



15 August 2016

## **NOTICE OF ANNUAL MEETING OF SHAREHOLDERS OF SEADRAGON LIMITED**

Notice is hereby given to all Shareholders that the Annual Meeting of Shareholders (**Meeting**) of SeaDragon Limited (**SeaDragon** or **Company**) will be held in Tauranga at Trinity Wharf Hotel on Wednesday, 31 August 2016, at 10:00am.

### **Business**

#### **A. Apologies and Chairman's Introduction**

#### **B. Chief Executive's Review and Trading Update**

#### **C. Financial Statements**

To receive and consider the financial statements and the auditors' report for the year ended 31 March 2016 as contained in the Company's 2016 annual report.

#### **D. Resolutions – Director Election**

To consider, and if thought fit, to pass, the following ordinary resolutions:

##### **Resolution 1 – Re-election of Mr. Matthew McNamara as a Director of the Company**

Mr. McNamara retires in accordance with Rule 3.3.11 of the NZX Main Board Listing Rules and the Constitution of the Company, and, being eligible, offers himself for re-election. Accordingly, the Company's Shareholders are requested to consider and, if thought fit, pass the following resolution as an ordinary resolution:

*“That Mr. McNamara be re-elected as a Director of the Company.”*

##### **Resolution 2 – Election of Mr. Brett Hewlett as a Director of the Company**

Mr. Hewlett retires in accordance with Rule 3.3.6 of the NZX Main Board Listing Rules and the Constitution of the Company, and, being eligible, offers himself for election. Accordingly, the Company's Shareholders are requested to consider and, if thought fit, pass the following resolution as an ordinary resolution:

*“That Mr. Hewlett be elected as a Director of the Company.”*

## E. Resolution – Re-appointment of Auditor

To consider, and if thought fit, to pass, the following ordinary resolutions:

### Resolution 3 – Re-appointment of Auditor

*“That PwC, having indicated their willingness to continue in office, be re-appointed as auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next annual meeting and to audit the financial statements of the Company for the current accounting period, and that the Board of Directors of the Company be authorised to fix the auditor’s remuneration for the forthcoming year.”*

## F. Resolutions – Convertible Notes

SeaDragon has entered into an agreement with a shareholder, Comvita Limited (**Comvita**), under which SeaDragon may borrow up to NZ\$3 million via the issue of convertible loan notes for NZ\$1.00 per note, which loan may be converted into ordinary shares in SeaDragon at NZ\$0.008 per share. The notes are secured by a second ranking security behind Heartland Bank Limited’s existing security. Accordingly, the Company’s Shareholders are requested to consider and, if thought fit, pass the following ordinary resolutions:

### Resolution 4 – Convertible Notes

*“That for the purposes of Listing Rule 7.3.10(b)(ii), and in accordance with the agreement for the issue of convertible loan notes (the **Notes**) between the Company and Comvita Limited dated 30 May 2016 (the **Agreement**), the Company may issue such number of ordinary shares to Comvita Limited as may be required on the conversion of the Notes pursuant to the Agreement, up to a maximum of 375,000,000 ordinary shares (the **Conversion Shares**).”*

### Resolution 5 – Listing Rules and Takeovers Code

*“That, subject to Resolution 4 being passed, for the purposes of Listing Rule 7.5 and Rule 7(d) of the Takeovers Code, the issue of the Conversion Shares to Comvita Limited is approved.”*

### Resolution 6 – Listing Rules

*“That, subject to Resolutions 4 and 5 being passed, for the purposes of Listing Rule 9.2.1, the entry into the Agreement, the issue of the Notes and the Conversion Shares and the granting of security over all of SeaDragon’s assets in favour of Comvita Limited to secure repayment of the Notes, each as a Material Transaction with a Related Party (as those terms are defined in Listing Rule 9.2.2), is approved.”*

## G. Resolutions – Additional Option Extension

On 17 December 2015 SeaDragon granted Comvita an option to acquire 375,000,000 ordinary shares in SeaDragon at an exercise price per share of \$0.008 (the **Additional Option**). The Additional Option was approved by the Company's Shareholders in accordance with Listing Rules 7.3.10(ii) and 7.5 at a special meeting of SeaDragon held on 17 December 2015. The date of expiry of the Additional Option is 5:00pm on 30 September 2017. As a condition to the Agreement, SeaDragon and Comvita have agreed to extend that date of expiry to 5:00pm on 28 September 2018, subject to shareholder approval. This new expiry date matches the expiry date of the Notes and the existing expiry date of the options granted in connection with SeaDragon's rights offer that closed on 2 October 2015. All other terms and conditions of the Additional Option remain unchanged. Accordingly, the Company's Shareholders are requested to consider and, if thought fit, pass the following ordinary resolution:

### Resolution 7 – Additional Option Extension

*“That, subject to Resolutions 4, 5 and 6 being passed, the proposed change to the date of expiry of the option granted to Comvita on 17 December 2015 (as set out in the option deed dated 17 March 2016) from 5:00pm on 30 September 2017 to 5:00pm on 28 September 2018, is approved.”*

***The directors of the Company unanimously recommend that shareholders vote in favour of all Resolutions***

## H. General business

**By Order of the Board**

**ENDS**

**Contact:**

Colin Groves  
Chairman  
Telephone +64 21 928 003

*This notice of meeting is an important document and requires your immediate attention. It should be read in its entirety. It has been prepared to advise you of the forthcoming Annual General Meeting and assist you in understanding the Resolutions to be put to Shareholders for consideration at the Annual General Meeting. The Directors encourage you to read this notice of meeting and exercise your right to vote.*

*If you do not understand any part of this document or are in doubt as to how to deal with it, you should consult your broker or other professional adviser as soon as possible.*

*Please call Colin Groves at SeaDragon Limited on +64 21 928 003 if you have any queries about the Resolutions or this notice of meeting.*

## EXPLANATORY NOTES

### Resolutions - Directors

#### **Resolution 1 – Re-election of Mr. Matthew McNamara as a Director of the Company**

Mr. Matthew McNamara retires by rotation in accordance with Listing Rule 3.3.11 and the Constitution of the Company and offers himself for re-election.

Mr. McNamara is the Chief Investment Officer of Bioscience Managers, with over 25 years' experience in the healthcare and medical sciences sector. After working as a Molecular Biology Research Assistant, Mr. McNamara spent 11 years in sales and marketing, and general management with Merck & Co and Johnson & Johnson Medical Pty Ltd respectively. He was a SVP Business Development of eBioinformatics Inc, and CEO of a Life Sciences Venture Capital fund, SciCapital Pty Ltd. Mr. McNamara founded BioBridge Australia, a biotechnology Commercialisation Advisory, in 2004.

Mr. McNamara is a director of several public and private healthcare companies in Australia and New Zealand. Mr McNamara is currently a director of BioScience Managers Ltd, SeaDragon Limited (NZX: SEA), SciCapital Pty Ltd, Rex Bionics Limited (NZ), and Saluda Medical Pty Ltd.

Mr McNamara holds a Masters of Business Administration (MBA) in Commercialisation from the University of Sydney and a BSc (Hons) in Biochemistry Molecular Genetics from La Trobe University, and is a Graduate of the Australian Institute of Company Directors.

Since 2008, Mr. McNamara has been the Fund Manager for the IB Australian Biosciences Fund I and Asia Pacific Healthcare Fund II.

#### **Resolution 2 – Election of Mr. Brett Hewlett as a Director of the Company**

Mr. Hewlett was appointed to the Board on 2 November 2015 and in accordance with Listing Rule 3.3.6 and the Constitution, retires and offers himself for election.

Mr. Hewlett is a professional director and consultant. He is an Independent Director of the US-based specialty medical device and pharmaceutical company Derma Sciences, a Member of the Callaghan Innovation Stakeholder Advisory Group, Chairman of the Bay of Plenty regional development agency Priority One and director of Enterprise Angels. Mr. Hewlett is a former Chief Executive Officer of SeaDragon's cornerstone shareholder Comvita.

Mr. Hewlett has a Bachelor of Food Technology from Massey University, and a Masters of Business Administration from the International Institute for Management Development, Switzerland.

The Board notes that neither Mr. McNamara nor Mr. Hewlett is considered to be independent under the Listing Rules.

## **Resolution – Auditors**

### **Resolution 3 – Re-appointment of Auditor**

This resolution approves the re-appointment of PwC as auditor of the Company, to hold office from the conclusion of this annual meeting until the conclusion of the next annual meeting and to audit the financial statements of the Company. This resolution authorises the Board of the Company to fix the fees and expenses of PwC for the forthcoming year under section 207S of the Companies Act 1993.

## **Resolutions – Convertible Notes**

### **Resolutions 4, 5 and 6 – Convertible Notes, Takeovers Code and Listing Rules**

1. These explanatory notes set out the details of the transactions which are the subject of resolutions 4, 5 and 6 and the approvals required by the shareholders of the Company under the Listing Rules and the Takeovers Code Approval Order 2000 (the **Takeovers Code**).
2. If the resolutions set out in the notice of meeting are passed:
  - (a) the issue of the shares referred to in the resolutions will be approved in terms of:
    - (i) Listing Rule 7.3.10(b)(ii); and
    - (ii) subject to approval of the resolution in relation to Listing Rule 7.3.10(b)(ii), Listing Rule 7.5 and Rule 7(d) of the Takeovers Code as an exception to Rule 6 of the Takeovers Code; and
  - (b) the entry into the Agreement by the Company (defined below), the issue of the convertible notes and shares on conversion of those notes, and the granting of security in favour of Comvita in respect of those notes, will be approved in terms of Listing Rule 9.2.1,  
  
as applicable and as set out in the particular resolution.

### *Background*

3. As previously announced to the market (see in particular the Company's announcements on 26 April 2016, 27 May 2016, 30 May 2016, and 30 June 2016), SeaDragon is currently in a transitional phase as it seeks to exit the challenging Omega-2 market and focus on its recently developed Omega-3 business.
4. The extended sales cycle and the associated build-up of Omega-2 inventory the Company experienced in the last half of FY2016 resulted in the Company experiencing a short-term cash flow shortage at the end of the last financial year.
5. In April 2016, Heartland Bank provided SeaDragon with a \$1.0 million term loan facility to assist the Company with its short-term funding requirements.

However, as a result of on-going operating losses and the Company's inability to sell Omega-2 inventory, SeaDragon was facing an immediate and urgent shortfall in available funds by May 2016. The SeaDragon Board therefore approached a number of potential funders, including its major shareholders and Heartland Bank, to secure the necessary funds. Given SeaDragon's urgent funding requirements and a lack of other viable alternatives, Comvita agreed to provide up to \$3.0 million of funding to SeaDragon via a convertible loan note facility. SeaDragon's other cornerstone shareholders, OFM and SDMO Trustee, were not in a position to provide further funding to the Company. Shareholders can find additional analysis of this issue in the independent adviser's and independent appraisal report (the **IAR**) prepared by Campbell MacPherson Ltd that accompanies this Notice of Meeting.

6. On 30 May 2016, SeaDragon entered into an agreement with a shareholder, Comvita Limited (**Comvita**), under which SeaDragon may borrow up to NZ\$3 million via the issue of convertible loan notes for NZ\$1.00 per note. The Notes may be converted into ordinary shares in SeaDragon at NZ\$0.008 per share (**Agreement**). On that basis, the convertible notes will convert into a maximum of up to 375,000,000 ordinary shares. As set out in more detail in the IAR, the price for the issue of shares on conversion of the Notes represents a 38.5% discount to SeaDragon's closing price as at 30 June 2016 (see section 2.3 of the IAR).
7. On 30 May 2016, the Company drew down \$1.5 million under the convertible loan facility and issued 1,500,000 Notes to Comvita.

Proceeds from the loan and issue of the Notes have been used to fund working capital requirements and funding requirements associated with the previously announced exit from Omega-2 markets (see in particular the Company's announcements on 26 April 2016, 27 May 2016, 30 May 2016, and 30 June 2016. Please also see section 2.3 of the the IAR).

8. Interest will accrue on the outstanding Notes at 12% per annum, reducing to 7.95% per annum on and from the date that shareholder approval to the Notes and the conversion is obtained. The interest accrued on the convertible notes will be payable in cash quarterly in arrears.
9. As of close of business on 9 August 2016, SeaDragon has sold approximately \$2.5 million of Omega-2 inventory (as announced on 30 June 2016) and has issued NZ\$1.5 million of convertible loan notes to Comvita. SeaDragon expects to issue an additional NZ\$1.5 million of convertible loan notes to Comvita before 31 August 2016. SeaDragon has drawn down all available funds under its existing facilities with Heartland Bank. Please see the latest Annual Report and the IAR for further details.
10. Notes issued pursuant to the Agreement may, at the election of Comvita, be converted into ordinary shares in the Company to be issued to Comvita at a conversion price of NZ\$0.008 per ordinary share. See also section 2.3 of the IAR.
11. Unless previously repaid or converted, the Notes will mature at 5:00pm on 28 September 2018 (**Maturity**). At any time before Maturity and subject to the

approval of Resolutions 4, 5, 6 and 7, Comvita has the option to convert the Notes into ordinary shares by notice to the Company.

12. The Notes are secured by a second ranking security over all of SeaDragon's assets granted in favour of Comvita to secure repayment of the Notes, sitting behind existing security granted to Heartland Bank Limited.
13. Shares issued on conversion of the Notes will be ordinary shares and will rank equally with all other ordinary shares on issue.
14. **Shareholders are encouraged to read the IAR that accompanies this Notice of Meeting in full, together with SeaDragon's most recent announcements, including the Annual Report released on 30 June 2016.**
15. The Board also wishes to draw shareholders attention to the Company's announcement on 11 August 2016 that it intends to proceed with a 1-for-2 rights offer to all shareholders to raise additional funds to secure SeaDragon's future. The rights offer will give shareholders the opportunity to subscribe for new shares at NZ\$0.008 per share.

*Purpose and consideration for each issue of shares*

16. The consideration for the issue of shares in respect of Resolutions 4, 5 and 6 is the payment of NZ\$0.008 per share for the conversion of the Notes issued pursuant to the Agreement, and such Notes will be cancelled in exchange for the issue of the shares as detailed above. As set out in more detail in the IAR, the price for the issue of shares on conversion of the Notes represents a 38.5% discount to SeaDragon's closing price as at 30 June 2016 (see section 2.3 of the IAR).
17. The purpose for the shares to be issued pursuant to the resolutions set out in this notice of meeting is to assist the Company through its staged exit of the Omega-2 market, as previously announced to the market on 26 April 2016, 27 May 2016 and 30 May 2016. For further information about the Company's cash position and funding requirements related to the exit from Omega-2 markets and the transition to Omega-3 markets, please also refer to our Annual Report released on 30 June 2016. SeaDragon notes that, if the Notes are approved by the shareholders, the company currently expects to have sufficient working capital for the remainder of the current financial year. In order to ensure this is the case, the company announced a 1-for-2 pro rata renounceable rights issue on 11 August 2016. Additional information relating to the proposed rights offer will be released through NZX when available.

*Consequences if resolutions not approved*

18. The following shareholders of the Company have advised that they intend to vote in favour of Resolutions 4, 5, 6 and 7:
  - (a) BioScience, being the Company's largest shareholder holding 23.37% of total voting securities;
  - (b) SDMO Trustee Limited, holding 13.84% of total voting securities; and

- (c) Longview Te Piritā Limited, holding 3.40% of total voting securities.

Together, these shareholders hold 46.71% of total number of voting securities able to be voted on Resolutions 4, 5, 6 and 7 (given that Comvita is unable to vote on those Resolutions). It is therefore highly likely that those Resolutions will be approved.

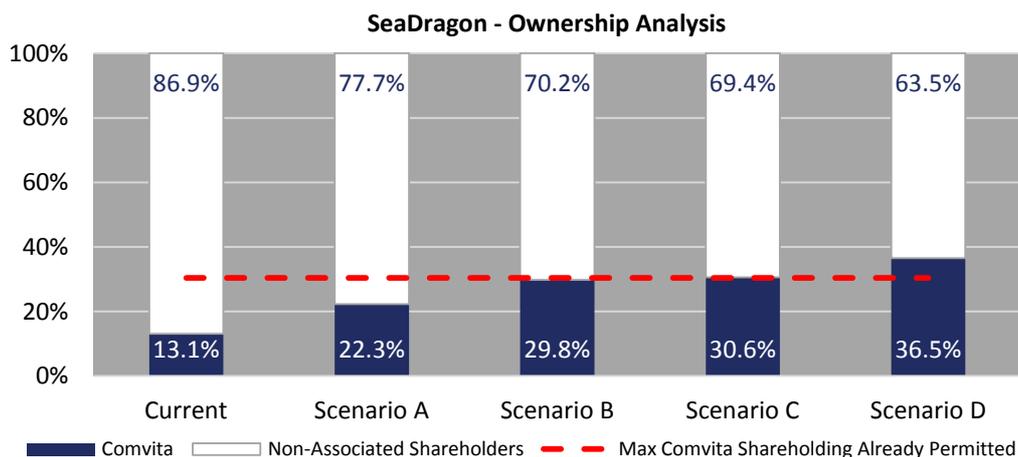
19. In the unlikely event that Resolutions 4, 5, 6 and 7 are not approved, that failure to obtain shareholder approval will constitute an event of default under the Agreement and Comvita may redeem any Notes issued and any such redeemed Notes will need to be repaid in full together with all accrued and unpaid interest. The amount to be repaid would be calculated in accordance with the terms of the Notes as summarised in Appendix 3.
20. If the Company is required to redeem or repay the Notes, does not otherwise raise sufficient funding and / or further debt facilities are not made available, then this would have a negative impact on the Company's ability to repay or redeem the Notes and to cover its working capital requirements as it proceeds with its staged exit of the Omega-2 market, as previously announced to the market. This may also result in the Company being placed into receivership or liquidation.

#### *Takeovers Code*

21. Under Rule 6 of the Takeovers Code, a person who holds or controls:
- (a) no voting rights, or less than 20% of the voting rights, in a code company may not become the holder or controller of an increased percentage of the voting rights in the code company unless, after that event, that person and the person's associates hold or control in total not more than 20% of the voting rights in the code company; or
  - (b) 20% or more of the voting rights in a code company may not become a holder or controller of an increased percentage of the voting rights in the code company.
22. There are a number of exceptions to this rule. These include where a person becomes the holder or controller of voting rights in a code company by allotment of shares that have been approved by an ordinary resolution pursuant to Rule 7(d) of the Takeovers Code.
23. The Company is a code company as it is a listed issuer that has financial products that confer voting rights quoted on a licensed market (being NZX).
24. Comvita currently holds 410,987,830 ordinary shares in the Company comprising 13.06% of the voting rights in the Company.

25. Comvita also holds:
- (a) 410,987,830 options (each convertible to one ordinary share in the Company at \$0.015 per share) acquired as part of the 3 for 5 rights offer which completed on 2 October 2015 (the **Rights Offer**); and
  - (b) an additional option which is convertible to 375,000,000 ordinary shares in the Company at \$0.008 per share (the **Additional Option**),
- together the **Comvita Options**. The Comvita Options have previously been approved at a meeting of shareholders in December 2015.
26. As a result of the proposed allotments of shares on the conversion of the Notes as referred to in Resolutions 4, 5 and 6, and allotments of shares on the conversion of the Comvita Options, Comvita would become the holder of an increased percentage of the voting rights in the Company.
27. The total percentage of the Company held by Comvita after the allotments will vary depending on the number of Notes requested by the Company, the number of Comvita Options that are exercised by Comvita and whether any of the options that were issued to other shareholders under the Rights Offer have been, or are, exercised by other shareholders.
28. The tables below show the effect on the number of shares held by non-Comvita shareholders following the possible allotments of shares to Comvita under the Comvita Options – please refer to the IAR for the complete analysis:

### SeaDragon – Potential Dilutionary Effect



### SeaDragon – Ownership and Control Scenarios

- Scenario A** The Additional Option is exercised or the Loan is converted to equity (both the Additional Option and the Loan allow Comvita to acquire up to 375 million SeaDragon shares).

<b>Scenario B</b>	The Additional Option is exercised <b>and</b> the Loan is converted to equity.
<b>Scenario C</b>	The Additional Option is exercised, the Loan is converted to equity and all outstanding RO Options are exercised.
<b>Scenario D</b>	The Additional Option is exercised, the Loan is converted to equity and only Comvita's RO Options are exercised. This scenario assumes that all RO Options held by the Non-Associated Shareholder are not exercised.

***We encourage all shareholders to read the IAR that accompanies this Notice of Meeting in full.***

29. Under the Takeovers Code, Comvita may increase its percentage of the voting rights in the Company by the allotment of shares referred to in the resolutions if the allotment is approved by an ordinary resolution of shareholders.
30. The information required under Rule 16 of the Takeovers Code is set out in Appendix 1 of this notice of meeting.

***Independent Adviser's Report/Appraisal Report***

31. As required by Rule 18 of the Takeovers Code, the Company has commissioned an Independent Adviser's Report on the issues of the shares referred to in the resolutions.
32. The Takeovers Code requires that, where shareholders are being asked to give their approval under Rule 7(d) of the Takeovers Code, the directors must obtain a report from an independent adviser on the merits of the proposed allotment having regard to the interests of those persons who may vote to approve the allotment.
33. The Independent Adviser's Report is also an Appraisal Report for the purposes of Listing Rule 6.2.2 in relation to the resolutions required by Listing Rule 7.5 (Resolution 5).
34. Campbell MacPherson has prepared the Independent Adviser's Report and Appraisal Report and a copy of that report is enclosed with this notice of meeting.
35. Section 2.11 of the IAR contains the following summary of Campbell MacPherson's evaluation of merits of the transaction with Comvita under the Takeovers Code:

*"In our opinion, taking into account all of the relevant factors, the positive aspects of the Proposed Transaction outweigh the negative aspects."*

36. Section 3.2 of the IAR contains the following summary of Campbell MacPherson’s evaluation of fairness of the transaction with Comvita under the Listing Rules:

*“Having given due consideration to all of the relevant factors, it is our opinion that the consideration and the terms and conditions of the Proposed Transaction are Not Fair to the Non-Associated Shareholders. However, we are of the view that, taking into account the wider benefits and risks relating the Proposed Transaction, the positive aspects of the Proposed Transaction outweigh the negative aspects.”*

*Listing Rule 7.3.10(b)(ii)*

37. Listing Rule 7.3.10(b)(ii) requires approval of the issue of shares to Comvita on the conversion of the Notes and on the terms and conditions of the Notes (which are set out in Appendix 3 to this notice of meeting) (the **Conversion Shares**) by an ordinary resolution of shareholders. If Resolution 4 set out in this notice of meeting is passed, the requirements of Listing Rule 7.3.10(b)(ii) will be met.

*Listing Rule 7.5*

38. The issue of Conversion Shares to Comvita requires approval by ordinary resolution of the Company’s shareholders in accordance with Listing Rule 7.5 because:
- (a) it is possible that the issue of such shares will result in Comvita materially increasing its ability to exercise, or direct the exercise of, effective control of the Company (see Appendix 2); and
  - (b) Comvita currently holds more than 1% of the Company’s ordinary shares.

*Listing Rule 9.2.1*

39. Listing Rule 9.2.1 prohibits the Company from entering into a Material Transaction (as defined in Listing Rule 9.2.2), which includes:
- (a) the issue of securities having a market value in excess of 10% of the Average Market Capitalisation\* of the Company;
  - (b) borrowing money or incurring an obligation of an amount in excess of 10% of the Average Market Capitalisation of the Company; and
  - (c) giving any security for or of obligations which could expose the Company to liability in excess of 10% of the Average Market Capitalisation of the Company,

*\* Average Market Capitalisation is defined in the Listing Rules as the volume weighted average market capitalisation of an issuer’s equity securities carrying votes calculated from trades on the NZX over the 20 business days before the earlier of the day the transaction is entered into or is announced to the market. The*

*Average Market Capitalisation of the Company as at 9 August 2016 was \$37,442,200.*

if a Related Party is a party to at least one of a related series of transactions of which the Material Transaction forms part.

Comvita is a Related Party because it holds more than 10% of the shares of the Company. The entry into the Agreement, the issue of the Notes (aggregate issue price of up to \$3 million), the issue of the Conversion Shares (up to 375,000,000) and the granting of security over all of SeaDragon's assets in favour of Comvita in respect of those Notes, may each be considered to be a Material Transaction which requires approval by ordinary resolution of the Company's shareholders in accordance with Listing Rule 9.2.1.

#### *Excluded shareholders*

40. Neither Comvita, nor any of their Associated Persons, are entitled to vote or exercise discretionary proxies in respect of Resolutions 4, 5, 6 or 7, in accordance with Listing Rule 9.3.1.

#### *Lock-up arrangements*

41. Comvita is not subject to any lock-up arrangements in respect of any shares to be issued to Comvita pursuant to the transactions contemplated by the resolutions set out in this notice of meeting. Accordingly, following the issue of any such shares, Comvita will be able to trade such shares (subject to compliance with relevant legislation and the NZX Listing Rules).

### **Resolutions – Additional Option Extension**

#### **Resolution 7 – Additional Option Extension**

42. On 17 December 2015 SeaDragon granted to Comvita an option to acquire 375,000,000 ordinary shares in SeaDragon at a price per share of \$0.008 (the **Additional Option**). The Additional Option was approved by shareholders in accordance with Listing Rules 7.3.10(ii) and 7.5 at the special meeting of SeaDragon held on 17 December 2015. The date of expiry of the Additional Option is 5:00pm on 30 September 2017. As a condition to the Agreement, SeaDragon and Comvita have agreed to extend that date of expiry to 5:00pm on 28 September 2018, subject to shareholder approval. This expiry date matches the expiry date of the Notes and the existing expiry date of the options granted in connection with SeaDragon's rights offer that closed on 2 October 2015. All other terms and conditions of the Additional Option remain unchanged. Accordingly, shareholder approval is sought to approve the extension of the date of expiry of the Additional Option to 5:00pm on 28 September 2018.
43. If Resolution 7 is approved, there is an increased likelihood that the Additional Option will be exercised, resulting in the dilution of existing ownership levels for the non-Comvita associated shareholders. For additional information with respect to the impact of Resolution 7 being approved, please see section 2.4 of the IAR.

## **IMPORTANT INFORMATION**

### **Proxies**

Any shareholder who is entitled to attend and vote at the Meeting may appoint a proxy to attend and vote instead of him or her. A proxy does not need to be a shareholder. If you appoint a proxy you may either direct your proxy how to vote for you or you may give your proxy discretion to vote as he sees fit. If you wish to give your proxy discretion then you must mark the appropriate boxes on the form to grant your proxy that discretion. If you do not tick any box for a particular resolution, then your instruction will be to abstain. Proxies may also vote on resolutions arising from motions from the floor at the Meeting.

The Chairman of the Meeting is willing to act as proxy for any shareholder who wishes to appoint him. To appoint the Chairman simply tick the box allocated next to "The Chairman of the Meeting" on your proxy form.

If the Chairman is appointed as a proxy and you have given your proxy discretion to vote as he sees fit, the Chairman will vote in favour of all Resolutions.

If you wish to mail the Proxy Form then please send it to our Share Registrar, Link Market Services Limited, using the reply-paid envelope provided. Alternatively New Zealand based shareholders may fax the form to (09) 375 5990 and overseas shareholders may fax it to +64 9 375 5990 or post it to Link Market Services Limited, PO Box 91976, Auckland 1142, New Zealand.

The completed Proxy Form must be received by our Share Registrar no later than 10.00am (New Zealand time) on 29 August 2016. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Shareholders can elect to vote their proxies online. To appoint your proxy and vote online, please visit the Link Market Services Investor Centre at <http://investorcentre.linkmarketservices.co.nz/voting/SEA>. You will require your CSN/Holder number and FIN to securely access the website. Follow the prompts to complete your proxy appointment and vote.

### **Ordinary Resolution**

The business for the meeting is to pass the ordinary resolutions set out in the preceding pages. An ordinary resolution is a resolution passed by a simple majority of the votes of those shareholders entitled to vote and voting on the resolutions.

### **Voting**

Voting entitlements for the Meeting will be determined as at 5.00pm (New Zealand time) on 30 August 2016. Registered shareholders at that time will be the only persons entitled to vote at the Meeting and only the shares registered in those shareholders' names at that time may be voted at the Meeting.

### **Voting Restrictions**

Neither Comvita, nor any of their Associated Persons, are entitled to vote or exercise discretionary proxies in respect of Resolutions 4, 5, 6 or 7, in accordance with Listing Rule 9.3.1. Of the directors, Brett Hewlett is an Associated Person of Comvita for the purposes of Listing Rule 1.8.3.

### **More information**

If you have any questions, or for more information, please contact Colin Groves, SeaDragon Limited on +64 21 928 003 or [colin.groves@seadragon.co.nz](mailto:colin.groves@seadragon.co.nz).

## Appendix 1 – Information required by Rule 16 of the Takeovers Code

Pursuant to Rule 16 of the Takeovers Code (with the sub-paragraphs below corresponding to the sub-paragraphs in Rule 16), the Company advises as follows:

- (a) Comvita Limited (**Comvita**) is the proposed allottee of the shares;
- (b) the particulars of the voting securities to be allotted are as set out in Appendix 2;
- (c) not applicable (as the voting securities to be allotted are not securities of a body corporate other than the Company);
- (d) the \$0.008 per share issue price for the voting securities to be allotted is payable in full on conversion of the convertible loan notes, as set out in section “Resolutions – Convertible Notes” of the explanatory notes of this notice of meeting;
- (e) the reason for the allotments is to assist the Company with its stage exit of the Omega-2 markets, as previously announced to the market on 27 May 2016 and 30 May 2016;
- (f) the allotments under the resolutions, if approved, will be permitted under Rule 7(d) of the Takeovers Code as an exception to Rule 6 of the Takeovers Code;
- (g) Comvita has confirmed that there is no agreement or arrangement (whether legally enforceable or not) that has been, or is intended to be, entered into between Comvita and any other person (other than between Comvita and the Company in respect of the matters referred to in paragraphs (a) to (e)) relating to the allotments, holding, or control of the shares to be allotted, or to the exercise of voting rights in the Company; and
- (h) attached to this notice is a report from an independent adviser in compliance with Rule 18 of the Takeovers Code; and
- (i) the directors of the Company make the following statement for the purposes of Rule 19 of the Takeovers Code:

*The directors of the Company recommend that the shareholders approve the proposed allotment of shares to Comvita on the conversion of the convertible notes and the proposed allotment of shares to Comvita on the conversion of those convertible notes. The grounds for this recommendation is that these allotments should significantly strengthen the Company’s financial position for the reason set out in (e) above.*

## Appendix 2 – Particulars of voting securities to be allotted

**Note:** The particulars below are based on an assumption that Comvita converts all Notes and exercises all existing options held by Comvita. See further assumptions at (g) below.

(a) The maximum number of voting securities that could be allotted (the <b>approved maximum number</b> ) to Comvita	<p>If Resolutions 4, 5 and 6 are approved, the maximum number of voting securities that could be allotted to Comvita is 1,160,987,830 ordinary shares, which consists of:</p> <ul style="list-style-type: none"> <li>• up to 375,000,000 ordinary shares to be allotted to Comvita on conversion of the Notes;</li> <li>• the 375,000,000 ordinary shares to be allotted to Comvita on conversion of the Additional Option; and</li> <li>• up to 410,987,830 ordinary shares to be allotted to Comvita on the exercise of its options acquired pursuant to the 3 to 5 rights offer (<b>Rights Offer Options</b>).</li> </ul>
(b) the percentage of the aggregate of all existing voting securities and all voting securities that could be allotted that the approved maximum number represents	<p>22.60%</p> <p><i>(on the assumption that all options and securities convertible to shares in the Company are converted to ordinary shares)</i></p>
(c) the maximum percentage of all voting securities that could be held or controlled by Comvita after completion of the allotments	<p>36.50%</p> <p><i>(on the assumption that Comvita is allotted the maximum number of voting securities and no other shareholder exercises any outstanding options for shares in the Company)</i></p>
(d) the maximum aggregate of the percentages of all voting securities that could be held or controlled by Comvita and its associates after completion of the allotments (not including voting securities of any of Comvita's associates who are also relying on rule 7(d) in relation to the allotments (the <b>relying associates</b> )*)	<p>Same as (c) above</p> <p><i>(on the assumption that Comvita and each of its associates (not including the relying associates) are allotted the maximum number of voting securities and no other shareholder exercises any outstanding options for shares in the Company)</i></p> <p><i>*Note that no associate of Comvita holds any shares in the Company nor are any such associates relying on rule 7(d). Accordingly, there are no "relying associates"</i></p>
(e) if there are relying associates, the maximum aggregate of the percentages of all voting securities that could be held or controlled by Comvita and its associates after completion of the allotments	<p>There are no "relying associates".</p>
(f) the date used to determine the information referred to in this Appendix (the <b>calculation date</b> )	<p>25 July 2016</p>
(g) the assumptions on which the particulars in paragraphs (a) to (f) are calculated	<ul style="list-style-type: none"> <li>• That the number of voting securities is the number of voting securities on issue on the calculation date.</li> <li>• That there is no change in the total number of voting securities on issue between the calculation date and the end of the allotment period (other than as a result of the allotments).</li> <li>• That, in relation to paragraphs (a) to (c), Comvita is allotted the approved maximum number under the allotments (i.e. including the exercise of all of its Rights Offer Options for 410,987,830 shares, Additional Option for 375,000,000 shares and conversion of the maximum total number of Notes for 375,000,000 shares).</li> <li>• That, in relation to paragraphs (c) and (d), no shareholder other than Comvita exercises any outstanding options for shares in the Company.</li> <li>• That, in relation to paragraph (d), Comvita and each of its</li> </ul>

	<p>associates (not including the relying associates) are allotted the maximum number of voting securities.</p> <ul style="list-style-type: none"><li>• That Comvita and its associates do not acquire or dispose of any additional ordinary shares prior to the allotment date.</li></ul>
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### Appendix 3 – Terms of convertible notes

On 30 May 2016, the Company entered into a convertible loan note agreement with Comvita Limited (**Comvita**) (**Agreement**). The key terms of the Agreement are set out below.

- Comvita has made available to the Company a loan facility of up to a total aggregate amount of \$3,000,000 by way of convertible loan notes, which notes will be convertible to ordinary shares in the Company at a conversion price per share of \$0.008.
- Interest will accrue on the outstanding notes at 12% per annum, reducing to 7.95% once shareholders have granted any required approvals to the conversion to equity.
- The notes mature at 5:00pm on 28 September 2018. Prior to maturity of the notes and subject to any required shareholder approvals, Comvita has the option to convert the notes by notice to the Company. Subject to shareholder approval, the date of expiry of the existing option granted to Comvita to acquire 375,000,000 shares in the Company will be extended to the maturity of the notes (i.e. 5:00pm on 28 September 2018).
- Subject to shareholder approval, the notes are secured by a second ranking security over all of SeaDragon's assets behind Heartland Bank Limited.