

ANNOUNCEMENT



NZX / MEDIA RELEASE

30 May 2018

SeaDragon unaudited preliminary results

Overview

- Normalised EBITDA¹ losses of \$4.5 million compared to losses of \$4.7 million in the prior year
- Net losses after tax narrow to \$6.1 million from \$6.7 million
- Omega-3 sales rise to \$1.0 million during the 2018 financial year
- Establishes relationships with several major international customers and in negotiation with several others
- Forecast demand stands at up to 1,000 tonnes of semi-refined Omega-3 oil

New Zealand's largest refiner and blender of high-quality, internationally-certified concentrated fish oils and fractions, SeaDragon today announces a normalised EBITDA² loss for the year to 31 March 2018 of \$4.5 million.

EBITDA losses are higher than the company signalled at the start of May 2018, when the board expected the normalised EBITDA loss to be between \$4.1 million to \$4.4 million. The change reflects the company taking a more conservative approach to the valuation of inventory.

Sales for the year to 31 March 2018 fell 30% to \$3.0 million from \$4.3 million in the same period a year ago. Omega-3 product sales rose to \$1.0 million.

Net losses after tax, which take into account interest, depreciation and other balance sheet adjustments as well as employee incentives narrowed to \$6.1 million from \$6.7 million in the same 12-month period a year ago.

Chairman Colin Groves said: "A year ago, we had little supply of raw oil and few customers for our Omega-3 products. We have since taken steps to establish SeaDragon as a reliable supplier of significant quantities of Omega-3 fish oil to several major international customers and we are in negotiations with several others."

SeaDragon Chief Executive Dr Nevin Amos said: "Sales in the last financial year have established the company's credentials and provided SeaDragon with a strong foundation. The current level of orders is not yet sufficient for the company to cover its costs.

"In our 2017 half year report, we said that the factory would achieve that milestone when we reached sales of 600 to 700 tonnes of fully-refined tuna oil, at the then current market prices, exchange rates and costs, in a single 12-month period. Obviously, this threshold is much higher with semi-refined oil. We are working hard to achieve this milestone."

¹ Normalised EBITDA is not a generally accepted accounting principles (GAAP) measure of financial performance. It is defined and reconciled to the GAAP on page 4 of this announcement.

² 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 a loss of \$4.2 million (prior year: loss of \$4.4 million).

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BALANCE SHEET

As noted on 7 February 2018, SeaDragon will require more cash to fund its medium-term cash flow requirements to achieve sales growth.

As noted on 15 May 2018, major shareholders BioScience Managers³ and Pescado Holdings⁴ have provided the company with a short-term bridge financing facility of \$1 million to meet the company's estimated cash requirements up to approximately 30 June 2018.

Meanwhile, negotiations with BioScience Managers and Pescado Holdings are ongoing and are aimed at providing longer-term funding to the company. SeaDragon will update the market on the proposed structure when these negotiations are completed.

Directors currently anticipate that this necessary funding will require shareholder approval at the annual shareholders meeting, which the Board anticipates scheduling for late July or early August 2018. SeaDragon will advise shareholders when the date for this meeting has been determined.

GOVERNANCE

In the 2018 financial year Mark Stewart, who is head of SeaDragon's cornerstone shareholder Pescado Holdings, joined the Board, while long-serving director Patrick Geals retired.

Meanwhile, Comvita elected to rotate its directorship with Brett Hewlett stepping down and Mark Sadd, previously an alternate director, taking a more active role in the governance of SeaDragon. Mr Sadd and Mr Stewart will stand for election to the board at the company's annual shareholders' meeting.

Finally, Richard Alderton has advised SeaDragon of his intention to step down from the board later this year to return with his family to the United Kingdom

"Richard, as Interim Chief Executive and then as a Director, has made an enormous contribution to our business. The Board thanks Richard for his service and wishes him the very best. We have initiated a search process for a replacement independent director with the appropriate skills and experience. We will update the market in due course," Mr Groves said.

OUTLOOK

"As part of negotiations linked to the new funding arrangements, SeaDragon is reviewing its forecasts for the 2019 financial year. It will provide the market with an update when the review is complete," Mr Groves said.

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³ Via One Funds Management

⁴ Pescado Holdings is a member of the Masthead group of companies

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GAAP to non-GAAP reconciliation:

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, and intends to do so in the future allowing investors to compare periods. The directors and management believe this measure provides useful information to readers to assist in understanding the Company's financial performance and position. This measure is also used internally to evaluate performance of the business to establish operational goals and to allocate resources. Non-GAAP profit measures are not prepared in accordance with NZ GAAP (and therefore do not comply with 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.

12 Months to 31 March	2018 \$000	2017 \$000
Sales	3,028	4,331
Reported net profit loss after tax	(6,057)	(6,659)
Add back:		
Interest costs (net)	647	438
Depreciation	888	877
Stock options	-	497
Loss on disposal of assets	-	144
Normalised EBITDA	(4,522)	(4,703)

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 30 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.