



**SeaDragon Special Meeting**

**The Rutherford Hotel**

**Nelson**

**17 December 2015, 12:00pm**

**SeaDragon Chairman Colin Groves**

Good afternoon ladies and gentlemen. Welcome to this special shareholders meeting of SeaDragon Limited. My name is Colin Groves. I am Chairman of SeaDragon.

Before we proceed with the meeting, I would like to cover a few points of house-keeping and safety. Firstly, I would ask you as a matter of courtesy to turn your mobile phones to silent.

In the event of an emergency or if we need to evacuate the building, please do so through the marked exits.

In case of a medical emergency, the hotel staff are your first port of call. Thank you.

The items of business and the resolutions to be considered by shareholders at this meeting are contained in the Notice of Meeting, which was lodged with the New Zealand Stock Exchange and mailed to shareholders on 1 December this year.

As it is 12pm and we have a quorum present, I now declare the meeting open.

I am joined here by my fellow directors. Patrick Geals, Matthew McNamara, Stuart Macintosh and Richard Alderton who is an Executive Director and the company's Interim Chief Executive.



Also joining us for his first ever shareholder meeting as a director of the company is Brett Hewlett. Brett joined the SeaDragon board in November. He was CEO of Comvita for 10 years and is currently an advisor to Comvita's Board and a director of Derma Sciences, Inc. in which Comvita has a commercial partnership.

Brett's experience and proven track record have strengthened the SeaDragon Board and he is making a significant contribution to SeaDragon's strategy. Welcome Brett. Shareholders will be asked to approve Brett's appointment at the next annual meeting.

There are also a number of SeaDragon staff here today including our CFO and Company Secretary, Stephen Bayley and our Administration Manager, Jo Singer.

We also have representatives from our solicitors Minter Ellison Rudd Watts and our share registrar Link Market Services, who you would have met at the registration desk.

Before we get to the formal business of the meeting, I will give a brief presentation on the resolutions to be voted on today. After my address there will be an opportunity for questions.

We will then move to the formal business of the meeting, when shareholders will be invited to consider and then vote on the resolutions.

Then we will open the meeting to shareholders to ask any other questions about the business generally.

I remind you this is a meeting of and for our shareholders. Only shareholders or corporate representatives or proxy holders for shareholders are entitled to speak and vote here today.



Only shareholders registered at 5:00 pm on 16 December or their proxies or representatives are entitled to vote.

If you have become a shareholder since that date, you are not entitled to vote at this meeting, but we do welcome you here.

Meanwhile, if there are any media present today, we ask that you keep any questions until after the meeting, when Richard Alderton and I will make ourselves available to speak with you.

SeaDragon's vision is to be recognised by consumers as the global leader in the production of unique and sustainably harvested fish oils for use in supporting healthy lifestyles. In the past year we have made significant progress towards that goal.

Following the completion of our refinery our new focus is on Omega-3 markets, which are growing strongly.

As you can see from this slide, the market is expected to nearly double between 2013 and 2020, when it is forecast to reach 4.9 billion US dollars. Importantly, growth in total revenue is expected to exceed growth in volume, suggesting customers are also expected to pay more for the product. Asian markets, which are a key target for SeaDragon, are growing at double digit rates.

We believe we offer a unique proposition and as a result we believe SeaDragon's Omega-3 products can generate a significant premium over our competitors in international as well as domestic markets.



In the eyes of our international customers, New Zealand fish products are associated with clean, pure, fresh and cool, deep blue oceans.

We are seeking to source products from sustainably managed sources. We also seek to provide traceability to the source in order to give consumers precise information about the provenance of our products.

We have the capability to refine single-species oils, such as Hoki, Tuna and Salmon, which offer consumers unique Omega-3 characteristics.

We are also close to our key markets, offering a fresh product with short lead times. Lastly, our more than 20-year history of refining and blending high quality fish oils gives us a strong platform from which we can transition to this new business.

This is a photo of the Minister of Economic Development Steven Joyce, in the centre of the picture, visiting the nearly completed facility in October.

The new Omega-3 refinery marks the beginning of a new chapter for SeaDragon. SeaDragon was established in August 2004 and originally focused on the production and marketing of specialist Omega-2 products. We have grown to become Australasia's largest refiner and blender of internationally certified concentrated Omega-2 fish oils and fractions. In order to get access to new equity capital we listed on the NZX in 2012. We then began our transition to the production of Omega-3 fish oils because – as I have already outlined – we saw we could offer a unique and high-value proposition into this growing market.



Work on the refinery design started in 2014 and we broke ground at the new site at the end of that year. As you are well aware we needed to raise additional capital earlier this year – which we completed with the rights offer closing on 2 October.

We would now like to give you a virtual tour of the factory with a short video we commissioned and sent out to shareholders earlier this month.

As noted in our 27 November announcement, commission testing of the refinery as well as testing of the services section of the new refinery was completed in October, while testing of the fish oil handling and transport facilities was completed in November – this means we have completed the “installation” and “operational” stages of the commissioning of the refinery.

The final stage of commissioning – the “performance qualification” stage – commenced on 6 December when we started the first commercial production run through the refinery. This process will confirm that the refinery produces Omega-3 oil to the requisite quality when commercial quantities are processed.

This initial production run involves the processing of 21 tonnes of anchovy raw material through the refinery to produce Omega-3 oil.

This is what anchovy oil looks like when we receive it, and this is what it will look like once we have finished processing it – I will not take the top off the product as it still needs to be deodorised – the final stage in the refining process.



For operational reasons, the anchovy has been run through the refinery. This is in contrast to our November statement when we said we would first refine retained stocks of AKG (Alkoxyglycerol) to extract residual Omega-2 fish.

During this initial production run an issue with a specific aspect of the refining process – the final deodorisation stage – was identified that requires a relatively minor amount of additional work be completed to allow the initial production run to be completed – this work is expected to take approximately 3 to 4 days to complete and will be completed in the week commencing on 5 January (given the Christmas holidays are all but upon us the work was not able to be completed sooner).

We will then complete this initial production run – currently expected to recommence on 11 January. Once this processing and subsequent testing of the finished product has been successfully completed, the refinery will have been fully commissioned and we will have produced our first batch finished Omega-3 oil available for sale to our customers.

Issues such as these are not uncommon when bringing a new facility on-line and our team has done an excellent job in identifying and taking steps to address this issue as quickly and as efficiently as possible.

We do not consider any of these developments to be material to the overall functioning of the refinery nor to have any material effect on the expected financial contribution that finished product sales from the refinery will have in the current financial year – the Board would like to reiterate that we remain confident of delivering EBITDA (earnings before interest tax depreciation and amortisation) for the year to 31 March 2016 of \$144,000.

We can also report that the final cost for the refinery is currently expected to end up in line with the \$9.2 million budget – based on current information, we expect the final cost to be



in the range of approximately \$9.15 to \$9.55 million (depending on final negotiations with the manufacturer) .

At the same time we are working to ensure that the refinery is brought on-line efficiently, we are continuing to work hard to secure supplies of raw materials and making sure we can deliver a product that meets our customers' exacting specifications before committing to processing significant volumes. We will continue to update the market as we make progress.

The refinery is "future proofed". It offers the flexibility to add the fractionation plant we have previously announced and to house the existing Omega-2 plant should we decide to move from our Nayland Road site.

For those of you who are not steeped in fish oil refining technology, fractionation of refined fish oil prevents crystals forming in the oil at cooler temperatures. As noted in our 27 November announcement, we have begun detailed planning for the addition of the fractionation plant and the upgrade to our existing Omega-2 facility. We expect these projects to gain momentum in the New Year once the programme has been advanced and a contract has been awarded.

We will update the market with revised details when appropriate. At this point we do not expect this to be completed until the end of 2016, rather than July as previously announced – but this does not inhibit our ability to process high value oils, for example, tuna and hoki oils do not require fractionation – only anchovy requires fractionation.

The company has been set on its current trajectory thanks in no small measure to the success of our \$10 million capital raising, which was completed on 2 October this year.



The capital raising included a 3 for 5 renounceable rights offer and related placement. In the shortfall bookbuild that took place as part of the rights offer, natural health products company Comvita invested approximately \$3.3 million, receiving shares and options in the company alongside other shareholders and investors.

As a result, Comvita now holds 13.10% of the shares in the company – this includes the recent exercise of rights options by some shareholders.

We have used the capital raised through the rights offer to complete the refinery. It will also be used to cover the costs to design and build the new fractionation plant, the upgrade to our existing Omega-2 refinery and provide the company with capital to further advance its growth plans.

I would also like to note that since the closing of the rights offer on 2 October, as of 11 December shareholders have exercised a total of 8,305,000 options for a total exercise price of \$124,575, resulting in the issue of an additional 8,305,000 shares in the company.

As part of Comvita's commitment to invest in the rights offer, we entered into a strategic agreement where SeaDragon has agreed to grant Comvita an option to invest a further \$3 million in the company at 0.8 cents per share, subject to shareholder approval.

If approved, Comvita may exercise that option at any time up to 1 October 2017.

SeaDragon can require Comvita to exercise this additional option if it achieves certain milestones.



We also agreed to grant to Comvita a right of first refusal to purchase SeaDragon's products at market rates, as well as agreeing to appoint a Comvita representative to the SeaDragon board.

Separately SeaDragon and Comvita have agreed to work with the wider New Zealand fishing and aquaculture industry to maximise value from sustainably harvested local seafood resources.

Details of the strategic agreement with Comvita have been disclosed to the market and are also set out in the notice of meeting and the associated documentation.

We are delighted to be working with Comvita and we believe we stand to benefit significantly from this agreement.

Over several decades Comvita has transformed the market for New Zealand-sourced natural health products.

When Comvita started in business, beekeepers regarded Manuka honey as a low-value by-product of the industry. It was sold as animal feed. Today, thanks in no small measure to Comvita's efforts, Manuka honey is New Zealand's most valuable bee product export.

The parallels with our industry are strong. Indeed, like Comvita, SeaDragon is generating value from a by-product.

Since our initial discussions with Comvita in Tauranga during the September Capital Raising RoadShows and then later when Comvita's Senior Management Team first visited our new refinery, the real benefits of a partnership between our two companies was immediately apparent to me and SeaDragon's senior leadership team.



This short video demonstrates many of the other parallels.

As you can see, Comvita has already successfully navigated a very similar journey to the one that SeaDragon is about to begin with its transition to Omega-3 production.

The resolutions today seek shareholder approval of the additional \$3 million option to be granted to Comvita, and to allow Comvita to exercise that option, as well as the options that it acquired under the 3 for 5 rights offer.

These rights issue options and additional options, when exercised, could lift Comvita's voting stake in SeaDragon above 20%. Under the Takeovers Code no shareholder is allowed to lift its ownership of voting securities above that threshold without making a takeover offer, unless they obtain shareholder approval.

Shareholder approval is also required under NZX listing rules.

The board and the directors not associated with Comvita (the Non-Associated Directors) believe the Comvita investment is a very strong endorsement of SeaDragon's strategy from a globally-recognised company.

The Non-Associated Directors also believe that this strategic partnership is a big win for the company and for the New Zealand primary sector.

Campbell MacPherson, the Independent Appraiser whose report was provided to you with the notice of meeting, has concluded: "Having given due consideration to all of the relevant factors, it is our opinion that the consideration and the terms and conditions of the [option] are fair to the Non Associated Shareholders."



You should also note that the company's three largest shareholders, other than Comvita, have advised the board that they will vote in favour of these resolutions.

The Board believes that the strategic partnership with Comvita is a very positive step forward for the company and we hope that you will show your support by voting in favour of the resolutions we have put before you today.

So to summarise:

After a period of significant effort SeaDragon is now entering the market for Omega-3 fish oils.

We believe we have a state-of-the-art refinery and a unique proposition in international markets. We are on track to meet our earnings forecasts for the 2016 financial year and we are well positioned for the year ahead.

Non Associated Directors encourage you to vote in favour of the transaction.

That concludes my presentation.

**Note: This speech should be read in conjunction with the Special Meeting presentation uploaded to the NZX with this speech.**