was resolved that Mr M R Dale who retired in terms of articles 66-68 of the Company's Articles of Association and who has offered himself for re-election, be re-elected as a director of the Company (*Mr Vervaart, Mr Rutting*)

It was resolved that the entire authorised but unissued share capital of the Company, comprising 120 367 696 ordinary shares of 0, 00001 cent each be and are hereby placed under the control of the Board of Directors of the Company as a general authority in terms of section 221(2) of the Companies Act (Act 61 of 1973), as amended, ("the Companies Act") for allotment and issue to such persons as they deem fit (*Mr D. Mostert, Mr J. Terblanche*)

There being no further business, the meeting was declared ended.



M.R. DALE
Chairman