



NZX / MEDIA RELEASE

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## Market Update

SeaDragon Limited (NZX:SEA) wishes to provide an update on current market conditions for its refined Omega-3 fish oil.

As announced to the market on 19 June 2017, we identified some minor deficiencies and related process improvements that we could make to satisfy exacting regulatory and customer specifications. With one exception, we believe we have addressed these deficiencies and process improvements. We are focussed on resolving the one remaining issue affecting one quality parameter, but in the interim, the price we can achieve is weakened. We expect this to be a temporary situation.

A number of large international customers are still assessing oil samples, and one has placed a second order for 32,000 kg of our refined Omega-3 tuna oil. We expect that these orders will become regular and ramp up over time.

In our 19 June 2017 announcement, we also signalled that recent changes to EU quality standards may limit our ability to secure orders from some customers selling into the European market in the short-term. We see this as creating a temporary barrier to entry to a key market where demand for high DHA tuna oil for infant formula is strong. We are currently implementing several process changes to our plant that we believe will assist us to meet these new EU requirements in the short-term.

In the meantime, we are addressing alternative markets, and in particular, China, where we have had strong interest for refined Omega-3 oils, but have not previously been able to supply to the required regulatory standards. We believe that we are now in a position to be able to supply oil into China, and are in the process of sending sample batches to potential customers.

The global market demand for DHA remains strong, but we are seeing some market erosion from surplus DHA created from concentrated anchovy oil, particularly in the EU markets. We have also seen more algal DHA becoming available as some of the key patents expire, which mostly affects the North American market. We believe that SeaDragon remains competitive however, as the price point for algal DHA is significantly higher than our oil.

Overall, we have made significant steps forward in reaching the exacting standards required by potential international customers, and by their regulatory authorities, but slow sales development is likely to have a negative impact on company performance through to the end of the third quarter. A further update will be provided at the AGM scheduled for 10 AM on Wednesday 20<sup>th</sup> September 2017 at Mills Reef Winery, Tauranga.

For further information, contact:

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**About SeaDragon:** [www.seadragon.co.nz](http://www.seadragon.co.nz)

SeaDragon Limited (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.