ANNOUNCEMENT

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NZX and media release **29 November 2017**

FINANCIAL RESULTS FOR THE SIX MONTHS TO 30 SEPTEMBER 2017

SeaDragon losses reduce as it builds Omega-3 sales

Sales progress is steady with 82 tonnes of Omega-3 product sold since March 2017

Highlights:

- *Sold 82 tonnes of refined Omega-3 tuna oil since March 2017*
- *Half-year revenue is $1.5 million from $3.1 million last year as SeaDragon transitions to Omega-3 markets*
- *Half-year normalised EBITDA[1] losses of $2.2 million, narrower than September guidance*
- *Half year net loss after tax improves to $2.7 million from $3.5 million in the prior year*
- *SeaDragon elects to draw down remaining $1 million loan note from Comvita to lift working capital*

New Zealand's largest refiner and blender of high-quality fish oils SeaDragon (NZX:SEA) today announced a narrowing in losses as it starts to establish its presence in Omega-3 fish oil markets. Revenue for the six months to 30 September 2017 reduced to $1.5 million from $3.1 million the same time a year ago, although the composition of sales has changed as the company has moved to establish its presence in Omega-3 markets.

Sales in the current half year are principally Omega-3 fish oils for trial and commercial orders for new and existing customers, while the prior year's figures principally reflect the sales of legacy Omega-2 products.

Half-year normalised EBITDA losses narrowed 2.9% to $2.2 million from the $2.3 million loss in the same period a year ago. Normalised EBITDA losses were also slightly ahead of the guidance of $2.4 million to $2.7 million, given at SeaDragon's annual shareholders meeting held in September.

In the current period normalised EBITDA has been calculated including inventory impairments, which are now treated as a normal part of the ongoing business. If inventory impairments were excluded in the current period, normalised EBITDA would have been largely unchanged on the prior year.

Operating costs continue to exceed sales, but SeaDragon continues to work hard to achieve a breakeven position, which (as signalled at the AGM) will be achieved when the company sells 600 to 700 tonnes of fully refined tuna oil (at current market prices, exchange rates and costs) in a single 12-month period.

The half year net loss after tax for the year narrowed 24.2% to $2.7 million from the $3.5 million loss in the same period of the prior year, when the company was exiting Omega-2 markets.

[1]Normalised EBITDA is a non-GAAP measure of financial performance. It is defined and reconciled to GAAP measures on page 4 of this release.

SeaDragon Chairman Colin Groves said: “SeaDragon is beginning to establish a position in Omega-3 markets. Since the start of the financial year we have sold 82 tonnes of Omega-3 product to customers. We are working hard to secure additional orders in the near future.
Sales momentum is obviously not as strong as the board or shareholders would like, but we are confident the steps we are taking will set up SeaDragon for the long term.”

We believe that the Company has sufficient capital to achieve its immediate growth plans as long as we deliver on sales expectations. As at 30 September 2017 SeaDragon had net cash on hand of $2.29 million. The board has taken the strategic decision to draw down the remaining $1 million available under Comvita’s convertible loan note facility.

Mr Groves said “The draw down of the remaining $1 million gives us the flexibility to build sufficient inventory ahead of anticipated large orders and gives our customers greater assurance over order fulfilment. We are fortunate to have the backing of shareholders such as Comvita who share our vision for success in Omega-3 markets. The Board continues to monitor the Company’s capital requirements on an ongoing basis.”

Focus on sales

SeaDragon Chief Executive Dr Nevin Amos said a key focus of the last six months had been to build awareness of SeaDragon’s capability among global Omega-3 refiners and supplement manufacturers and to build sales:

“SeaDragon offers these customers a highly-agile plant that can provide fast turn-around industrial-scale production runs that complement their large mega-scale refineries. We are principally refining tuna oil which is valued for its high concentrations of Omega-3 and DHA in particular.

We continue to maintain a dialogue with a further 29 potential customers, who have either tested, or are testing, our oils and we are working to expand the pipeline of potential customers.
Although we have achieved sales of 82 tonnes to globally significant customers, progress is slower than we expected. As we indicated at the annual shareholder meeting held in September, we estimate that the typical lag between a customer indicating that they are interested in SeaDragon supply, and making a commercial order, is 6 to 18 months.”

SeaDragon is also making progress in building a sales pipeline in Europe, where - until very recently - complex and changing standards and import regulations had presented an insurmountable barrier.

SeaDragon continues to explore ways to migrate to the highest value niches of Omega-3 markets. To this end, we have agreed with third parties to contract manufacture ethyl esters and re-esterified tri-glycerides. We have also negotiated a global exclusive license for manufacture and sale of tuna and hoki liposomal powders and emulsions.

“These agreements, although unlikely to contribute to sales and earnings materially in the short-term, are putting in place the elements that will assist SeaDragon to grow over the long term,” Dr Amos said.

Finally, SeaDragon remains confident the unrefined oil supply agreements in place are sufficient to meet its supply requirements in the immediate future.

Outlook

SeaDragon continues to make steady, but slower-than-expected, progress. It is confident it is putting in place the foundations for sustained growth over the long term.

“We continue to work with potential and existing customers to secure sales to drive the company towards breaking even. We believe the additional capital drawn down under the Comvita convertible loan facility will assist us to achieve that goal,” Mr Groves said.

“The final outcome for the year to 31 March 2018 is obviously linked to securing new customers and making further sales to existing customers. SeaDragon will update shareholders on its progress.”

For further information, contact:

Colin Groves
Chairman
Tel: +64 21 928 003

About SeaDragon: 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.

NON-GAAP FINANCIAL INFORMATION:

SeaDragon's standard profit measure prepared under NZ GAAP is net profit after tax (NPAT). SeaDragon has used a non-GAAP profit measure of earnings (or losses) before interest, tax, depreciation, and stock options (Normalised EBITDA), when discussing financial performance in this document.

Directors and management believe EBITDA provides useful information to readers to assist in understanding the Company's underlying financial performance during this start-up phase of the business during which property, plant & equipment is underutilised. This also removes any bias created from the sources of funding during start up.

SeaDragon then normalises this EBITDA by removing any transactions that are not expected to occur on a regular basis either by virtue of quantum or nature, or are a material non-cash financial adjustment required under NZ IFRS that the Board do not believe provides meaningful information on the underlying financial performance. EBITDA is normalised with the reversal of the non-cash financial adjustment required to recognise the deemed value of options offered to staff and the loss on realisation of assets as part of the Omega-2 transition. During the transition away from the Omega2 business Normalised EBITDA also excluded inventory impairments. The directors have resolved that inventory impairments should now be regarded as a normal part of business.

This Normalised EBITDA measure is used by management and the Board to evaluate performance of the business and to establish operational goals.

In the table below the company has provided a reconciliation of the GAAP measure of NPAT to the Normalised EBITDA using the current method and the method used in the same period last year.

Non-GAAP profit measures are not prepared in accordance with NZ GAAP (and therefore do not comply with NZ International Financial Reporting Standards) and are not uniformly defined, therefore the non-GAAP profit measures reported in this document may not be comparable with those that other companies report and should not be viewed in isolation.

	Unaudited 6 months ended 30 September 2017 $'000	Unaudited 6 months ended 30 September 2016 $'000	Audited 12 months 31 March 2017 $'000
GAAP TO NON-GAAP RECONCILIATION			
Reported Net loss after tax (NPAT)	*(2,690)*	*(3,547)*	*(6,659)*
Add back:			
Interest costs (net)	*56*	*338*	*438*
Depreciation	*446*	*482*	*877*
Stock Options	-	*474*	*497*
Loss on disposal of assets	-	-	*144*
Normalised EBITDA	***(2,188)***	*(2,254)*	*(4,703)*