AUDIT AND RISK COMMITTEE REPORT

ROLE, RESPONSIBILITIES AND FUNCTIONS

In addition to its statutory duties prescribed in the Companies Act, King IV and the JSE Listing requirements the Audit and Risk Committee ("the Committee") is required to provide independent oversight of the system of internal controls and risk management, and the effectiveness of the internal financial controls to assist the Board in monitoring the integrity of the Group's Annual Financial Statements and other performance-related external reports. The Committee further oversees the effectiveness and independence of the Group's external and internal assurance functions and services that contribute to the Group's financial and integrated reporting.

This inaugural report of the Audit and Risk Committee of the Sea Harvest Group sets out the manner in which the Committee has fulfilled these duties during the year under review.

COMPOSITION OF THE COMMITTEE

The Committee was appointed by the Board in February 2017 upon recommendation of the Nominations and Remuneration Committee. The Committee comprises of 3 (three) independent, Non-Executive Directors. The Committee Chairperson Mr LJ Penzhorn, and members Messrs BM Rapiya and WA Hanekom hold office until the upcoming Annual General Meeting scheduled for 8 May 2018.

The Group Chairman, Chief Executive Officer ("CEO"), Chief Finance Officer ("CFO"), Mr MI Khan ("Non-executive Director"), internal auditors and external auditors attend the meetings of the Committee by invitation.

THE AUDIT AND RISK COMMITTEE MANDATE AND TERMS OF REFERENCE

The Audit and Risk Committee operates in accordance with its terms of reference which were approved by the Board in February 2017 and which are reviewed on an annual basis. The terms of reference include the Committee's statutory duties as described in the Companies Act and the additional responsibilities assigned to it by the Board. A copy of the Committee's terms of reference can be found on the Group's website: www.seaharvest.co.za.

In accordance with the JSE Listings Requirements the application of the principles set out in the King IV Report on Corporate Governance became mandatory from 1 October 2017. The terms of reference of the Committee have been evaluated and aligned to the requirements of King IV.

The Committee is satisfied that it has satisfactorily discharged all of its responsibilities as mandated by its terms of reference.

MEETINGS AND WORK PLAN

The agendas of the meetings are derived from the adopted work plan of the Committee which ensures that the Committee discharges its responsibilities in a structured manner.

The external and internal auditors attend Committee meetings and have unrestricted access to the Committee and its Chair and have had the opportunity to address the Committee and its Chairman without management being present to ensure their independence. The Committee reviewed detailed reports from the external auditors and internal auditors, the outcome of which was reported to the Board by the Chairman of the Committee.

Three Audit and Risk Committee meetings were held during the year under review with 100% attendance of members overall.

MEMBERS	ATTENDANCE
LJ Penzhorn (Committee Chairman) BCom Appointed to the Committee February 2017	Attended 3 of 3 meetings
WA Hanekom CA (SA) Appointed to the Committee February 2017	Attended 3 of 3 meetings
BM Rapiya BA Economics Appointed to the Committee February 2017	Attended 3 of 3 meetings

KEY FUNCTIONS OF THE COMMITTEE

The Committee performed the following duties during the year under review:

- Reviewed the interim and annual financial statements of Sea Harvest Group Limited and recommended them to the Board for approval;
- Satisfied itself with the adequacy of the Group's internal controls, including financial internal controls and reporting procedures;
- Reviewed the solvency and liquidity, working capital and going concern statements in support of the Group's listing on the JSE in March 2017;
- Reviewed the expertise and experience of the Group's Chief Financial Officer and finance function;
- Considered and appointed the external auditors and the designated auditor for the financial year under review;
- Considered the independence and effectiveness of the external auditors;
- Determined the fees to be paid to the external auditors and the auditor's terms of engagement;
- Determined the nature and extent of non-audit services and pre-approval of such services as the Committee deemed appropriate;
- Reviewed and approved the internal audit charter and annual audit plan;
- Considered the effectiveness and independence of the head of internal audit and the internal audit function;
- Received and considered the most recent Proactive Monitoring report from the JSE;
- Confirmed that there were no concerns or complaints raised in relation to financial reporting matters and internal controls;
- Provided oversight of Information Technology governance and risk management;
- Assessed the Group's combined assurance model and risk management framework; and
- Reviewed the Group's King IV implementation plans and assessed the Group's application of the King IV Principles as set out in the King IV Application Register.

FINANCE FUNCTION

The preparation of financial reports, including the annual financial statements, was completed under the supervision of Mr JP de Freitas (CA) SA. The Committee reviewed and satisfied itself that the expertise and experience of Mr de Freitas, the Group's Chief Finance Officer, is appropriate. The Committee further reviewed and was satisfied that the expertise and resources within the finance function were appropriate and effective.

COMBINED ASSURANCE

The Group has developed a combined assurance model in response to the risks facing the Group, which incorporates the "three lines of defence" strategy. Assurance is obtained from a number of assurance providers in a co-ordinated manner, to avoid duplication of effort. The Combined Assurance framework was presented to and evaluated by the Committee during the reporting period and deemed to be appropriate.

The internal audit plan is compiled using a risk-based methodology, in consultation with management. In addition, internal and external auditors work in a collaborative manner. For the 2017 financial year the Committee has considered the risks presented by management, evaluated and approved the plans of the internal auditor function and the external auditors, and the outcomes of the audit work performed. The Committee is satisfied that the combined assurance framework is appropriate and provides sufficient assurance over the Group's risk universe.

The Committee meets with the external auditors without management's presence and the Chairman of the Committee has regular meetings with the head of internal audit. The Committee is satisfied that the independent assurance providers' work undertaken together with the internal control designed by management are adequate.

RISK MANAGEMENT AND FRAUD PREVENTION

The Group has developed a Risk Management Framework which was presented to the Committee during the year and deemed appropriate for the size and complexity of the Group. In accordance with this framework the Committee reviewed the strategic risks which could materially impact the ability of the Group to deliver against its objectives and the related mitigation plans and considered these appropriate.

The Committee has also evaluated the fraud prevention strategies adopted by the Group. In the fulfilment of the oversight function the Committee is satisfied that the risks reported and fraud prevention strategies adopted are appropriate.

INFORMATION TECHNOLOGY ("IT") GOVERNANCE

The Committee has oversight responsibility for IT governance and risk management. IT governance and risk management are managed through various charters, plans, policies, procedures and practices. The IT policies, in particular those pertaining to disaster recovery, have been presented and approved by the Committee. An IT Steering Committee has been established to actively manage the IT governance and risk management matters and is responsible for the Group's adherence to the various IT policies and procedures. The IT Steering Committee meets quarterly and provides formal feedback to the Audit and Risk Committee in the form of an IT Steering Committee feedback report. The Committee is satisfied that the report of the IT Steering Committee adequately addresses IT governance and risk management requirements, including the appropriateness of IT strategy and policy, systems and network architecture, applications, disaster recovery and security management.

EXTERNAL AUDITORS

Deloitte & Touche ("Deloitte") are the Group's external auditors and were appointed in 2008. Deloitte remains independent from the Group through, *inter alia,* the appointment, resignation and re-assignment of directors, in particular the former CEO and CFO, and senior management during the tenure of the Group's external auditors. Mr Lester Peter Cotten is currently the designated audit partner and was appointed as such in 2014. Mr Cotten has confirmed to the Committee that Deloitte have complied with the independence requirements in terms of the Independent Regulatory Board for Auditors and the South African Institute of Chartered Accountants standards.

At the conclusion of the 2017 audit Mr Cotten will retire from Deloitte and will be replaced by Mr Michael André van Wyk as designated auditor subject to shareholder approval. Mr van Wyk's experience and knowledge has been assessed in terms of section 22 of the JSE Listing Requirements and is considered appropriate, and as such the Committee recommends to the shareholders the approval of his appointment at the Annual General Meeting scheduled for 8 May 2018. This change in the designated auditor provides further independence to the external audit function. The Committee wishes to extend its thanks and gratitude to Mr Cotten for his contributions to the Committee and the Group during his tenure as designated auditor.

The Committee approved the level of scope, external audit fees and extent of non-audit services for the 2017 audit. In accordance with the approved policy in respect of non-audit services, the Committee is satisfied that the fees paid to the external auditors did not exceed the approved limits. The fees for non-audit services performed by Deloitte in 2017 related to taxation work and agreed upon procedures in respect of royalty certificates issued to the MSC. The Committee has also evaluated the performance and conduct of the external auditors for the reporting period and is satisfied with the quality of the external audit function.

KEY AUDIT MATTERS RELATING TO THE 2017 AUDIT

The report of the independent auditors containing the following key audit matters and the response to these matters by management in relation to the 2017 annual financial statements were considered by the Committee:

- The valuation of complex options and share-based payments;
- Compliance with long-term fishing rights; and
- Listing transaction cost and unwinding of trusts.

Within the context of the audit of the annual financial statements, the Committee is satisfied that these items were suitably addressed.

INTERNAL AUDITORS

The Committee has considered the independence and effectiveness of the in-house internal audit function and the Head of Internal Audit. The Committee has reviewed and approved the internal audit charter and the coverage plans for 2017 and is satisfied, through the declarations made by the internal auditors, that the assurances provided to the Committee are aligned to the Code of Ethics of the Institute of Internal Auditors.

The Head of Internal Audit reports to the Committee at each meeting and through these reports provides the Committee with a reflection of the internal control environment. An independent external quality assurance review of the internal audit function is scheduled for 2018 which will further improve the Combined Assurance initiatives commenced during this reporting period.

INTERNAL FINANCIAL CONTROLS

The Committee has reviewed the written assessment performed by internal audit on the design, implementation and effectiveness of the Group's internal financial controls and reporting procedures. Based on the results of this review, information provided by management, and in conjunction with the independent assurance providers, the Committee is of the opinion that the internal financial controls and reporting procedures are suitable and effective and provide a sound basis for the preparation of reliable financial information.

ANNUAL FINANCIAL STATEMENTS

The Committee reviewed the annual financial statements for the period ended 31 December 2017 and is satisfied that they comply with International Financial Reporting Standards. Accordingly, the Committee recommended the annual financial statements to the Board for approval, which the Board subsequently approved.

GOING CONCERN, SOLVENCY AND LIQUIDITY

The Committee reviewed the going concern status of the Group and recommended to the Board that the Group will continue to be considered on a going concern basis for the foreseeable future and that the Company is considered solvent and able to distribute its proposed dividend to shareholders.

SOUTH AFRICAN AND AUSTRALIAN GOVERNANCE STANDARDS

In accordance with the JSE Listing Requirements, the application of the principles contained in the King IV Report on Corporate Governance became mandatory from 1 October 2017.
The Committee has reviewed the King IV compliance gap analysis undertaken by management and considered it appropriate and have, throughout the year, monitored progress against the implementation plans to address gaps identified. The Committee is satisfied that the Group have met the requirements of King IV and are satisfied with the disclosures contained in the King IV application register which can be found on the Group's website: www.seaharvest.co.za.

The governance of the Group's Australian Securities Exchange ("ASX") listed subsidiary, Mareterram, is managed through representation of the Group's Chairman, CEO and CIO as Non-Executive Directors on the Mareterram Board and Audit Committee. The Committee is satisfied that the necessary governance standards as promulgated by the ASX Listing Rules and the ASX Corporate Governance Council have been complied with.

EVALUATION AND RE-ELECTION

The Committee's effectiveness for the period under review was evaluated via a self-assessment process. The Board is satisfied, based on the results of the self-assessment that the Committee has adequately performed its duties in accordance with its mandate set out in the Committee's terms of reference and that the Committee's members as a whole have the necessary skills and experience to discharge their duties effectively.

The qualification and experience of members is accessible on the Group's website: www.seaharvest.co.za.

The Board, on the recommendation of the Nomination and Remuneration Committee have nominated the members for re-election at the upcoming Annual General Meeting on 8 May 2018.

CONCLUSION

I wish to extend my thanks to my fellow Committee members for the work undertaken during this exciting period. On behalf of the Committee I wish to also thank the invitee Non-Executive and Executive Directors, management and assurance providers for their contributions to the Committee during the year.

LOUIS PENZHORN
Chairman of the Audit and Risk Committee

29 March 2018