

ANNOUNCEMENT



NZX / MEDIA RELEASE

30 June 2016

SeaDragon Audited Financial Results for the 12 months to 31 March 2016

SeaDragon issues audited results; significant sale of Omega-2 inventory; further inventory write-down and banking covenant compliance

Key Metrics:

- Sales of \$5.6 million as compared to \$6.2 million in the prior year, reflecting weakened Omega-2 markets
- Net loss after tax of \$5.5 million, including an inventory write-down of \$4.3 million (increased from the previously announced unaudited net loss of \$4.9 million and write-down of \$3.6 million) as compared to \$2.8 million loss in the prior year
- New Omega-3 refinery commissioned, with test sales made to customers
- Omega-2 market exit underway

SeaDragon Limited (NZX:SEA) today reports audited financial results for the 12 months ended 31 March 2016. Please find attached a copy of the annual report and s209 notice.

SeaDragon also announces that it has today agreed to sell the majority of its existing Omega-2 inventory to a major international food and fine chemicals company.

Chairman Colin Groves said: "As previously announced, recent weakness in the Omega-2 markets meant we were unable to meet sales targets for the last financial year and led to our Omega-2 inventory levels being much higher than usual at year end, with resultant reduced cash reserves. We are pleased to have agreed this sale, worth approximately \$2.5 million, as this is a major step in executing our strategy to exit the Omega-2 markets."

This sale has, however, due to the currently low prevailing market price for Omega-2 products, also resulted in an additional write down of \$0.6 million to the company's inventory for the 2016 financial year, bringing the total write-down to \$4.3 million (up from the \$3.6 million write-down previously announced on 30 May 2016). As a result, the previously announced net loss after tax (NPAT) for the 2016 financial year has also increased from \$4.9 million to \$5.5 million, compared to the loss of \$2.8 million in the prior year.

The company has identified that, as a result of this post balance date additional \$0.6 million write-down, the company by default did not comply with one of its lending covenants set out in its lending facilities with Heartland Bank as of 31 March 2016 and 30 June 2016. The relevant covenant relates to the ratio of working capital to debt. Heartland Bank has agreed with SeaDragon that it will waive compliance with this covenant for both test periods. The company is in discussions with Heartland regarding applying a portion of the inventory sale proceeds towards a partial prepayment of the existing banking facilities.



Colin Groves said “The Directors of SeaDragon remain optimistic about the future potential for the Omega-3 business. However, we are also cognitive of the challenges of building certainty of revenue over the next 12 to 18 months as we establish ourselves as a credible supplier to this rapidly growing Omega-3 market. Until we have done so we acknowledge a heightened element of risk to our ongoing cash position and hence have put in place a number of mitigating steps to preserve our position. These include operating cost reductions, exiting from underutilised leased office facilities, and the accelerated sale of slow moving or non-strategic inventory. At the same time we are reviewing the terms of our relationship with our bankers and looking at options to raise additional capital for the business if required.”

For further information contact:

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Chairman

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About SeaDragon www.seadragon.co.nz

SeaDragon (NZX:SEA) is New Zealand’s largest refiner and blender of high-quality, internationally-certified concentrated fish oils and fractions, including Omega-3 oils. Our oils are sourced from fish caught in the clean and pure waters around New Zealand, in the Southern Ocean, and elsewhere. We have more than 20 years’ experience processing fish oils and we are recognised for the quality and purity of our products. We supply health supplement manufacturers around the world to meet the burgeoning demand for pure, high-quality fish oils, which are scientifically proven to deliver significant human health benefits such as lowering the risk of heart disease, improving brain function and joint health. The majority of our supply is exported.