



SEADRAGON

SUSTAINABLY PURE

Interim Report

FOR THE SIX MONTHS ENDED
30 SEPTEMBER 2015





SEADRAGON

SUSTAINABLY PURE

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Chairman and CEO's Report

Fish oil refiner sees positive operating cash flow following Omega-2 supply chain improvements, while new Omega-3 refinery on track for 'first oil' this year.

SeaDragon is ending the 2015 calendar year very satisfied with achieving a number of significant milestones in its history.

Our new \$9.2 million Omega-3 fish oil refinery in Nelson is complete. And, as we went to press with this report, it was due to embark on its first commercial production run, capping off several years of hard work towards this goal.

We have put the business on a sound financial footing with a \$10.0 million capital raising and our financial performance has been improving. We are also on track to achieve the forecasts we made when we launched the capital raising.

As we mentioned in July we expect sales for the year to 31 March 2016 to rise to \$12.3 million from \$6.3 million a year earlier. We also forecast EBITDA of \$144,000, reversing the prior year's EBITDA loss of \$2.2 million.

It is a great tribute to the SeaDragon team that we are able to report such progress. The commitment our people have shown delivering the new factory, a company defining project, while building momentum in the Omega-2 operations has been outstanding.

1H 2016 financial results

Sales for the first half of the 2016 financial year more than doubled to \$5.3 million from \$2.6 million in the prior year as the company benefitted from strong improvements in the supply of Omega-2 raw materials.

First half EBITDA¹ losses narrowed to \$147,000 from \$320,000 and operating losses (losses before interest and tax) narrowed to \$433,000 from \$598,000, despite a significant investment in people and capabilities ahead of the commissioning of the new refinery.

Half year net losses after tax for the period rose to \$688,000 from \$574,000 in the prior year. This result included \$255,000 of interest costs and contrasts with the prior period, when the company was debt free.

Half-year operating cash flow was \$758,000, reversing a \$2.1 million cash outflow in the prior year. SeaDragon achieved higher average sale prices on finished Omega-2 products and benefitted from higher factory throughput and refining process improvements. Gross profit margins expanded to 32.2% from 28.9% in the same period in the prior year.

Net debt as at 30 September 2015 stood at \$5.8 million up from the prior year's positive net cash position of \$2.3 million. The proceeds of the capital raising, which was completed on 2 October 2015, are not reflected in these figures.

Omega-3 refinery

SeaDragon will commence the new refinery's first commercial production run in the next few days. The factory will first refine retained stocks of Alkoxyglycerol (AKG) to extract residual Omega-2 fish oils before moving to Omega-3 production later next month.

The AKG, which is a by-product of the Omega-2 production process, was produced at SeaDragon's Nayland Road, Stoke Omega-2 facilities. The AKG was retained in anticipation of the company being able to take immediate advantage of the superior refining capability offered by the new plant.

SeaDragon's transition to the production of high-quality sustainably-sourced Omega-3 fish oils is gaining momentum. The company is making good progress in securing supplies for the new plant and we are putting in place the necessary raw material supply agreements. In addition, customer interest in the plant's finished products, particularly our Omega-3 products continues to gain momentum.

Commission testing of the plant proceeded without significant issue. Testing of the services section of the new refinery was completed in October, while testing of the fish oil handling and transport facilities was completed in the last fortnight.

The investment to date remains in line with our \$9.2 million budget. In the six months to 30 September 2015 \$4.04 million was invested in plant,



**Independent
Chairman**
Colin Groves
(above) and Interim
Chief Executive
Richard Alderton
(right)



property and equipment, of which the majority was spent on the new factory.

We have also begun detailed planning for the addition of the fractionation plant and the upgrade to our existing Omega-2 facility. We expect these projects to gain momentum in early 2016.

Capital raising

In a strong endorsement of SeaDragon's strategy to transition to the production of Omega-3 oils, the company raised well in excess of the \$7.5 million it originally sought.

The capital raising has given the company sufficient funds to complete the next stage of the Omega-3 refinery, upgrade the existing Omega-2 facility and provide the company with capital to accelerate its growth plans.

As part of the capital raising, SeaDragon secured a strategic investment from natural health and beauty products company Comvita. The strategic agreement provides for Comvita and SeaDragon to work with the wider New Zealand fishing industry to maximise the value from sustainably harvested local seafood resources. This is an initiative that we believe will benefit the New Zealand economy as a whole.

Part of the strategic agreement involves granting Comvita the option to invest a further \$3.0 million, subject to approval at a special shareholder meeting scheduled to take place on the 17th of December 2015 and to be held in Nelson at 12 noon. Details of the resolutions

and an independent appraisal of the proposed option will be released to the market shortly.

Governance

We are delighted to welcome to the SeaDragon Board Brett Hewlett, a former Chief Executive of our new strategic shareholder Comvita. Brett brings to SeaDragon a track record for adding value to New Zealand's primary products in international markets and building international distribution networks around the world.

SeaDragon is in a stronger position than it has been for some years and we are looking forward to the New Year and beyond with great confidence. The board wishes to acknowledge all the hard work put in by the management team and staff and wishes shareholders the best for the New Year.

CEO

The Company is in the process of finding a permanent CEO to replace Interim Chief Executive Richard Alderton.

Colin Groves – Chairman

Richard Alderton – Interim Chief Executive

Non GAAP profit measures

SeaDragon's standard profit measure prepared under New Zealand GAAP is net profit after tax. However, it has used the non-GAAP measure of EBITDA when discussing financial performance in this document as directors and management believe it provides useful information since it is used internally to evaluate performance, establish operational goals and allocate resources.

GAAP to Non-GAAP reconciliation

Six months to September 30	2015	2014
Reported net profit (loss) after tax (NPAT)	(688k)	(574k)
Add back:		
Taxation	-	-
Interest costs (net)	255k	(24k)
Depreciation	287k	278k
EBITDA	(147k)	(320k)

Directors' Report

Results

The Company's Group financial results show an unaudited comprehensive loss attributable to equity holders of \$688,000 for the six months ended 30 September 2015, compared to an unaudited comprehensive loss attributable to equity holders of \$574,000 for the six months ended 30 September 2014.

No Dividend

The Directors have resolved that a dividend will not be declared for this reporting period.

Change of Directors

The Board of Directors of SEA has been reconstituted as follows:

- Colin Groves appointed as a director and chairman on 1 June 2015
- Stuart Macintosh appointed as a director on 29 June 2015
- Richard Alderton appointed as a director on 27 July 2015
- Brett Hewlet appointed as a director on 2 November 2015
- Doug Wilson resigned as a director and chairman on 29 June 2015
- Sean Joyce resigned as a director on 29 June 2015
- Tim Preston resigned as a director on 17 September 2015
- Ross Keeley resigned as a director on 17 September 2015

Dated: 27 November 2015



Colin Groves – Chairman



Richard Alderton – Interim Chief Executive



Unaudited Statement of Comprehensive Income

For the 6 months ended 30 September 2015

	Unaudited 6 months ended 30 September 2015 \$'000	Unaudited 6 months ended 30 September 2014 \$'000	Audited 12 months ended 31 March 2015 \$'000
Revenue	5,304	2,565	6,322
Cost of sales	(3,595)	(1,824)	(5,815)
Gross profit	1,709	741	507
Other income	33	127	198
General and administration expenses	(1,889)	(1,188)	(2,890)
Earnings before interest, depreciation and amortisation	(147)	(320)	(2,185)
Depreciation expense	(287)	(278)	(564)
Earnings before interest and income tax	(433)	(598)	(2,749)
Finance income	-	54	58
Finance expense	(255)	(30)	(118)
Net earnings before income tax	(688)	(574)	(2,809)
Income tax expense	-	-	(29)
Total comprehensive income for the period attributable to the shareholders of the company	(688)	(574)	(2,838)
Earnings/(loss) per share			
Basic earnings/(loss) per share (cents per share)	(0.04)	(0.03)	(0.15)
Diluted earnings/(loss) per share (cents per share)	(0.04)	(0.03)	(0.15)

The notes on the attached pages form part of and are to be read in conjunction with these financial statements.

Unaudited Statement of Changes in Equity

For the 6 months ended 30 September 2015

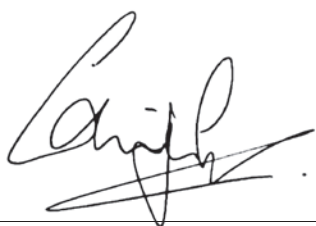
	Issued capital \$'000	Accumulated loss \$'000	Share options reserve \$'000	Available- for-sale reserve \$'000	Total Equity \$'000
Balance at 1 April 2014	25,719	(15,041)	98	-	10,776
Total comprehensive income for the period					
Net loss for the period	-	(574)	-	-	(574)
Total comprehensive income for the period	-	(574)	-	-	(574)
Balance at 30 September 2014	25,719	(15,615)	98	-	10,202
Balance at 1 April 2014	25,719	(15,041)	98	-	10,776
Total comprehensive income for the year					
Net profit for the year	-	(2,838)	-	-	(2,838)
Total comprehensive income for the year	-	(2,838)	-	-	(2,838)
Balance at 31 March 2015	25,719	(17,879)	98	-	7,938
Balance at 1 April 2015	25,719	(17,879)	98	-	7,938
Total comprehensive income for the period					
Net loss for the period	-	(688)	-	-	(688)
Total comprehensive income for the period	-	(688)	-	-	(688)
Balance at 30 September 2015	25,719	(18,567)	98	-	7,250

The notes on the attached pages form part of and are to be read in conjunction with these financial statements.

Unaudited Statement of Financial Position

As at 30 September 2015

	Note	Unaudited 6 months ended 30 September 2015 \$'000	Unaudited 6 months ended 30 September 2014 \$'000	Audited 12 months ended 31 March 2015 \$'000
Assets				
Property, plant and equipment		10,396	4,359	6,641
Non-current assets		10,396	4,359	6,641
Cash and cash equivalents		708	2,295	500
Trade and other receivables		2,943	2,657	2,974
Inventories		2,138	2,102	1,906
Current tax assets		-	23	16
Current assets		5,788	7,077	5,396
Total assets		16,184	11,436	12,037
Equity and liabilities				
Equity				
Issued capital	3	25,719	25,719	25,719
Reserves		(18,469)	(15,517)	(17,781)
Equity		7,250	10,202	7,938
Liabilities				
Trade and other payables		2,429	1,234	1,086
Loans and borrowings		6,486	-	2,994
Other financial liabilities		19	-	19
Total liabilities		8,934	1,234	4,099
Total equity and liabilities		16,184	11,436	12,037



Colin Groves – Chairman



Richard Alderton – Interim Chief Executive

The notes on the attached pages form part of and are to be read in conjunction with these financial statements.

Unaudited Statement of Cash Flows

For the 6 months ended 30 September 2015

		Unaudited 6 months ended 30 September 2015 \$'000	Unaudited 6 months ended 30 September 2014 \$'000	Audited 12 months ended 31 March 2015 \$'000
	Note			
Operating activities				
Receipts from customers		5,368	1,217	4,574
Payments to suppliers and employees		(4,372)	(3,370)	(8,847)
Interest received		-	54	58
Interest paid		(255)	(30)	(118)
Taxes received / (paid)		16	(15)	(8)
Net cash flows from/(used in) operating activities	4	758	(2,144)	(4,341)
Investing activities				
Purchase of property, plant and equipment		(4,042)	(722)	(3,314)
Net cash (used in)/from investing activities		(4,042)	(722)	(3,314)
Financing activities				
Issue of share capital		-	-	-
Drawdown of borrowings		3,492	-	2,994
Net cash flows from financing activities		3,492	-	2,994
Net increase/(decrease) in cash and cash equivalents		208	(2,866)	(4,661)
Cash and cash equivalents at beginning of period		500	5,161	5,161
Cash and cash equivalents at end of period		708	2,295	500
Made up as follows:				
Cash and cash equivalents		708	2,295	500
Total cash and cash equivalents at end of period		708	2,295	500

The notes on the attached pages form part of and are to be read in conjunction with these financial statements.

Notes to the Financial Statements

For the 6 months ended 30 September 2015

1) General Information

SeaDragon Limited is registered in New Zealand under the Companies Act 1993 and is an issuer for the purposes of the Financial Reporting Act 2013. SeaDragon Limited is party to a listing agreement with NZX Limited (NZX), with its ordinary shares quoted on the NZX Main Board. The Group is primarily involved in the refining of fish oils, is profit orientated and has its operations in New Zealand. The address of its registered office is 12 Nayland Road, Stoke, Nelson, 7011, New Zealand.

The interim consolidated financial statements of SeaDragon Limited (the Group financial statements) as at and for the six months ended 30 September 2015 comprise SeaDragon Limited the the Parent and its subsidiaries (together referred to as the Group).

These interim consolidated financial statements were approved by the Board of Directors on 27th November 2015.

2) Summary of Significant Accounting Policies

The Group financial statements have been prepared in accordance with New Zealand equivalent to International Accounting Standard 'NZ IAS' 34: Interim Financial Reporting and include condensed notes to the Group financial statements. The Group financial statements also comply with International Accounting Standard ('IAS') 34: Interim Financial Reporting.

These Group financial statements do not include all the information required for full financial statements and consequently should be read in conjunction with the financial statements and related notes included in SeaDragon Limited financial statements for the year ended 31 March 2015.

Basis of measurement

These interim consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets and liabilities (including derivative instruments).

Functional and presentation currency

These financial statements are presented in New Zealand Dollars (\$NZ), which also is the Company's functional currency. All financial information presented in New Zealand Dollars has been rounded to the nearest thousand.

Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any future periods affected.

Changes in accounting policies

There have been no significant changes in accounting policies during the current period. Accounting policies have been adopted on a basis consistent with the prior interim and annual financial statements.

3) Segment Information

Segment information is presented in respect of the Group's operating segments. The disclosure is based on the Group's management and internal reporting structure. Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. All business activities are carried out within New Zealand so there is no geographic segment reporting to management.

The Group has two operating segments (2014: two): Holding Company Activities and Fish Oil Refinery Activities. The segments were determined primarily because the Group manages each business separately and reports each business separately to the chief operating decision maker.



Notes to the Financial Statements

For the 6 months ended 30 September 2015

4) NZX Waivers

NZX Regulation granted waivers to the Company on 26 August 2015 in relation to certain Listing Rules that applied to the convertible loan note issued to shareholder BioScience Managers (through One Funds Management Pty Limited) (One Funds). A copy of those waivers may be viewed on www.nzx.com under stock code the Company.

The waivers are as follows (with capitalised terms not otherwise defined here having the meaning given under the waivers):

- a) Rule 9.2.5(b), to the extent that the Company is required to provide with the Notice of Meeting for the AGM held on 17 September 2015 an independent appraisal report that addresses the related party implications of the Company's 3 for 5 rights offer (which completed on 2 October 2015) (the Rights Offer), as one part of the Related Transactions; and
- b) Rule 9.3.1, to the extent that this Rule excludes any person from voting on the resolutions for the Related Transactions by virtue only of their right to participate, on equal terms, in the Rights Offer.

The waivers were granted on the conditions that:

- c) the Non-interested Directors certify to NZXR that:
 - (i) the terms of the Agreement were negotiated on an arm's length and commercial basis;
 - (ii) the terms of the Rights Offer and the Agreement are fair and in the best interests of the Company and the Company's shareholders, excluding One Funds and its associated persons; and

- (iii) the Company was not influenced in its decision to enter into the Rights Offer or the Agreement by the interests of One Funds, Mersea Holdings Limited or any director interested in the Agreement;

- d) the Notice of Meeting will be sent to the Company shareholders and will be accompanied by an Appraisal Report which addresses Rules 7.5 and 9.2.1 (to the extent that the waiver in paragraph a. does not extend to the Agreement) as these Rules apply to the Related Transactions;
- e) with the exception of the Discounted Conversion, One Funds will be issued shares on the conversion of the Notes on identical terms to those offered to all other eligible shareholders of the Company under the Rights Offer;
- f) One Funds will not receive any additional direct or indirect benefit from the Rights Offer, other than as a holder of the Notes or through its participation in the Rights Offer on the same terms and conditions as all other the Company shareholders;
- g) the notice of meeting for the AGM sets out the details of the waivers and the implication of these waivers; and
- h) the waivers and the conditions of the waivers, are disclosed in the Company's half-year and annual reports for the year in which the Related Transactions take place.

3) Share Capital

	Number of ordinary shares	Issue price (cents)	Group \$'000
Balance at 1 April 2014	1,863,954,194		25,719
Movement during the period 12,950,000 bonus shares issued	12,950,000		-
Balance 30 September 2014	1,876,904,194		25,719
Balance 31 March 2015	1,876,904,194		25,719
Balance 30 September 2015	1,876,904,194		25,719

All issued shares are fully paid and have no par value. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All are ranked equally on the winding up of the Company. The shares issued on 24 July 2014 were as per the Earn Out Shares allotment in terms of the purchase price adjustment of the SeaDragon Business.

Notes to the Financial Statements

For the 6 months ended 30 September 2015

4) Consolidated Statement of Cash Flow

	Unaudited 6 months ended 30 September 2015 \$'000	Unaudited 6 months ended 30 September 2014 \$'000	Audited 12 months ended 31 March 2015 \$'000
(Loss) for the period	(688)	(574)	(2,838)
Adjustments for:			
Depreciation of property, plant and equipment	287	278	564
Fixed assets written off	-	-	24
Unrealised loss on foreign exchange contracts	-	-	19
Impact of changes in working capital items:			
(Increase)/decrease in inventory	(232)	(199)	(3)
decrease/(increase) in trade and other receivables	31	(1,475)	(1,792)
decrease/(increase) in current tax assets	16	(15)	(8)
decrease/(increase) in accounts payable and other liabilities	1,344	(159)	(307)
Net Cash Flow from Operating Activities	758	(2,144)	(4,341)

5) Related Party Information

	Unaudited 6 months ended 30 September 2015 \$'000	Audited 12 months ended 31 March 2015 \$'000
Directors remuneration		
Groves, Colin, Chairman, non-executive (appointed 1 June 2015)	13	-
Alderton, Richard, Executive director, Interim Chief Executive (appointed 27 July 2015)	9	-
Wilson, Douglas, Chairman, non-executive (resigned 29 June 2015)	13	50
Joyce, Sean, Independent, non-executive (resigned 29 June 2015)	9	31
Preston, Tim, Independent, non-executive (resigned 17 September 2015)	18	31
Curnock Cook, Jeremy, non-executive	18	31
McNamara, Matthew, non-executive	18	31
Geals, Patrick, Independent, non-executive	18	23
Keeley, Ross, director (resigned 17 September 2015)	-	-
Total	116	197

Other than the convertible loan note provided by BioScience Managers Pty Limited, there is no change to related party transactions.

Notes to the Financial Statements

For the 6 months ended 30 September 2015

6) Plant and Equipment

Expenditure on capital items of \$4.042m was incurred in the six months to 30 September 2015, (\$722k in six months to 30 September 2014). Interest is being capitalised due to payment of equipment being paid via the working capital facility.

7) Post Balance Date Events

1. Capital Raise

The Company successfully raised \$10.009m on the 2nd of October when 1,251,142,517 rights share were allotted to shareholders and new investors. Simultaneously those shareholders and qualifying new investors were also allotted 1,251,142,517 options that may be exercised at 1.5cents per option up to 29 September 2018.

Net cash received of \$7.41m on the 2nd of October 2015 from the capital raise was net of the convertible loan note and accrued interest provided by shareholder BioScience Managers Pty Limited.

2. Conversion of debt

The convertible loan note issued by shareholder BioScience Managers Pty Limited was approved by the shareholders at the AGM held on 17th September 2015. The share price used to convert the convertible loan note into equity was the same price per share as that for existing shareholders in the 3 for 5 rights offer, being \$0.008 per share. Interest accrued on the convertible loan totalled \$103k and was also converted to equity at the same price of \$0.008. The convertible loan note and accrued interest converted into 325,393,835 ordinary shares and 325,393,835 options in the Company.

3. Comvita share option

The Company has agreed to grant Comvita an option to subscribe to additional ordinary shares at a price of \$0.008 per share resulting in an aggregate subscription price of \$3 million. The option may only be exercised in full and it must be exercised by Comvita before 1 October 2017. Additionally, the Company may require Comvita to exercise that option if certain milestones are achieved. An independent appraisal is being sought in order for the shareholders vote to approve the issue of the option and shares to Comvita on the exercise of the option at a special meeting of shareholders scheduled to take place on the 17th December 2015.



SeaDragon Limited - Company Directory

As at 30 September 2015

Registered Office

12 Nayland Road
Stoke, Nelson 7011

Ph: (03) 547 0336

Fax: (03) 547 0337

Postal Address

12 Nayland Road
Stoke, Nelson 7011

Company Number

310577

Incorporated

31 July 1986

Shares Issued

1,876,904,194 Ordinary Shares

Share Registrar

Link Market Services
PO Box 91976, Auckland 1142

Ph: 09 375 5998

Solicitors

Minter Ellison Rudd Watts
Lumley centre 88 Shortland Street
Auckland 1010

Auditor

PricewaterhouseCoopers
113-119 The Terrace
Wellington 6140

Bankers

Bank of New Zealand
PO Box 1075
Nelson 7040

Heartland Bank
PO Box 9919, Newmarket
Auckland 1149

Board of Directors

Current

Groves, Colin Chairman, Independent, non-executive (appointed 1 June 2015)

Alderton, Richard Executive Director, Interim Chief Executive (appointed 27 July 2015)

Geals, Patrick Independent, non-executive

Hewlett, Brett Non-executive

Macintosh, Stuart Non-executive (appointed 29 June 2015)

McNamara, Matthew Non-executive

Curnock Cook, Jeremy ... Non-executive (alternate director for Matt McNamara)

Sadd, Mark Non-executive (alternate director for Brett Hewlett)

Past

Joyce, Sean Independent, non-executive (resigned 29 June 2015)

Keeley, Ross Executive (resigned 17 September 2015)

Preston, Tim Independent, non-executive (resigned 17 September 2015)

Wilson, Douglas Chairman, non-executive (resigned 29 June 2015)



SEADRAGON

SUSTAINABLY PURE

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