SEADRAGON

RESPONSIBLY PURE

ANNUAL REPORT

2019

CONTENTS

SEADRAGON LIMITED
ANNUAL REPORT 2019

Chairman and Chief Executive's REPORT

Welcome to this the 2019 Annual report of your company SeaDragon Limited

The results for the past year are not satisfactory producing a loss of $9.6m after tax and impairment of our refinery asset to reflect the lower present value of future economic benefits derived from this asset. Within this result revenue was 60% higher than the previous year but this was offset by extra costs of $0.8m resulting from process and product development and expansion plans coupled with the inventory and asset impairments required.

The strategic plan for the company, to move its production output further up the value chain toward the Omega-3 markets, is fundamentally still valid but the time to achieve an acceptable level of profitability will be longer than first thought. In order to compliment this slower than planned uptake of the high value Omega-3 products SeaDragon will need to undertake some lower margin contract processing (sometimes called toll processing) for other fish oil producers. This should assist in providing extra recovery of overheads and keep the plant operating at optimal efficiency while building a base upon which the higher value products can build.

FUNDING

During the year $6.0m of convertible loan notes were issued to key shareholders Bioscience Managers and Pescado. The existing $3.0m of convertible notes issued to Comvita were aligned with the new issue to Pescado and BioScience Managers. Additionally, $1.1m in funds were raised in a corresponding rights issue offered to shareholders.

On the 17th of May 2019 at an extraordinary meeting of shareholders four key resolutions were passed the result of which was to issue our cornerstone shareholder Pescado with $4.0m of Convertible Loan notes, plus Pescado, Bioscience Managers and Comvita agreed to forgo interest being paid on any of the existing $9.0m of convertible loan notes that they collectively hold saving your company close to $1.0m over the next year.

The result of this latest injection of funds into SeaDragon should provide sufficient money to see the Company through until June 2020, provided forecast sales and margins are achieved.The Board and management will naturally be very focussed to make this valuable contribution by our key shareholders last beyond that time and hopefully to a point where SeaDragon is self-sufficient.

SUMMARY

We would like to thank our hard-working team based in Nelson for their continued positive efforts and energies. We will all be using our best endeavours to provide an improved performance for the year ahead.

We look forward to meeting you at the Annual Shareholders meeting and answering your questions.

24 June 2019

Bryan Mogridge
Chairman

Dr Nevin Amos
Chief Executive

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 financing costs (including interest and the loss on the extinguishment of convertible loan notes), tax, depreciation and impairment of property, plant and equipment (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.

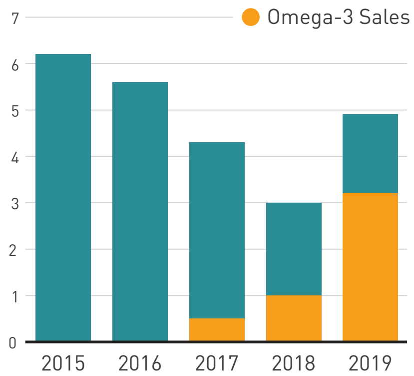
Non-GAAP profit measures are not prepared in accordance with NZ GAAP (and therefore do not comply with International Financial Reporting Standards) and are not uniformly defined. Therefore, the non-GAAP profit measures reported in this document may not be comparable with those that other companies report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

GAAP TO NON-GAAP RECONCILIATION

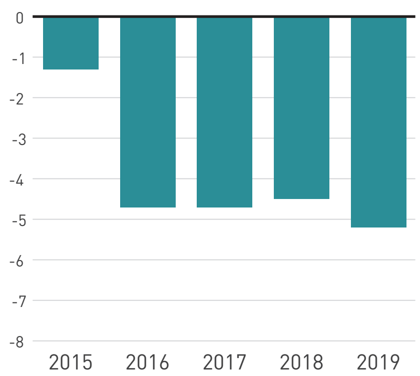
12 months to 31 March	2019 $000	2018 $000
Reported net profit (loss) after tax	**(9,576)**	**(6,057)**
Add back		
Total financing costs	524	647
Depreciation	902	888
Impairment of property, plant and equipment	2,973	–
Normalised EBITDA	**(5,177)**	**(4,522)**

KEY PERFORMANCE INDICATORS

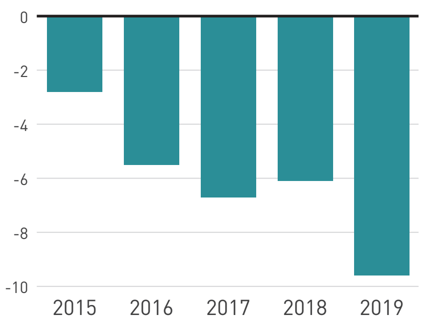
REVENUE ($m)



NORMALISED EBITDA LOSS ($m)



NET PROFIT (LOSS) ($m)



CERTIFICATIONS

SeaDragon has attained the following certifications. These credentials demonstrate SeaDragon's vision to provide fish oils of the highest quality and integrity.

Marine Stewardship Council (MSC) Chain of Custody: The Marine Stewardship Council is an international non-profit organisation that provides certifications on the sustainability of fisheries around the world. The certification means customers can be confident that oil sourced from MSC-certified fisheries retain that certification as they are processed by SeaDragon.

Friend of the Sea Chain of Custody: Friend of the Sea (FoS) is a leading international certification project for products originated from both sustainable fisheries and aquaculture. Its mission is the conservation of the marine habitat. The certification means customers can be confident that unrefined oil that comes from FoS-certified fisheries retain that certification as they are processed by SeaDragon.

Federation Of Islamic Associations of New Zealand Inc. Halal Certification: The halal certification confirms that SeaDragon's halal products have been prepared according to Islamic law and customs.

Kosher Kiwi Licensing Authority Certification: The kosher certification confirms that SeaDragon's kosher products have been prepared according to Jewish customs.

FSSC 22000 Food Safety System Certification: The FSSC 22000 certification confirms that SeaDragon has the appropriate framework for effectively managing it's food safety responsibilities. FSSC 22000 is fully recognized by the Global Food Safety Initiative (GFSI) and is based on existing ISO Standards.

HEALTH AND SAFETY

Looking after our people and carefully managing our health and safety risks is at the heart of building a sustainable business. SeaDragon Directors and senior managers take their health and safety obligations seriously.

SeaDragon collects a range of data on health and safety performance. However, as the company is small, the data has the potential to be volatile and therefore the data needs to be considered alongside a number of other factors. For these reasons SeaDragon does not report the raw data publicly.

BOARD & MANAGEMENT

INDEPENDENT CHAIRMAN:

BRYAN MOGRIDGE

Bryan has been a public company director since 1984 and has a wealth of experience, both in executive and board roles.

He has a BSc in Bio-chemistry and was instrumental in building a solid export base for New Zealand wine. In 1998 he was made an Officer of the New Zealand Order of Merit for his services to the wine industry and in 2008 was inducted into the New Zealand Wine Hall of Fame.

Bryan joined the board in February 2019 and was elected Chair in April 2019.

CHIEF EXECUTIVE:

DR NEVIN AMOS

Nevin was formerly the Chief Executive for a Taupo based start-up and has held senior roles at Comvita, kiwifruit exporter Zespri and has sat on various boards, including the board of Natural Products New Zealand.

Nevin spent three years based in Asia leading the teams in Japan, Korea, Taiwan and Hong Kong for Comvita (NZX: CVT). This gives Nevin an awareness of some of SeaDragon's target markets and an in-depth understanding of supply chain systems and processes.

Nevin has a PhD (Bioprocess Engineering) from Massey University and has attended the Advanced Management Program at INSEAD in Singapore. He was a recipient of a New Zealand Prime Minister's business scholarship.

EXECUTIVE TEAM:

OPERATIONS MANAGER:
MICHELE MARAZZATO

COMMERCIAL MANAGER:
TRACEY CASTLETON

SUPPLY MANAGER:
SCOTT CHRISTENSEN

DIRECTORS:

COLIN GROVES (INDEPENDENT)

Colin is an entrepreneurial business strategist, marketer and investor. A passionate rugby businessman, originally from Cornwall, for the past 25 years Colin has worked for the Tetra Laval Group, heading M&A. Colin, is a professional director, who sits on and chairs various NZ and UK Boards ranging across investment companies, start-ups, high performance sports, and agri-tech companies. Colin previously chaired SeaDragon and joined the board in June 2015.

STUART MACINTOSH

Stuart has extensive manufacturing and general management experience in the meat, wood products and consumer goods sectors, including 11 years at multinational food group Cerebos Gregg's. Stuart is the General Manager of the iconic Pic's Peanut Butter and joined the SeaDragon board in June 2015.

MATTHEW McNAMARA

Matthew is the Chief Investment Officer of SeaDragon's cornerstone shareholder BioScience Managers. He has more than 30 years' experience in the healthcare and medical sciences sector. Matthew is a Director of several public and private healthcare companies in Australia and New Zealand and joined the board in October 2012.

MARK SADD

Mark Sadd brings more than 25 years' financial and commercial experience and 10 years' governance experience with a particular focus on business turnarounds, profit optimisation, business development and strategic acquisitions to the board of SeaDragon. Mark joined the board as an alternate Director in November 2015 before being formally elected by the shareholders in November 2017.

MARK STEWART

Mark is head of the Stewart family investment vehicle, Masthead Limited, an active corporate investor in New Zealand public and private equity markets and a cornerstone SeaDragon shareholder through Pescado Holdings Limited. He has been a Director of four publicly listed companies and is currently a Director of the successful export pet nutrition business Ziwi Limited. He has more than 34 years of commercial experience, primarily building successful export companies. Mark joined the board in November 2017.

ALTERNATE DIRECTORS:

JEREMY CURNOCK COOK (for Matthew McNamara)
WARWICK WEBB (for Mark Stewart)

CORPORATE GOVERNANCE

FOR THE YEAR ENDED 31 MARCH 2019

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

Shareholder Information

As at 20 May 2019

STOCK EXCHANGE LISTING

The Company's shares are listed on the New Zealand Stock Exchange (NZX).

DISTRIBUTIONS OF SECURITY HOLDERS AND SECURITY HOLDINGS

	Number of security holders		Number of securities	
	Number of Holders	%	Shares held	%
Ordinary shares				
1-1,000	8	0.23	3,446	-
1,001-5,000	792	22.94	2,123,878	0.04
5,001-10,000	217	6.29	1,767,849	0.04
10,001-50,000	564	16.34	15,788,352	0.32
50,001-100,000	362	10.49	28,954,870	0.60
Greater than 100,000	1,509	43.71	4,794,666,332	99.00
Total	**3,452**	**100.00**	**4,843,304,727**	**100.00**

The options issued as part of the rights issue on 2 October 2015, but not exercised, lapsed on 1 October 2018.
An option was issued to Comvita on 18 December 2015 to acquire $3.0 million in shares. Refer to Note 4 of the financial statements.

SUBSTANTIAL PRODUCT HOLDERS

The following information is provided in compliance with Section 293 of the Financial Markets Conduct Act 2013 and is stated as at 31 March 2019. The total number of quoted ordinary shares of the Company at that date was 4,843,304,727.

Substantial Product Holder	Quoted voting products in the Company in which a relevant interest is held	Date of notice
Dame Adrienne Stewart, Mark Stewart and Todd Stewart[1]	855,433,823 ordinary shares (and up to 1,764,524,732 in total if the maximum number of loan notes are issued and are converted).	08 October 2018
One Funds Management Limited as trustee for Asia Pacific Healthcare Fund II (OFM)	735,264,802 ordinary shares (and up to 1,038,295,105 in total if the maximum number of loan notes are issued to OFM and are converted)	09 August 2018
BioScience Managers Ventures Pty Limited (BMV) as general partner of BioScience Management Partnership LP	0 ordinary shares (and up to 606,060,606 in total if the maximum number of loan notes are issued to BMV and are converted)	09 August 2018
Comvita Limited	410,987,830 ordinary shares (and up to 2,640,157,478 ordinary shares if all Options are exercised by Comvita Limited and if all loan notes are converted)	08 August 2018
SDMO Trustee Limited	438,419,046 ordinary shares	21 October 2016

[1]The Company also received a substantial product holder notice in respect of the same relevant interest from Pescado Holdings Limited on 8 October 2018.

Shareholder Information (continued)

As at 20 May 2019

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

As at 20 May 2019

	Number of ordinary shares	Percentage of ordinary shares
Pescado Holdings Limited	855,433,823	17.66
New Zealand Central Securities Depository Limited	746,118,908	15.41
SDMO Trustee Limited	438,419,046	9.05
Comvita Limited	410,987,830	8.49
Skylog Limited	151,805,500	3.13
Graeme Douglas Saunders	69,000,000	1.42
Leveraged Equities Finance Limited	57,545,750	1.19
FNZ Custodians Limited	40,856,388	0.84
Nicklas William P Willemse	40,000,000	0.83
Tamahere Limited	30,000,000	0.62
Forsyth Barr Custodians Limited	29,610,910	0.61
Darrell James Crozier	27,326,757	0.56
Chet Douglas Riley	27,000,000	0.56
Rodney Henry Wallace	24,344,544	0.50
Graham Ian Dobbs	23,537,760	0.49
William Aubrey Cocks	22,000,000	0.45
Custodial Services Limited	21,573,245	0.45
Richard Guyon Carey & Toni Marie Carey	20,000,000	0.41
Hui Ai Adriana Tong & Morlan Tong	20,000,000	0.41
Hongmei Lu	19,120,831	0.39
Total	**3,074,681,292**	**63.47%**

Directors

During the 12 months ended 31 March 2019

Current	Appointed	Position	Status
Stewart, Mark[1]	22 November 2017	Chair	Non-executive
Mogridge, Bryan[1]	01 February 2019		Independent, Non-executive
Groves, Colin[1]	01 June 2015		Independent, Non-executive
Macintosh, Stuart	29 June 2015		Non-executive
McNamara, Matthew	15 October 2012		Non-executive
Sadd, Mark	22 November 2017		Non-executive
Curnock-Cook, Jeremy	15 October 2012		Alternate for Matthew McNamara
Webb, Warwick	22 November 2017		Alternate for Mark Stewart
Past	**Appointed**	**Resigned**	**Status**
Alderton, Richard	27 July 2015	31 January 2019	Non-executive

As at 31 March 2019 Colin Groves, Stuart Macintosh and Nevin Amos were also directors of SeaDragon Marine Oils Limited and Omega 3 New Zealand Limited.

[1]Colin Groves held the position of Chair up until 22 November 2018 when Mark Stewart was appointed interim Chair. In April 2019 Bryan Mogridge was appointed as Chair, replacing Mark Stewart.

Directors Security Holdings

As at 31 March 2019

	Ordinary shares beneficially owned		Ordinary shares held by associated persons		Share options held by associated persons		Employee share options beneficially owned	
Current	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Stewart, Mark[1]	-	-	855,433,823	855,433,823	-	-	-	-
Mogridge, Bryan	-	-	-	-	-	-	-	-
Groves, Colin	-	-	30,000,000	22,500,000	-	18,750,000	25,000,000	25,000,000
Macintosh, Stuart	-	-	438,419,046	435,388,743	-	5,282,125	-	-
McNamara, Matthew[2]	-	-	735,264,802	735,264,802	-	-	-	-
Sadd, Mark[3]	-	-	410,987,830	410,987,830	909,090,909	785,987,830	-	-
Curnock-Cook, Jeremy (alternate)[2]	-	-	735,264,802	735,264,802	-	-	-	-
Webb, Warwick (alternate)[1]	-	-	855,433,823	855,433,823	-	-	-	-
Past								
Alderton, Richard	-	-	14,062,500	14,062,500	-	9,375,000	-	15,000,000

[1]In addition to the ordinary shares and options listed above Pescado has $2.375 million in convertible loan notes that mandatorily convert into 720m shares at 31 March 2020.

[2]In addition to the ordinary shares and options listed above BioSciences has $2.375 million in convertible loan notes that mandatorily convert into 720m shares at 31 March 2020.

[3]In addition to the ordinary shares and options listed above Comvita has $3.0 million in convertible loan notes that mandatorily convert into 909m shares at 31 March 2020.

Mark Sadd resigned from Comvita effective on 20 May 2019.

Directors Remuneration

Details of the nature and the amount of each major element of the remuneration of each Director for the year ended 31 March 2019 is:

	Remuneration of Directors		Other Services	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Current				
Stewart, Mark	24	8	-	-
Mogridge, Bryan	8	-	-	-
Groves, Colin	88	97	18	5
Macintosh, Stuart	24	24	-	-
McNamara, Matthew	24	24	-	-
Sadd, Mark	24	8	-	-
Past				
Alderton, Richard	19	24	14	3
Hewlett, Brett	0	16	-	-
Geals, Patrick	0	24	-	-
Total	**211**	**225**	**32**	**8**

Nevin Amos, a current director in SeaDragon Marine Oils Limited received nil remuneration in 2019 (2018: nil).
During the year to 31 March 2019 the directors received nil remuneration for chairing or participating in a Committee.

Entries Recorded in the Interests Register

The following entries were recorded in the interests' register of the Company during the 12 months ended 31 March 2019:

a) Directors' indemnity and insurance

The Company has insured all its Directors and the Directors of its subsidiaries against liabilities to other parties (except the Company or a related party of the Company) that may arise from their positions as Directors. The insurance does not cover liabilities arising from criminal actions.

b) Share dealings of Directors

Colin Groves and Stuart Macintosh purchased 7,500,000 and 3,030,303 shares respectively as part of the rights offer available to all shareholders. These Company shares were issued on 8 October 2018 at $0.0033 per share.

c) Loans to Directors

There were no loans to Directors during the year ended 31 March 2019.

Remuneration of Employees

During the year the following number of employees received remuneration in excess of $100,000

	Number of employees	
	2019	2018
$100,000 - $109,999	-	1
$120,000 - $129,999	1	-
$130,000 - $139,999	-	1
$140,000 - $149,999	1	-
$150,000 - $159,999	1	-
$170,000 - $179,999	-	1
$310,000 - $319,999	-	1
$320,000 - $329,999[1]	1	-

[1]The remuneration paid to the CEO includes an at risk component of $31,500 based on the Company's performance against specific strategic goals.

Auditor

The auditor for the Group is PricewaterhouseCoopers. Auditor's remuneration is disclosed in Note 1 to the financial statements.

Donations

There were no donations made during the 12 months to March 2019 (2018: Nil)

NZX Waivers

No waiver from the NZX Main Board Listing Rules was granted to the Company or relied upon by the Company in the 12 months ending 31 March 2019. For the avoidance of doubt, the Company has an existing waiver that was granted by NZX Regulation on 2 December 2015 in relation to a supply agreement entered into with shareholder Comvita Limited (Comvita). For full details of the waiver, see https://www.nzx.com/companies/SEA/announcements/274521.

Takeovers Code Disclosures

1. **2019 Pescado Loan**

   On 1 April 2019, the Company entered into a convertible loan note agreement with Pescado Holdings Limited (Pescado) pursuant to which Pescado agreed to advance up to $4 million to the Company via a new convertible loan note facility (the 2019 Pescado Loan).

   On 17 May 2019, the Company's shareholders approved the issue of up to 2,000,000,000 ordinary shares in the Company to Pescado on conversion of the convertible loan notes issued under the 2019 Pescado Loan (the Approved Pescado Allotment Package) in accordance with the takeovers code set out in the schedule to the Takeovers Regulations 2000 (the Takeovers Code). The last date on which such ordinary shares in the Company may be allotted on conversion of such convertible loan notes is 31 March 2021 (which is more than 12 months from the date of the meeting at which the shareholders approved the Approved Pescado Allotment Package). Therefore, and pursuant to rule 19B(2) of the Takeovers Code, the Company is required to include the following information relating to the Approved Pescado Allotment Package in this annual report:

Rule	Information required	
19B(2)(a)	**A summary of the terms of the Approved Pescado Allotment Package**	
	The convertible loan notes to be issued under the 2019 Pescado Loan are convertible at $0.002 per share. On that basis, if the 2019 Pescado Loan is fully drawn from Pescado to the maximum of $4 million, then the convertible loan notes issued by the Company under the 2019 Pescado Loan could be converted into a maximum of 2,000,000,000 ordinary shares in the Company. Interest on the 2019 Pescado Loan is nil prior to an event of default, and 9.95% per annum while an event of default is subsisting. Accrued and unpaid interest is payable in cash and does not convert to ordinary shares in the Company. Pescado has the option to convert all outstanding amounts advanced by it under the 2019 Pescado Loan to ordinary shares in the Company for so long as the 2019 Pescado Loan remains unpaid by the Company. The Company may repay its indebtedness under the 2019 Pescado Loan at any time in full. However, all payments under the 2019 Pescado Loan must be made pari passu with payments under the Convertible Loan Note Agreement (as defined below). Unless previously repaid or converted, the 2019 Pescado Loan will mature at 5:00 p.m. on 31 March 2021. On maturity, unless the Company is in default under the 2019 Pescado Loan or insolvent, the outstanding amount under the 2019 Pescado Loan will automatically convert into ordinary shares in the Company at $0.002 per share. Shares issued on conversion of the convertible loan notes issued under the 2019 Pescado Loan will be ordinary shares in the Company and will rank equally with all other ordinary shares on issue. All indebtedness under the 2019 Pescado Loan is secured over all of the assets of the Company and its subsidiaries, in each case under existing security arrangements (which secure indebtedness under the Existing Loans (as defined below)). Until the 2019 Pescado Loan is repaid in full or converted, the Company will be required to obtain the prior written approval of Pescado to the appointment, replacement or removal of any member of the senior management of the Company or any of its subsidiaries and the appointment by the board of the Company of any person as a director of the Company or any of its subsidiaries. If Comvita has at any time exercised its contractual right (if any) to appoint a director to the board of the Company who is not Mark Sadd or to remove or replace Mark Sadd as a director on the board of the Company, then drawdown under the 2019 Pescado Loan is conditional on the Company procuring that the board of the Company appoints an individual nominated by Pescado as a director of the Company.	
19B(2)(b)	**Particulars, as at the end of the current financial year, of:**	
	(i) the number of voting securities already allotted to Pescado under the Approved Pescado Allotment Package; and	Nil
	(ii) the number of voting securities on issue that are held or controlled by Pescado, and the percentage of all voting securities on issue that that number represents; and	855,433,823 ordinary shares (being 17.66% of all voting securities on issue)
	(iii) the aggregate of the percentages of all voting securities that are held or controlled by Pescado and Pescado's associates; and	17.66% *Note that no associate of Pescado holds any voting securities in the Company.
	(iv) the maximum percentage of all voting securities that could be held or controlled by Pescado on completion of all the allotments; and	39.33% (being 3,764,524,732 ordinary shares)
	(v) the maximum aggregate of the percentages of all voting securities that could be held or controlled by Pescado and Pescado's associates on completion of the allotments; and	Same as (iv) above. *Note that no associate of Pescado holds any voting securities in the Company.
	(vi) the assumptions on which the particulars above are calculated.	In relation to (iv) and (v) above: • Pescado is allotted the approved maximum number of ordinary shares under the Approved Pescado Allotment Package; • the Existing Loans are converted into voting securities in the Company (i.e. ordinary shares); and • the Comvita Option (as defined below) is not exercised.

2. Convertible Loan Note Agreement

Pescado, Comvita, One Funds Management Limited as trustee of Asia Pacific Healthcare Fund II (OFM), BioScience Managers Ventures Pty Ltd as general partner of BioScience Management Partnership LP (BMV and, together with OFM, BioScience and, together with Pescado and Comvita, the Existing Noteholders) and the Company entered into an amended and restated convertible loan note agreement (second amendment and restatement) originally dated 30 May 2016, as amended and restated as of 30 June 2018, and further amended and restated on 8 August 2018 (the Convertible Loan Note Agreement). Pursuant to the Convertible Loan Note Agreement:

a. Pescado agreed to provide convertible loan note facilities to the Company of up to $3 million, of which the full $3 million has been advanced;

b. BioScience agreed to provide convertible loan note facilities to the Company of up to $3 million, of which the full $3 million has been advanced; and

c. Comvita agreed to provide convertible loan note facilities to the Company of up to $3 million, of which the full $3 million has been advanced,

together the Existing Loans.

On 8 August 2018, the Company's shareholders approved the issue of up to 909,090,909 ordinary shares in the Company to each Existing Noteholder on conversion of the convertible loan notes issued under the Convertible Loan Note Agreement (the Approved CLN Allotment Package) in accordance with the Takeovers Code. The last date on which such ordinary shares in the Company may be allotted on conversion of such convertible loan notes is 31 March 2020 (which is more than 12 months from the date of the meeting at which the shareholders approved the Approved CLN Allotment Package). Therefore, and pursuant to rule 19B(2) of the Takeovers Code, the Company is required to include the following information relating to the Approved CLN Allotment Package in this annual report:

Rule	Information required
19B(2)(a)	**A summary of the terms of the Approved CLN Allotment Package**
	The convertible loan notes that have been issued under the Existing Loans to each Existing Noteholder are convertible at $0.0033 per share. On that basis, the convertible loan notes issued by the Company under the Convertible Loan Note Agreement could be converted into a maximum of 909,090,909 ordinary shares in the Company for each Existing Noteholder. Each Existing Noteholder has waived its right to receive interest under the Existing Loans in respect of the period on and from 1 April 2019. Each Existing Noteholder has the option to convert all outstanding amounts advanced by it under the Existing Loans to ordinary shares in the Company for so long as the relevant Existing Loan remains unpaid by the Company. The Company may repay its indebtedness under the Existing Loans at any time in full. However, all payments under the Existing Loans must be made pari passu with payments under the 2019 Pescado Loan. Unless previously repaid or converted, the Existing Loans will mature at 5:00 p.m. on 31 March 2020. On maturity, unless the Company is in default under the Existing Loans or insolvent, the outstanding amount under the Existing Loans will automatically convert into ordinary shares in the Company at $0.0033 per share. Shares issued on conversion of the convertible loan notes issued under the Existing Loans will be ordinary shares in the Company and will rank equally with all other ordinary shares on issue. All indebtedness under the Existing Loans is secured over all of the assets of the Company and its subsidiaries.

19B(2)(b)	**Particulars, as at the end of the current financial year, of:**		
	(i)	the number of voting securities already allotted to each Existing Noteholder under the Approved CLN Allotment Package; and	Pescado – Nil BioScience – Nil Comvita – Nil
	(ii)	the number of voting securities on issue that are held or controlled by each Existing Noteholder, and the percentage of all voting securities on issue that each of those numbers represents; and	Pescado – 855,433,823 ordinary shares (being 17.66% of all voting securities on issue) BioScience – 735,264,802 ordinary shares (being 15.18% of all voting securities on issue) Comvita – 410,987,830 ordinary shares (being 8.49% of all voting securities on issue)
	(iii)	the aggregate of the percentages of all voting securities that are held or controlled by each Existing Noteholder and its associates; and	Pescado – 17.66% BioScience – 15.18% Comvita – 8.49% *Note that no associate of an Existing Noteholder holds any voting securities in the Company.
	(iv)	the maximum percentage of all voting securities that could be held or controlled by each Existing Noteholder on completion of all the allotments; and	Pescado – 39.33% (being 3,764,524,732 ordinary shares) BioScience – 17.18% (being 1,644,355,711 ordinary shares) Comvita – 13.79% (being 1,320,078,739 ordinary shares)
	(v)	the maximum aggregate of the percentages of all voting securities that could be held or controlled by each Existing Noteholder and its associates on completion of the allotments; and	Same as (iv) above. *Note that no associate of an Existing Noteholder holds any voting securities in the Company.
	(vi)	the assumptions on which the particulars above are calculated.	In relation to (iv) and (v) above: • Pescado is allotted the approved maximum number of ordinary shares under the Approved Pescado Allotment Package; • the Existing Loans are converted into voting securities in the Company (i.e. ordinary shares); and • the Comvita Option (as defined below) is not exercised.

3. Comvita Option

With effect on and from 8 August 2018, the Company's shareholders approved the Company granting Comvita an option to subscribe for 909,090,909 ordinary shares in the Company at an exercise price of $0.0033 per share (for an aggregate exercise price of $3 million) (the Approved Comvita Option Allotment Package) in accordance with the Takeovers Code. The last date on which such ordinary shares may be allotted on conversion of such option is 31 March 2020 (which is more than 12 months from the date of the meeting at which the shareholders approved the Approved Comvita Option Allotment Package). Therefore, and pursuant to rule 19B(2) of the Takeovers Code, the Company is required to include the following information relating to the Approved Comvita Option Allotment Package in this annual report:

Rule	Information required		
19B(2)(a)	**A summary of the terms of the Approved Comvita Option Allotment Package**		
	The Comvita Option provides Comvita with the option to subscribe for 909,090,909 ordinary shares in the Company at an exercise price of $0.0033 per share. Any ordinary shares in the Company allotted to Comvita in accordance with the Comvita Option will rank equally with all other ordinary shares on issue. The Comvita Option must be exercised on or before 5:00 p.m. on 31 March 2020. If the Comvita Option is not exercised on or prior to this date, it shall automatically terminate and lapse. The Comvita Option can only be exercised once and only in respect of all and not some only of the ordinary shares. The terms of the Comvita Option include certain mandatory exercise conditions which, if met, would require Comvita to exercise the Comvita Option.		
19B(2)(b)	**Particulars, as at the end of the current financial year, of:**		
	(i)	the number of voting securities already allotted to Comvita under the Approved Comvita Option Allotment Package; and	Nil
	(ii)	the number of voting securities on issue that are held or controlled by Comvita, and the percentage of all voting securities on issue that that number represents; and	410,987,830 ordinary shares (being 8.49% of all voting securities on issue)
	(iii)	the aggregate of the percentages of all voting securities that are held or controlled by Comvita and Comvita's associates; and	8.49% *Note that no associate of Comvita holds any voting securities in the Company.
	(iv)	the maximum percentage of all voting securities that could be held or controlled by Comvita on completion of all the allotments; and	21.27% (being 2,229,169,648 ordinary shares)
	(v)	the maximum aggregate of the percentages of all voting securities that could be held or controlled by Comvita and Comvita's associates on completion of the allotments; and	Same as (iv) above. * Note that no associate of Comvita holds any voting securities in the Company.
	(vi)	the assumptions on which the particulars above are calculated.	In relation to (iv) and (v) above: • Pescado is allotted the approved maximum number of ordinary shares under the Approved Pescado Allotment Package; and • the Existing Loans are converted into voting securities in the Company (i.e., ordinary shares); and • the Comvita Option is exercised.

Statements of Corporate Governance

As at 31 March 2019

Corporate Governance Statement

The Board of SeaDragon Limited (SeaDragon, the Company) is committed to the guiding values of integrity, respect and continuous improvement. The Board considers these values will ensure the highest standards of business behaviour and accountability are a cornerstone of the Company's operations.

The Board has adopted codes and policies relating to the conduct of all Directors, executives and staff. This Statement has been structured to follow the recommendations set out in the NZX Corporate Governance Code **(NZX Code)** issued in May 2017 and discloses how the Company is applying these recommendations. The Board considers that, as at 31 March 2019, the governance structures and practices it has adopted are in compliance with the NZX Code except, and to the extent, set out in the following pages.

In prior years, the Company has reported against the principles, guidelines, and recommendations set out in the Financial Markets Authority's (FMA) Corporate Governance Handbook, which applied to listed and unlisted entities.

The FMA published an updated handbook in 2018 which makes it clear that its handbook no longer applies to NZX-listed entities like the Company and, instead, only applies to unlisted entities. As such, we no longer report against the principles, guidelines and recommendations set out in the handbook.

SeaDragon's constitution (Constitution) and the charters, codes and policies referred to in this section (except the Delegations Policy) are available on the Company's website www.seadragon.co.nz (Website) in the Investor Centre section.

A review of the charters, codes and policies is included in the Board's annual work plan.

PRINCIPLE 1: CODE OF ETHICAL BEHAVIOUR

The Board Charter, Code of Ethics and Code of Conduct establish the standards of ethical behaviour expected of Directors and staff. The Board expects Directors, management and staff to personally subscribe to these values and use them as a guide to making decisions.

Directors are expected to ensure the potential for conflicts of interests is minimised by restricting involvement in other businesses or in private capacities that could lead to a conflict. In considering matters affecting the Company, Directors are required to disclose any actual or potential conflicts. Where a conflict or potential conflict is disclosed, the Director takes no further part in receipt of information or participation in discussions on that matter. The Board maintains an interests' register and it is reviewed at each board meeting.

Directors, officers, employees and contractors are restricted in their trading of SeaDragon securities and must comply with the Financial Products Trading Policy and Guidelines which is available on the Website.

Should any member of staff have concerns regarding practices that may be in conflict with the Code of Conduct they are able to raise the matter with the Chief Executive (CEO) or Chair, as appropriate, on a confidential basis. Directors would raise any concerns regarding compliance with the Code of Ethics or the Code of Conduct with the Chair. The Chair of the Board and the Chair of the AARC note there have been no matters raised in this respect in the 2019 financial year.

PRINCIPLE 2: BOARD COMPOSITION AND PERFORMANCE

The Board is responsible for the proper direction and control of the Company's activities and is the ultimate decision-making body of the Company. Its roles and responsibilities are set out in the Board Charter and include setting strategic direction, approval of significant expenditures, policy determination, stewardship of the Company's assets, identification of significant business risks, legal compliance and monitoring management performance.

The number of Directors, rotation and retirement is determined in accordance with the Constitution and the NZX Main Board Listing Rules (Listing Rules). For the year ended 31 March 2019, the Company complied with the Director rotation requirements of the Listing Rules dated 1 October 2017. With effect on and from 1 July 2019, the Company will comply with the Listing Rules dated 1 January 2019 (the New Listing Rules) including as to the composition of the Board and the appointment and rotation of individual Directors. In particular, each Director must retire, but may offer themselves for re-election, at the third annual meeting following that director's appointment or every three years (whichever is longer).

Profiles of each Director are included on page 4 of the Annual Report, with details of each Directors ownership interest

Statements of Corporate Governance

As at 31 March 2019

Board and Board committee meeting attendance for the year ended 31 March 2019

	Board		Audit and Risk Committee		Remuneration and Nomination Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Mogridge, Bryan	2	2	1	1	n/a	n/a
Groves, Colin	10	10	6	6	2	2
Macintosh, Stuart	10	9	n/a	n/a	2	2
McNamara, Matthew	10	10	1	1	2	2
Sadd, Mark	10	9	6	6	n/a	n/a
Stewart, Mark	10	10	n/a	n/a	2	2
Alderton, Richard	8	8	5	4	n/a	n/a

The gender balance of the Group's Directors, officers and all employees was as follows:

	as at 31 March 2019			as at 31 March 2018		
	Directors	**Officers**	**Employees**	**Directors**	**Officers**	**Employees**
Female	0	0	11	0	0	6
Male	6	1	10	6	1	10
Total	6	1	21	6	1	16

included on page 8 of the Annual Report.

As at 31 March 2019, the Board comprised six Directors, all of whom are non-executive. Two Directors are considered by the Board to be independent under the Listing Rules. The Board supports the separation of the role of Chair and Chief Executive (CEO).

The Board has two sub-committees, the Audit and Risk Committee and the Remuneration and Nominations Committee, to which it has delegated responsibilities. Charters are available on the Website and set out the purpose, objectives and procedures for each committee. Each committee's responsibilities are set out in Principle 3 below.

The Board is structured so that, as a collective group, it has the skills, experience, knowledge, independence and diversity of thought and capability to fulfil its purpose and responsibilities.

Skills that Directors bring to the Board include finance, marketing, manufacturing, investment and mergers and acquisition. Several of the Directors are members of professional bodies including the Institute of Directors, Chartered Accountants Australia New Zealand, and the Institute of Financial Professionals.

The Company has a written agreement with each Director setting out the terms and conditions of their appointment.

Board papers for monthly meetings include reports supporting standing agenda items together with formal proposals in relation to any other matters for decision or noting.

New Directors take part in an induction program to familiarise them with SeaDragon's business, production facilities and features of the industry within which it operates. Tours of the production facilities are held regularly. Ongoing Director education and training is also encouraged. A contribution to each Director's costs of education and training for programs approved by the Chair may be made.

The Board's annual work program is set out in the Board Charter. All matters listed were addressed in the 2019 financial year.

The Board evaluates its performance, its processes and procedures annually, including a review of the performance of Board Committees. A review of each Director's performance and the performance of the Board as a whole was undertaken in the 2019 financial year using the process set out in the Board Charter. Minor changes were made to Board operating procedures as a result of this review.

Statements of Corporate Governance

As at 31 March 2019

The Board has delegated responsibility for the day-to-day leadership and management of the Company to the CEO who is required to do so in accordance with Board direction. The Board has approved a schedule of delegated authorities affecting all aspects of the Company's operation. The Delegations Policy is reviewed at least annually and was reviewed in the 2019 financial year.

Diversity

SeaDragon recognises the wide-ranging benefits that diversity brings to an organisation and its workplaces. SeaDragon endeavours to ensure diversity at all levels of the organisation to ensure a balance of skills and perspectives are available in the service of our shareholders and customers. To this end, the Board is committed to fostering a culture that embraces diversity by aiming to establish measurable objectives for achieving gender diversity and annually reviewing and assessing such objectives and SeaDragon's progress in achieving them.

SeaDragon adopted a Diversity Policy in 2018 and this policy is available on the Website. Details of the gender composition of the Board, the Company's officers and employees as at 31 March 2019, together with comparative figures for the year ended 31 March 2018, is set out in the table on page 16. The Board evaluated the Company's performance with respect to the Diversity Policy for the year ended 31 March 2019 and considers the balance of gender, diversity of employees and culture are contributing to an inclusive environment where all of our employees are encouraged to reach their full potential and individual differences are valued and respected.

As set out in the Diversity Policy, SeaDragon is to consider and where relevant implement policies and programmes to address impediments to gender diversity in the workplace including parental leave and flexible working arrangements that assist employees to fulfil their domestic responsibilities. These policies are to be reviewed to ensure that they are available to and utilised by, both men and women at all levels.

The Board also has the responsibility of monitoring and promoting the diversity of staff and associated corporate culture, including requiring that recruitment and selection processes at all levels are appropriately structured so that a diverse range of candidates are considered and to avoid conscious and unconscious biases that might discriminate against certain candidates.

PRINCIPLE 3: BOARD COMMITTEES

The Board has appointed two standing committees – the Audit and Risk Committee (AARC) and the Remuneration and Nomination Committee (RANC). Each committee has a charter that sets out its scope of responsibilities, activities and authority. The charters for each committee are available on the Website.

Audit and Risk Committee (AARC)

The AARC is constituted to monitor the accuracy of the financial data produced by the Company and to ensure controls are in place to minimise the opportunities for fraud or for material error in the accounts. The AARC's responsibilities include the audit functions, processes and policy for assessing financial matters, general compliance of financial reports with laws and regulations and the risk management framework.

The AARC has a clear line of communication with the independent external auditors and the finance team. The AARC will meet at least four times a year and will meet at least annually with the auditor without management present. In the financial year ended 31 March 2019, the AARC held six meetings, one of which included a Director only meeting with the external auditor.

The AARC must have a minimum of three members all of whom must be non-executive directors and the majority of whom must be independent Directors. The Chair of the AARC may not be the Chair of the Board. At least one member of the AARC must have an accounting or financial background and, as a group, the AARC must be structured to have the skills, experience and knowledge to fulfil its purpose and responsibilities. The members of the AARC are Colin Groves (Chair), Bryan Mogridge and Mark Sadd. Mr Groves and Mr Mogridge are Independent Directors. The members' qualifications and background are set out on page 4 of this Annual Report. The CEO, Commercial Manager and other employees of the Company may attend meetings as requested by the AARC.

The Commercial Manager acts as Secretary to the AARC and undertakes the duties normally associated with that role.

The Remuneration and Nomination Committee (RANC)

The RANC is constituted to review the composition of the Board, Director remuneration and Board appointments. It assists with determining appointments and terms of remuneration for the CEO, and those reporting directly to the CEO and other employees of SeaDragon. It also has oversight of any company-wide incentive and share option schemes and HR-related statutory and regulatory matters.

The CEO, Commercial Manager and other employees of the Company may attend meetings as requested by the RANC.

The NZX Code recommends that at least a majority of the members of the RANC be independent directors. The current members of the RANC are Stuart Macintosh (Chair), Colin Groves, Matt McNamara and Mark Stewart. Only Mr Groves

Statements of Corporate Governance

As at 31 March 2019

is an Independent Director and therefore the Company is not currently compliant with this NZX Code recommendation due to the current Board composition.

The RANC will meet as scheduled from time to time and in the 2019 financial year the RANC held two meetings.

The Company does not currently have appropriate protocols that set out the procedure to be followed if there is a takeover offer. The Board is currently seeking advice on this matter with the intent to introduce protocols in the next financial year.

PRINCIPLE 4: REPORTING AND DISCLOSURE

Reporting

The Board is committed to ensuring that its financial reporting is balanced, clear and objective. The AARC assists the Board in fulfilling its responsibilities relating to the Group's management systems, accounting and reporting, external and internal audit and risk management activities.

The AARC monitors the Company's accounting and reporting practices, reviews the financial information reported to shareholders, oversees the work undertaken by the external and internal auditors, and monitors SeaDragon's risk management program.

The Chief Executive and Commercial Manager are required to provide a letter of representation to the Board confirming that:

- the Group's financial statements have been prepared in accordance with accepted accounting standards in New Zealand, are free of material misstatements, including omissions, give a true and fair view of the financial performance and position of the Group and the financial records have been properly prepared;
- the representations are based on a sound system of risk management, internal compliance and controls that provide for the implementation of the policies adopted by the Board; and
- the Group's risk management and internal control systems are operating effectively in all material respects.

A letter of representation confirming those matters was received in relation to the 2019 financial statements.

The Company is in the early stages of considering how and to what extent it should report on non-financial information such as environmental, social and governance matters (ESG). The Company does not currently have a formal ESG reporting framework, however this is being progressed by the Board with the intention that the Company will report on these non-financial matters in future reports.

Disclosure

The Board is committed to keeping the market and its shareholders informed of all material information relating to the Company through meeting the obligations imposed under the Listing Rules and relevant legislation such as the Financial Markets Conduct Act 2013. The Company has a Market Disclosure Policy which applies to all Directors, senior management and employees of the Company.

SeaDragon seeks to make disclosures in a timely and balanced way to ensure transparency in the market and equality of information for investors. The Company also recognises the benefits of providing other releases that broaden the market's knowledge of the Company's business and financial performance and seeks, where appropriate, to use communications that achieve this objective. The Website is a key channel for the distribution of SeaDragon's information and is updated after documents are disclosed on the NZX.

The Chair of the Board and the CEO are responsible for the day to day management of ensuring these obligations are met.

The Board will review compliance with the Company's continuous disclosure obligations at every board meeting.

PRINCIPLE 5: REMUNERATION

The Director's remuneration pool has been set at $225,000 per annum. Information on payments to each Director is set out on page 9. Further information on the remuneration packages for non-executive directors are set out in the Remuneration and Nominations Committee Charter.

Non-executive Directors may be paid additional fees for chairing a Board committee or for special service. The Chair's fee is the same as paid to non-executive Independent Directors. Directors may be reimbursed for expenses incurred in performing their duties and the RANC reviews annually such expenses that have been reimbursed to ensure they are reasonable. A performance-based equity compensation plan is not offered and no retirement payments are paid to non-executive Directors.

The remuneration and performance of the CEO and other members of the senior management team are reviewed each year by the RANC. Information on the remuneration of the CEO and senior management team is set out on page 10.

PRINCIPLE 6: RISK MANAGEMENT

The AARC has been delegated oversight for risk management by the Board. The AARC's responsibilities are set out in the Audit and Risk Committee Charter.

Senior management are responsible for the day to day monitoring of risk management systems. Senior management

Statements of Corporate Governance

As at 31 March 2019

must report at each board meeting on risk management to identify material risks, the effectiveness of SeaDragon's ongoing risk management program and policies, and whether any remedial action is necessary in relation to risk management issues. The Company has a formal framework in place to identify and manage existing and new risks which the AARC is responsible for overseeing. There were no material issues reported in the 2019 financial year.

Directors are insured against liabilities to other parties that may arise from their positions as Directors, excluding liabilities that may arise from criminal actions.

Health and Safety

The health and safety of staff, Directors and others associated with SeaDragon is just as important to the Board as managing financial and reputational risk. The Board (through the AARC) is responsible for determining high-level health and safety strategy and policies which management is required to implement. The Board has responsibility for reviewing SeaDragon's health and safety policies to ensure the Company provides a safe working environment and that a commitment to health and safety is part of everyday business with an integrated, embedded and effective system in which all staff take individual ownership.

The Health and Safety Policy is available on the Website. A review of the policy was undertaken in the 2019 financial year. Information on the Company's health and safety performance during the year is set out on page 3.

PRINCIPLE 7: AUDITORS

Oversight of the Company's external audit arrangements is the responsibility of the AARC. The AARC's functions in relation to the auditors are set out in the Audit and Risk Committee Charter and include recommending the appointment and removal of external and internal auditors, reviewing the annual audit plans, formal communications with and evaluating the effectiveness of the auditors and reviewing the auditors' comments, recommendations and plans.

All services provided by the external auditor are considered on a case by case basis by the AARC to ensure there is no actual or perceived threat to the independence of the auditor in accordance with the Audit and Risk Committee Charter. Additional non-audit services were provided by the external auditor in the 2019 financial year.

External audit services are provided by PricewaterhouseCoopers (PwC). The AARC has authority to approve all audit fees and is responsible for ensuring that the external audit partner is changed at least every five years. PwC has been the Company's external audit partner since 2015 and attends the annual shareholders meeting.

PRINCIPLE 8: SHAREHOLDER RIGHTS AND RELATIONS

SeaDragon aims to promote effective communication with shareholders and interested stakeholders. The Shareholders Communications Policy is available on the Website and sets out how SeaDragon seeks to encourage effective participation at shareholder meetings of the Company and distribute shareholder communications in accordance with the Listing Rules and any relevant legislation.

SeaDragon uses a variety of channels and technologies to keep its shareholders informed and to allow access to information, including announcements and media releases through NZX, the SeaDragon share registry at www.linkmarketservices.co.nz, the Website, annual reports and annual meetings of shareholders. The Company also provides options for its Shareholders to communicate with the Company and the Company's share registry electronically. All market releases carry contact details for communications from shareholders. The Company responds to all shareholder communications within a reasonable timeframe.

Shareholders are encouraged to attend annual meetings as they are an opportunity to put questions to the Board, Senior Management and external auditor and to this end, the Chair will provide reasonable time for questions and comments on relevant matters.

Recommendation 8.5 of the NZX Code recommends that the Board should ensure that the annual shareholders notice of meeting is posted on the Company's website as soon as possible and at least 28 days prior to the meeting. In providing the notice of meeting for the 2018 annual meeting, SeaDragon was unable to comply with this recommendation and instead, dispatched the notice of meeting to shareholders and provided it on the Company's website 19 days prior to the meeting. This is because:

- as further noted in the notice of meeting, the Company required additional capital to cover both estimated working capital requirements and continuing operating losses. The Company was unable to fully draw down on the new convertible loan note facilities with cornerstone shareholders until shareholder approval was obtained at the annual meeting;
- the Company was required to obtain those shareholder approvals at its annual meeting on or prior to 15 August 2018, and failure to do so would have constituted an event of default under the new convertible loan note facilities; and
- a number of the Company's directors were scheduled to be overseas during August 2018, and the selected date for the 2018 annual shareholders' meeting was the latest date on which a majority of the non-associated directors of the Company were able to attend the annual meeting.

Independent auditor's report

To the shareholders of SeaDragon Limited

We have audited the consolidated financial statements which comprise:

- the consolidated statement of financial position as at 31 March 2019;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a statement of accounting policies.

Disclaimer of opinion

We were engaged to audit the consolidated financial statements of SeaDragon Limited (the Company), including its subsidiaries (the Group).

We do not express an opinion on the accompanying consolidated financial statements of the Group. Because of the significance of the matters relating to property, plant and equipment described in the *Basis for disclaimer of opinion* section of our report we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

Basis for disclaimer of opinion

The Group has property, plant and equipment (PP&E) with a carrying value of $8,124,000 as at 31 March 2019. We refer to note 3e)iv) within the statement of accounting policies section of the consolidated financial statements which describes the Directors' assessment of the recoverable value of the PP&E. In assessing the recoverable value of PP&E, comprised materially of the two refining facilities, the Directors prepared a discounted cash flow model on a value in use basis. The cash flow forecasts used in the model involve subjective estimates about future business performance, requiring management to exercise significant judgement including over key assumptions for expected future revenues and margins.

To assess the Directors' valuation of PP&E, we assessed the key assumptions utilised by management. The model is underpinned by a significant level of uncommitted sales for which the Directors were unable to provide sufficient appropriate evidence. Due to the level of uncertainty associated with forecasting the Group's future cash flows and the Group's challenges in securing sales in recent years, we were unable to obtain sufficient appropriate audit evidence to support the assumptions made by management.

As a result of assessing the PP&E carrying value the Directors identified an impairment and recognised an impairment expense of $2,973,000 in the year ended 31 March 2019. In addition, the Directors identified an impairment in the carrying value of inventory and recognised an impairment expense of $424,000 in the year ended 31 March 2019. The inventory to which this impairment related was recognised on the statement of financial position as at 31 March 2018. Our opinion for the comparative period was disclaimed in respect of our inability to obtain sufficient appropriate audit evidence to

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support the carrying value of PP&E and inventory as at 31 March 2018. As a result, we are unable to determine whether the impairment expenses recognised in the current year relate to the 31 March 2019 or 31 March 2018 financial year.

In addition, we draw attention to note 2e) of the statements of accounting policies within the consolidated financial statements which indicates that the Group's ability to secure sales and at forecasted margin are uncertain. As stated in note 2e), these conditions, along with other matters set out in that note, indicate that material uncertainties exists that may cast significant doubt on the Group's ability to continue as a going concern, including its ability to;

- meet obligations as they fall due, and
- realise its assets, specifically its PP&E, in the ordinary course of business.

Responsibilities of the Directors for the consolidated financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs) and to issue an auditor's report. However, because of the matters described in the *Basis for disclaimer of opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the area of tax compliance services, including filing of income tax returns, and taxation advisory services. The provision of these other services has not impaired our independence as auditor of the Group.

Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Kevin Brown.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
24 June 2019

Wellington

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2019

	Note	2019 $'000	2018 $'000
Revenue	1	4,887	3,028
Cost of sales		(7,818)	(5,664)
Impairment of inventory		(424)	(351)
Gross loss		**(3,355)**	**(2,987)**
Other (losses) gains from foreign exchange		(9)	(26)
Other income	1	-	40
Other expenses	1	(2,715)	(2,437)
Operating loss before impairment of property, plant and equipment		**(6,079)**	**(5,410)**
Impairment of property, plant and equipment	6	(2,973)	-
Operating loss after impairment of property, plant and equipment		**(9,052)**	**(5,410)**
Finance income - interest income		36	40
Finance expense - interest on borrowings		(476)	(687)
Loss on extinguishment of loan		(84)	-
Total financing costs		**(524)**	**(647)**
Loss before income tax		**(9,576)**	**(6,057)**
Income tax expense	2	-	-
Total comprehensive loss for the year attributable to the owners of the Company		**(9,576)**	**(6,057)**
Loss per share	3		
Basic loss per share (cents per share)		(0.20)	(0.13)
Diluted loss per share (cents per share)		(0.20)	(0.13)

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

Consolidated Statement of Changes in Equity

For the year ended 31 March 2019

	Share capital $'000	Accumulated loss $'000	Share options reserve $'000	Total Equity $'000
Balance at 1 April 2017	**44,652**	**(30,061)**	**2,151**	**16,742**
Total comprehensive loss for the year				
Total comprehensive loss for the year attributable to the owners of the Company	-	(6,057)	-	(6,057)
Total comprehensive loss for the year	**-**	**(6,057)**	**-**	**(6,057)**
Transactions with owners				
Equity portion of convertible loan note	47	-	-	47
Balance at 31 March 2018	**44,699**	**(36,118)**	**2,151**	**10,732**
Balance at 1 April 2018	**44,699**	**(36,118)**	**2,151**	**10,732**
Total comprehensive loss for the year				
Total comprehensive loss for the year attributable to the owners of the Company	-	(9,576)	-	(9,576)
Total comprehensive loss for the year	**-**	**(9,576)**	**-**	**(9,576)**
Transactions with owners				
Issue of share capital	1,088	-	-	1,088
Transaction costs	(1,322)	-	-	(1,322)
Equity portion of convertible loan note	6,645	-	-	6,645
Recognition of share-based payments	-	-	1,245	1,245
Balance at 31 March 2019	**51,110**	**(45,694)**	**3,396**	**8,812**

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

Consolidated Statement of Financial Position

As at 31 March 2019

	Note	2019 $'000	2018 $'000
Assets			
Property, plant and equipment	6	8,124	11,625
Other receivable		75	75
Total non-current assets		**8,199**	**11,700**
Cash and cash equivalents		1,214	1,009
Trade and other receivables	7	456	495
Inventories	8	1,671	1,601
Total current assets		**3,341**	**3,105**
Total assets		**11,540**	**14,805**
Equity and liabilities			
Share capital	5	51,110	44,699
Reserves		(42,298)	(33,967)
Total equity attributable to holders		**8,812**	**10,732**
Liabilities			
Trade and other payables	11	1,194	1,060
Convertible loans	4	647	2,758
Convertible loan paid in advance	4	625	-
Total current liabilities		**2,466**	**3,818**
Asset retirement obligations	6	262	255
Total non-current liabilities		**262**	**255**
Total liabilities		**2,728**	**4,073**
Total equity and liabilities		**11,540**	**14,805**

Bryan Mogridge
Chairman

Dr Nevin Amos
Chief Executive

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

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	2019 $'000	2018 $'000
Operating activities		
Receipts from customers	4,925	2,839
Payments to suppliers and employees	(10,060)	(7,247)
Interest received	26	29
Interest paid	(519)	(271)
Net cash flows used in operating activities	**(5,628)**	**(4,650)**
Investing activities		
Purchase of property, plant and equipment	(374)	(270)
Net cash flows used in investing activities	**(374)**	**(270)**
Financing activities		
Proceeds from issue of share capital	1,088	-
Proceeds from issue of convertible notes	4,750	1,000
Proceeds from early payment of convertible loan	625	-
Transaction costs of issue of shares	(256)	-
Net cash flows from financing activities	**6,207**	**1,000**
Net (decrease) increase in cash and cash equivalents	**205**	**(3,920)**
Cash and cash equivalents at beginning of period	**1,009**	**4,929**
Cash and cash equivalents at end of period	**1,214**	**1,009**
Made up as follows:		
Cash and cash equivalents	1,214	1,009
Total cash and cash equivalents at end of period	**1,214**	**1,009**

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

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

Reconciliation of net deficit with cash flows used in operating activities	**2019 $'000**	**2018 $'000**
Total loss for the year	**(9,576)**	**(6,057)**
Adjustments for:		
Depreciation of property, plant and equipment	902	888
Impairment of inventory	424	351
Impairment of property, plant and equipment	2,973	-
Non-cash interest income	(10)	(11)
Non-cash interest expense	(43)	416
Loss on extinguishment of loan	84	-
Bad debt provision	2	5
Unwind of discount rate	8	7
Impact of changes in working capital items:		
(Increase) decrease in trade and other receivables	39	(164)
(Increase) decrease in inventories	(494)	(8)
Increase (decrease) in trade and other payables	63	(77)
Net cash flows from (used in) operating activities	**(5,628)**	**(4,650)**

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

Statement of Accounting Policies

For the year ended 31 March 2019

1. Reporting entity

SeaDragon Limited is a company registered and domiciled in New Zealand. The address of the Company's registered office is 12 Nayland Road, Stoke, Nelson 7011. The consolidated financial statements of the Company as at and for the year ended 31 March 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The Company is registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange ("NZX"). SeaDragon Limited is an FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013.

The consolidated financial statements for the Group have been prepared in accordance with the Companies Act 1993 and the Financial Markets Conduct Act 2013.

The Group is primarily involved in the manufacture of refined fish oils.

2. Basis of preparation

a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). The Group is a Tier 1 for-profit entity. The consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The consolidated financial statements also comply with International Financial Reporting Standards (IFRS). The consolidated financial statements were approved by the Board of Directors on 24 June 2019.

b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets and liabilities as identified in specific accounting policies below. The methods used to measure fair values are discussed further in subsection 3 of the statement of accounting policies.

c) Functional and presentation currency

These consolidated financial statements are presented in New Zealand Dollars (NZD), which is the Group's functional currency, rounded and presented to the nearest thousand dollars.

d) 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.

e) Going concern

The consolidated financial statements have been prepared on a going concern basis. This assumes that the Group has the intention and ability to continue its business for the foreseeable future, without the need to significantly curtail activity.

As at 31 March 2019, the Group has cash of $1,214k (2018; $1,009k) and operating cash out flows of $5,628k (2018; $4,650k). The Group incurred a loss for the year of $9,576k (2018: $6,057k loss).

The Group has secured an additional $4 million in funding from a major shareholder, being Pescado Holdings Limited (Pescado). This funding will be in the form of interest free convertible loan notes (CLN) with a maturity date of 31 March 2021. The Group has signed an agreement which was conditional upon shareholder approval for the execution of the CLN and the waiver of the interest payable on the existing CLN's with One Funds Management Limited as trustee of Asia Pacific Healthcare Fund II together with BioScience Managers Ventures Pty Ltd as general partner of BioScience Management Partnership LP (BioScience Managers), Pescado and Comvita Limited (Comvita). Refer to Note 4 for further details.

The Group is well positioned to execute its strategy. However, a number of material uncertainties exist with respect to the achievement of the Group's strategy. These material uncertainties may cast significant doubt on the validity of the Director's use of the going concern assumption.

Achievement of forecast sales and margins

In assessing the ability of the Group to fund its operations, Management has made estimates of future sales volumes, sales prices and margins. These estimates are based on Management's assessment of the probability of reaching agreement with known and potential customers. As at 31 March 2019, the Group has some long term sales contracts with existing customers. In addition, Management has made an assessment of the level of sales and margin to be made from new customers, including low margin contract processing for other fish oil producers.

Due to the future nature of forecasts the achievement of these estimates cannot be assured. In preparing these consolidated financial statements, the Directors have considered the above material uncertainties. They believe that the plans they have implemented to address the uncertainties are feasible.

In reaching this assessment, the Directors have considered;

- the likelihood of achieving the forecasted sales and margins with customers, and the presence of alternative customers if required
- the operational costs of the business and the impact of a delay in the timing of reaching agreement with potential customers

Statement of Accounting Policies (continued)

For the year ended 31 March 2019

- the working capital requirements and forecasted cash cycle to fund the initial orders from new customers.

On this basis, the Directors believe that the Group has the ability to generate sufficient operational cash flow combined with the $4 million facility to continue operations for at least 12 months from the date of authorising the financial statements. Hence, they consider the use of the going concern basis as appropriate.

These consolidated financial statements do not include any adjustments that may be made to reflect that situation should the Group be unable to continue as a going concern. In such a situation the Group may not be able to realise its assets or settle its liabilities in the normal course of business. Such adjustments may include realising assets, such as inventory and refining assets, at amounts other than those recorded in the consolidated financial statements.

3. Significant accounting policies

The accounting policies applied in these financial statements are the same as those applied in the Group's financial statements as at and for the year ended 31 March 2018, except for those changed with adopting NZ IFRS 15 Revenue from Contracts with Customers, NZ IFRS 9 Financial Instruments, and Classification and Measurement of Share-based payments transactions - Amendments to NZ IFRS 2 as explained in note 3t) of the Statement of Accounting Policies.

a) Basis of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

b) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency of the Group entities at the exchange rate at that date. Foreign currency differences arising on retranslation are recognised in profit or loss.

c) Share capital ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are recognised as a deduction from equity.

d) Financial assets at amortised cost

i. Trade receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. They are generally due for settlement within a month of invoicing and therefore are all classified as current. Trade receivables are initially recognised at the amount of considerations that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less allowance for doubtful debts. Details of the Group's impairment policies and the calculation of the loss allowance are provided below.

ii. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the Consolidated Statement of Financial Position.

iii. Impairment of financial assets

The Group applies the NZ IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due. Impairment losses on trade receivables are presented as net impairment losses within operating profit. While cash and cash equivalents are also subject to the impairment requirements of NZ IFRS 9 the identified impairment loss was immaterial. Subsequent recoveries of amounts previously written off are credited against the same line item.

Impairment losses are reversed through profit or loss, where there is a change in the estimates used to determine the recoverable amount.

e) Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributed to the acquisition of the asset. This

Statement of Accounting Policies (continued)

For the year ended 31 March 2019

includes capitalisation of decommissioning and restoration costs associated with provisions for asset retirement.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss as incurred.

ii. Subsequent costs

Subsequent costs are included in the carrying amount of the item or recognised as a separate asset if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

iii. Depreciation

Depreciation is recognised in the profit or loss on a straightline basis over the estimated useful lives of each major component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- Computer equipment 3-5 Years
- Office furniture and equipment 2-6 Years
- Plant and equipment 1-28 Years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

iv. Property, plant and equipment impairment

Property, plant and equipment (PP&E) has been tested for impairment as at 31 March 2019 using discounted pre-tax cash flows on a value in use basis. These pre-tax cash flows represent Management's probability weighted forecast for a five year period with a single cash generating unit representing the total business operations. The forecast period assumes significant growth over an initial twelve month period reflecting the ramp up of Omega-3 production following the securing of key customers and future sales orders. Beyond this period a terminal cash flow has been applied reflecting Management and Directors view of sustainable earnings at this point. No terminal growth rate has been applied.

Management has needed to exercise significant judgement in particular;

- to compliment the slower than planned uptake of the high value Omega-3 sales the Company will need to undertake some lower margin contract processing (toll processing) for other fish oil producers to assist in recovery of overheads and keep the plant operating at optimal efficiency while building a base upon which the higher value sales can be secured. The forecast reflects this with both toll processing income and overhead contribution based on the current discussions with potential partners.
- with limited historic sales data of Omega-3 product, sales have been forecast based on current customer demand and negotiations with other potential customers and suppliers.
- gross margins are expected to grow as the Group secures key contracts over the forecast period with a greater mix of fully refined Omega-3 products and with any increase in material costs offset by production efficiencies.
- operating costs are anticipated to increase by 3% each year.
- the forecasted capital expenditure program will enable production performance and efficiencies to be achieved and to mitigate potential issues. It is anticipated that the capital expenditure and maintenance expense modelled are sufficient to generate the forecast earnings.
- a pre-tax discount rate of 15% continues to be reasonable considering the risk profile of the Group.

On the basis of this value in use calculation and underlying assumptions made, Management and the Directors believed the carrying value of the Group's PP&E totalling $11.097m were in excess of the ongoing economic benefit to the Group, determined to be $8.124m, and should be impaired.

An impairment expense of $2.973m was recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income within impairment of property, plant and equipment.

Adverse changes to the cash flow assumptions used within the value in use assessment would give rise to the following further impairment charges:

5% adverse movement in the FX rate	($3,914,000)
5% reduction in the price achieved for unsecured Omega-3 sales	($2,014,000)
Delay in securing the contract processing agreement by six months	($1,377,000)

f) Inventories

Inventories are initially recognised at cost, and subsequently stated at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

Raw materials: Purchase cost on a first in, first out basis and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Statement of Accounting Policies (continued)

For the year ended 31 March 2019

Finished goods and work in progress: Cost of direct materials and a proportion of manufacturing and labour overheads based on the normal operating capacity, but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

g) Leases

The Group is the Lessee where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a "finance lease"). The asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased asset and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor. Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an "operating lease"), the total rental payable under the lease are charged to profit or loss on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis. The Group has determined that the risks and rewards of ownership of the leased assets have not passed and has therefore classified the leases as operating leases.

h) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated being the higher of an asset's fair value less costs to sell and the asset's value in use. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups of assets. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

i) Trade and other payables

These amounts represent unsecured liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. As trade and other payables are usually paid within 30 days, face value approximates fair value.

j) Loans and borrowings

Loans and borrowings are recognised initially at fair value, net of transactions costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction cost) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

k) Employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit- sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

l) Share based payments

The Group issues equity-settled options to employees,

Statement of Accounting Policies (continued)

For the year ended 31 March 2019

directors and other parties as consideration for services rendered. Options entitle the holders to subscribe for ordinary shares in the ratio of 1:1 at a fixed exercise price. The options vest immediately on the date of issue and are measured at fair value at the grant date using the Black Scholes model. The classification of the fair value of the options is based upon the nature of the services rendered.

m) Goods and Services Tax (GST)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Cash Flows and Consolidated Statement of Changes in Equity have been prepared so that all components are stated exclusive of GST. All items in the Consolidated Statement of Financial Position are stated net of GST, with the exception of trade receivables and payables, which include GST invoiced. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

n) Revenue

Revenue from the sale of goods (fish oils) is measured at the price specified in the contract, net of estimated returns and allowances, trade discounts, volume rebates and GST. The Group does not enter into any agreements that include variable consideration.

The Group has assessed that it has one performance obligation in respect to sales where it arranges shipment on behalf of the customer. This conclusion was reached as control passes after shipment has occurred. For these sales revenue is recognised once the product reaches the customer's port of destination.

When a customer organises their own logistic arrangements control transfers at the point the product is loaded onto the carrier.

Revenue is recognised when a customer obtains control of the good and thus has the ability to direct the use and obtain the benefits from the good. Revenue is also generated from toll processing and is recognised once the batch has been processed. The customer retains ownership and control of the product throughout processing. Toll processing is not currently a material revenue stream of the Group.

Payment of the transaction price is typically received within two months of invoicing.

o) Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed as finance costs in the period in which they are incurred.

p) Tax

Tax expense comprises current and deferred tax. Current tax expense is recognised in profit or loss, except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxation authority and the same taxable entity, or different taxable entities which intend to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

q) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise of share options granted.

r) Segment reporting

Operating segments are reported in a manner consistent

Statement of Accounting Policies (continued)

For the year ended 31 March 2019

with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the SeaDragon Limited Board of Directors. Based on the nature of the operating results reviewed by the chief operating decision maker, the Board has determined that the Group itself forms a single operating segment.

Two external customers account for more than 10% of total revenues being $1,429k and $1,268k individually (2018; four customers being $545k, $501k, $379k and $324k individually).

s) New standards, amendments and interpretations

The new standards, amendments to published standards, and interpretations which are relevant to the Group, but have not been adopted early, are as follows:

» NZ IFRS 16: Leases (Effective date: periods beginning on or after 1 January 2019) replaces the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low value assets. The Group intends to adopt NZ IFRS 16 effective from 1 April 2019. The impact of the new standard has been considered by the Group and will affect primarily the accounting for the Group's operating leases. The Group has non-cancellable operating lease commitments and expects to recognise right-of-use assets of approximately $5,669,000 on 1 April 2019.

Lease related expenses in the profit and loss will be front-loaded to the earlier years of the lease terms where the interest bearing liabilities are higher. For the year ending 31 March 2020 the Group expects:

» Increase in finance expenses and depreciation by approximately $773,000
» Decrease in lease costs by approximately ($594,000)
» Net impact on the profit or loss of approximately (before tax) $179,000

Current estimates are likely to change at the time of adoption and for the year ended 31 March 2020 due to finalising key estimates, new lease contracts entered into by the Group and any changes to existing lease contracts.

All standards will be adopted at their effective date (except for those standards that are not applicable to the Group). There are a number of other standards or amendments to standards that have been issued that management have assessed as either not being applicable or unlikely to have an impact on the Group accounts.

t) Changes in accounting policies

NZ IFRS 15 Revenue from Contracts with Customers

NZ IFRS 15 Revenue from Contracts with Customers (NZ IFRS 15) replaces NZ IAS 18 Revenue. This resulted in changes to accounting policies. The new accounting policies are set out in note 3 d) and 3 n). The Group transitioned to NZ IFRS 15 with a date of initial application of 1 April 2018. The Group applied the modified retrospective approach to transition. This means that any adjustments arising from adoption are recognised in the opening accumulated loss of the Group at the date of adoption. Comparative amounts are not restated.

The adoption of NZ IFRS 15 has not resulted in the Group recognising any adjustments to revenue.

The Group applied the following practical expedients in respect to the transition:

» Contracts that completed within the transition period were not assessed
» The transaction price allocated to (partially) unsatisfied performance obligations as of 31 March 2018 is not disclosed.

NZ IFRS 9 Financial Instruments

NZ IFRS 9 Financial Instruments (NZ IFRS 9) replaces NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IFRS 9 addresses the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial liabilities, impairment of financial assets and hedge accounting. The Group transitioned to NZ IFRS 9 with a date of initial application of 1 April 2018. This resulted in changes to accounting policies and the classification of financial instruments. No material adjustments were raised. The new accounting policies are set out in note 3 d). In accordance with the transitional provisions in NZ IFRS 9, comparative figures have not been restated.

The adoption of NZ IFRS 9 has the following impact on the classification within the financial statements. Amounts previously disclosed as loans and receivables (cash and bank balances, trade receivables and sundry debtors) have been reclassified to the amortised cost category. Refer to Note 13. No financial liabilities that are held by the Group were impacted by the adoption of NZ IFRS 9.

NZ IFRS 9 replaces the 'incurred loss' impairment model in NZ IAS 39 with an 'expected credit loss' (ECL) model. The ECL model requires an entity to account for the ECL and changes in those ECLs at each reporting date to reflect changes in the credit risk since initial recognition. The Group has applied the simplified impairment model and has recognised the lifetime ECL on its financial assets. Given the relative small size of the Group's financial assets and the low credit risk associated with the balances, the Group determined that adoption of the new impairment model did not result in a material change to the impairment losses already recognised.

Statement of Accounting Policies (continued)

For the year ended 31 March 2019

NZ IFRS 2 (amendments): Classification and Measurement of Share-Based Payment Transactions

The Group has also applied NZ IFRS 2 (amendments): Classification and Measurement of Share-Based Payment Transactions for the first time for the year ended 31 March 2019. This application did not have a material impact on the consolidated financial statements.

u) Significant accounting estimates and judgments

The Group makes estimates and assumptions concerning the future that affects the amounts reported in the financial statements. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year are:

i. Going concern

Management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Therefore, the financial statements continue to be prepared on the going concern basis. However, material uncertainty does exist (refer to statement of accounting policies 2e).

ii. Inventory

Inventories are stated at the lower of cost or net realisable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Management's assessment includes the estimate of selling price, among other factors. With the limited historic sales data of Omega-3 products available and in the absence of confirmed sales contracts for some inventory, these estimates include significant Management judgement and inherent uncertainties.

The table below summarises the impact that a movement in the estimate of sales price would have.

Percentage Change	Increase/(decrease) in inventory impairment charge recognised in profit or loss
10% increase in sales price	($20,000)
10% decrease in sales price	$21,000

Management allocate overheads and other indirect costs based on the current normal operating capacity of the factory. To do this Management use an estimate of production hours based on the estimated production weeks and operating hours.

iii. Classification and valuation of share-based payments - Convertible loan

The Group has up to $6.0m in convertible loan funding available from cornerstone shareholders BioScience Managers and Pescado as part of the convertible loan facilities approved at the shareholder meeting on 8 August 2018. The Group has called upon $4.75m of this as at 31 March 2019. The $6.0m in convertible loan funding available from BioScience Managers and Pescado plus the existing fully drawn $3.0m convertible loan with Comvita will mandatory convert to equity at 31 March 2020.

Management has exercised judgment in respect of the accounting treatment of the convertible loan notes issued to Comvita, BioSciences Managers and Pescado and has deemed it a compound instrument as it includes characteristics of both debt and equity. As such, the cash received (assessed as being the fair value of the note) in excess of the fair value of the debt component has been recognised in equity.

The shareholders also approved on 8 August 2018 the further amendment of the options first granted to Comvita on 17 December 2015. Management has exercised judgment in respect to the accounting treatment of the fair value of the latest amendments and has determined that they are a transaction cost associated with the new convertible note facility. The transaction costs are accounted for as a deduction to the fair value of the debt and equity components.

iv. Impairment of property, plant and equipment (PP&E)

Management has made an assessment of the carrying value of the Group's PP&E using discounted pre-tax cash flows on a value in use basis. This has required Management to exercise significant judgement in considering the forecasted performance of the Group. Refer to statement of accounting policies 3e) iv.

Notes to the Financial Statements

For the year ended 31 March 2019

1. REVENUE AND EXPENDITURE

	Note	2019 $'000	2018 $'000
Revenue includes:			
Sale of goods – point in time		4,765	2,905
Rendering of services – point in time		122	123
Total Revenue		**4,887**	**3,028**
Other income includes:			
Insurance proceeds		-	40
Other Expenses and cost of sales includes:			
Auditors' remuneration (see below)		137	153
Impairment of trade receivables		2	5
Depreciation expense[1]	6	902	888
Directors' fees	14	211	225
Rental & operating lease expense		658	609
Personnel expense[2]		1,991	1,722
Contributions to defined contribution plans		26	42

AUDITORS' REMUNERATION

The auditor for SeaDragon Limited is PricewaterhouseCoopers (2018: PricewaterhouseCoopers)

		2019 $'000	2018 $'000
Fees to PricewaterhouseCoopers for:			
Audit of financial statements		122	125
Tax compliance and advisory services		15	28
Total Auditors Remuneration		**137**	**153**

[1]Of the depreciation expense, $890k (2018: $860k) has been recognised as part of cost of sales in profit or loss.

[2]Personnel expense of $1,174k has been classified as part of cost of sales (2018: $980k).

Notes to the Financial Statements

For the year ended 31 March 2019

2. INCOME TAX

	2019 $'000	2018 $'000
Reconciliation of effective tax rate:		
Total loss for the year	(9,576)	(6,057)
Current domestic tax rate (cents in the dollar)	0.28	0.28
Income tax using the domestic tax rate	2,681	1,696
Other permanent differences	11	23
Current losses where no deferred tax asset was recognised	(2,692)	(1,719)
Total income tax benefit / (expenses)	**-**	**-**

The Company has imputation credits at 31 March 2019 of $21k (2018: $28k).

Deferred tax assets

The Group has unrecognised tax losses of $28,686,126 (2018: $22,040,987) to be carried forward and available for offset against future assessable income. The tax losses carried forward for the current year includes adjustments required when completing the Group's prior year tax return. The carry forward of tax losses is contingent upon satisfying the requirements of the Income Tax Act 2007 in future periods. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

Notes to the Financial Statements

For the year ended 31 March 2019

3. LOSS PER SHARE

	2019 $'000	2018 $'000
Basic loss per share		
Numerator – loss attributable to shareholders	(9,576)	(6,057)
Denominator – weighted average ordinary shares	4,673,493,851	4,513,618,718
Basic loss per share (cents per share)	**(0.20)**	**(0.13)**

As the Group is loss making, the impact of options not yet exercised is anti-dilutive. Consequently the diluted and basic EPS are the same.

4. CONVERTIBLE LOAN NOTES AND RELATED COMVITA SHARE OPTIONS

The Company has issued a number of convertible loan notes (CLN) to cornerstone shareholders. In addition, the Company has previously issued share options to one of its shareholders, Comvita. This note explains the terms and conditions attached to these CLNs and options and the various modifications that have occurred over time.

Comvita share options:

On 17 December 2015, the Company granted Comvita an option to acquire 375,000,000 ordinary shares at a price of $0.0080 per share resulting in an aggregate subscription price of $3 million.   On 31 August 2016, the expiry date of these options was extended from 1 October 2017 to 28 September 2018 as approved by shareholders. This extension was related to negotiations for Comvita subscribing for $3 million of CLN.

On 8 August 2018 the Company entered into an agreement with Comvita to change the terms of Comvita's existing $3 million CLN. At the same time, the Company entered into two additional $3 million CLNs with two other shareholders. As part of negotiations for changes to terms of the existing Comvita CLN the Company agreed to the following amendments to the terms of the Comvita options:

- reduction in the exercise price from $0.0080 to $0.0033 (consistent with the other two CLNs issued)
- extension to the expiry date to 31 March 2020

As a result of the changes to the terms of the options, the Company has revalued the options. The incremental change in fair value of the options has been calculated at $1.24m. This valuation was determined using the Black-Scholes model with the following inputs:

Exercise price	8 Aug 2018	$0.0033
Share price	8 Aug 2018	$0.0040
Expected volatility		50%
Option life from date of extension		1.64 years
Risk free interest rate	8 Aug 2018	2.5%

Management has assessed that the fair value of the options is associated with the issuance of the CLN to Comvita and the other two shareholders. As a result, management has treated this as a transaction cost of the CLN issue. The fair value has been split between debt and equity in the same proportion as the underlying CLN, refer below.

The options may only be exercised in full. As at 31 March 2019, these options had not been exercised.

Notes to the Financial Statements

For the year ended 31 March 2019

4. CONVERTIBLE LOAN NOTES AND RELATED COMVITA SHARE OPTIONS (continued)

Convertible loan notes (CLN)

As at 31 March 2018, the Company had issued and fully drawn down $3 million CLN to Comvita. These CLNs were treated as compound financial instruments. The debt and equity components of the CLN were separately measured and recognised within the consolidated financial statements. The majority of the CLN was classified as debt due to the interest bearing nature of the CLN and the obligation to repay the proceeds, if called by the holder, at the maturity date.

On 8 August 2018 shareholders approved a further two $3 million convertible loan note facilities to be held by One Funds Management Limited as trustee of Asia Pacific Healthcare Fund II together with BioScience Managers Ventures Pty Ltd as general partner of BioScience Management Partnership LP and Pescado Holdings Limited respectively. At the same time, the terms of the Comvita CLNs were amended to be consistent with the new CLN terms. These terms are:

- Interest bearing
- Conversion price $0.0033
- Maturity date of 31 March 2020
- Mandatory conversion to ordinary shares at maturity date, unless an event of default subsists or the Company is insolvent at maturity time
- The Company has the opportunity to repay the loan notes prior to maturity. However, given SeaDragon's current position, and the short-term nature of the convertible loan note, it is unlikely that the Company could, or would wish to repay the loan notes.

Management has assessed that the existing CLN agreement with Comvita was extinguished. This assessment was based on the significance of the change in the terms and resulting cash flows. The Company has derecognised the existing debt component and recognised the amended Comvita CLN at a value determined on the new terms. The gain / loss on extinguishment was not material and was recognised in a manner consistent to the original CLN, i.e. split between profit or loss and equity.

The new CLNs have been treated as compound financial instruments. The debt and equity components of the CLNs were separately measured and recognised within the consolidated financial statements. The majority of the CLNs were classified as equity due to mandatory conversion feature resulting in fixed consideration for a fixed number of shares.

In total $7.75 million (2018: $3.00 million) of the CLNs have been drawn down and 7,750,000 (2018: 3,000,000) notes issued.

The transactions associated with the CLNs are as follows:	**2019 $'000**	**2018 $'000**
Extinguished convertible loan notes		
Opening Balance	2,758	1,429
Convertible loan notes issued (extinguished)	(3,000)	1,000
Fair value adjustment on extinguishment	90	-
Effective interest adjustment	152	376
Equity portion of convertible loan note	-	(47)
Balance at 31 March	**-**	**2,758**
Existing convertible loan notes		
Opening Balance	-	-
Convertible loan notes previously granted	3,000	-
Convertible loan notes issued	4,750	-
Transaction costs	(183)	-
Effective interest adjustment	(275)	-
Equity portion of convertible loan note	(6,645)	-
Balance at 31 March	**647**	**-**
Total Balance of CLN at 31 March	**647**	**2,758**

Notes to the Financial Statements

For the year ended 31 March 2019

4. CONVERTIBLE LOAN NOTES AND RELATED COMVITA SHARE OPTIONS (continued)

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

			2019		2018	
	Net interest rate %	Year of maturity	Face Value $'000	Carrying amount $'000	Face Value $'000	Carrying amount $'000
Convertible loan notes - extinguished	7.95%	28 Sep 2018	-	-	3,000	2,758
Convertible loan notes	7.95%	31 Mar 2020	7,750	647	-	-
Total loans and borrowings			**7,750**	**647**	**3,000**	**2,758**

As part of securing this funding SeaDragon has agreed to pay any note holders associated tax obligations so that the net interest received by note holders is 7.95%.

Convertible loan paid in advance

At 29 March 2019 $625,000 was received from BioScience Managers in advance for 625,000 convertible loan notes that were issued on 1 April 2019.

For more information about the Group's exposure to interest rate and foreign currency risk, refer Note 13.

5. SHARE CAPITAL

	Number of ordinary shares	Issue price (cents)	$'000
Balance at 31 March 2017	**4,513,618,718**		**44,652**
Equity portion of convertible loan note			47
Balance at 31 March 2018	**4,513,618,718**		**44,699**
1,367,304,341 rights shares issued	329,686,009	0.3300	1,088
Transaction costs of new convertible loan note			(1,322)
Equity portion of new convertible loan note			6,645
Balance at 31 March 2019	**4,843,304,727**		**51,110**

All authorised and 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 shares are rank equally on the winding up of the Company.

Notes to the Financial Statements

For the year ended 31 March 2019

6. PROPERTY, PLANT AND EQUIPMENT

	Computer, Office, Plant and equipment $'000	Work in progress $'000	Total $'000
Cost			
Balance at 1 April 2017	**14,897**	**12**	**14,909**
Additions	218	52	270
Disposals	(6)	-	(6)
Balance at 31 March 2018	**15,109**	**64**	**15,173**
Additions	219	155	374
Transfers to (from) work in progress	32	(32)	-
Impairment of property, plant and equipment	(2,973)	-	(2,973)
Balance at 31 March 2019	**12,387**	**187**	**12,574**
Depreciation			
Balance at 1 April 2017	**2,666**	**-**	**2,666**
Depreciation for the year	888	-	888
Disposals	(6)	-	(6)
Balance at 31 March 2018	**3,548**	**-**	**3,548**
Depreciation for the year	902	-	902
Balance at 31 March 2019	**4,450**	**-**	**4,450**
Carrying amounts			
Balance at 1 April 2017	12,231	12	12,243
Balance at 31 March 2018	11,561	64	11,625
Balance at 31 March 2019	**7,937**	**187**	**8,124**

Notes to the Financial Statements

For the year ended 31 March 2019

6. PROPERTY, PLANT AND EQUIPMENT (continued)

The property, plant and equipment balance includes an asset of $202k (2018: $212k) representing the present value of the estimated costs for the restoration of the leased refinery property at the termination of the lease in 2037.

There has been no addition, utilisation or release of the asset retirement provision (2018: nil).

Property, plant and equipment (PP&E) has been tested for impairment as at 31 March 2019 using discounted pre-tax cash flows on a value in use basis. The Group concluded that the carrying value required impairment. The Group assessed that the value of PP&E totalling $11.097m were in excess of the ongoing economic benefit to the Group and should be impaired. An impairment expense of $2.973m was recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income within impairment of property, plant and equipment.

7. TRADE AND OTHER RECEIVABLES

	2019 $'000	2018 $'000
Trade receivables	231	270
Sundry debtor	21	28
GST receivable	108	86
Prepayments	96	111
Total	**456**	**495**

8. INVENTORIES

	2019 $'000	2018 $'000
Raw materials and consumables	732	535
Work in progress	618	708
Finished goods	321	358
Total	**1,671**	**1,601**

During the year inventory was impaired by $424k (2018: $351k) and recognised in the loss for the year. At 31 March 2019, $186k of inventory was carried at net realisable value (2018: $1,087k).

9. INVESTMENT IN SUBSIDIARIES

The principal subsidiaries of SeaDragon Limited, all of which have been included in these consolidated financial statements, are as follows:

			Interests held by Company	
	Country of Incorporation	Principal Activities	31 March 2019	31 March 2018
Omega 3 New Zealand Limited	New Zealand	Non Trading	**100.0%**	100.0%
SeaDragon Marine Oils Limited	New Zealand	Fish Oil Refiners	**100.0%**	100.0%

Notes to the Financial Statements

For the year ended 31 March 2019

10. SHARE OPTIONS

The Group has an established share option plan that entitles selected directors and employees to purchase shares in the Company. The exercise price of the granted options is the average share price over the five trading days prior to the grant date and have a contractual life of two or less years. Options can be exercised at any time after vesting and unexercised options lapse within 60 days of an employee leaving the Group. In accordance with the terms of issue of the options, holders are entitled to acquire shares at the price determined at the time the options were issued. The Group has no legal or constructive obligation to repurchase or settle the options for cash.

Terms and conditions of options to acquire shares granted by the Company are as follows:

Options Date of issue	Person Entitled	Number of Shares on Exercise of options	Vesting Conditions	Exercise Period	Price Exercise	Share Price
26/07/16	Employees & Directors	56,000,000	Vesting on date of issue	26/07/16 to 31/07/19	$0.010	$0.011
30/08/16	Employees	40,000,000	Vesting on date of issue	30/08/16 to 31/07/19	$0.011	$0.011
30/12/16	Employees	8,000,000	Vesting on date of issue	30/12/16 to 31/12/19	$0.008	$0.008
		104,000,000				

The fair value of services received in the 2017 financial year of $497k in return for the share options granted to select employees and directors is measured using a Black Scholes model. The calculation assumes a risk free rate of 2.50% and volatility of 50%.

Movements in the number of share options outstanding and their related average exercise prices are as follows:

	Number of Options		Weighted Average exercise price	
	2019	**2018**	**2019**	**2018**
Options outstanding at 1 April	1,751,874,851	1,751,874,851	1.31 cents	1.31 cents
Restated during the period	(375,000,000)	-	0.80 cents	-
Restated during the period	909,090,909	-	0.03 cents	-
Lapsed during the period	(47,000,000)	-	1.02 cents	-
Exercised during the period	-	-	-	-
Expired during the period	(1,240,874,851)	-	1.50 cents	-
Outstanding at end of period	**998,090,909**	**1,751,874,851**	**0.04 cents**	**1.31 cents**

As part of the restatement of Comvita's convertible loan note the existing options were amended to extend the expiry date from 28th September 2018 to 31 March 2020 and to amend the exercise price from $0.0080 to $0.0033 per share. The total options on offer to Comvita remain at an aggregate subscription price of $3.0 million. Refer to Note 4 for further details.

Options outstanding at 31 March 2019 have a weighted average exercise price of 0.04 cents (2018: 1.31 cents) and a weighted average contractual life of 0.9 years (2018: 0.6 years).

The share options are exercisable at any time up to the end of the exercise period by the holder.

Notes to the Financial Statements

For the year ended 31 March 2019

11. TRADE AND OTHER PAYABLES

	2019 $'000	2018 $'000
Trade creditors	486	393
Accrued expenses	405	387
Employee entitlements	259	217
Other payables	44	63
Total	**1,194**	**1,060**

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value. Refer to Note 13 on foreign currency risk.

12. COMMITMENTS

The Group has entered into commercial leases on premises. There are no restrictions placed upon the Group by entering into these leases. Future minimum rentals payable under non-cancellable operating leases as at 31 March are as follows:

	2019 $'000	2018 $'000
Within one year	595	595
After one year but not more than five years	1,863	2,027
More than 5 years	682	1,113
Total	**3,140**	**3,735**

The Group has entered into raw material purchase commitments. Future purchases payable under non-cancellable purchase commitments as at 31 March are as follows:

	2019 $'000	2018 $'000
Raw material purchase commitments		
Within one year	1,845	113
More than one year	179	-
Total	**2,024**	**113**

Notes to the Financial Statements

For the year ended 31 March 2019

13. FINANCIAL INSTRUMENTS

The carrying values of the Group's financial instruments approximate their fair value.

	2019 $'000	2018 $'000
Financial assets at amortised cost (2018: Loans and receivables)		
Cash and cash equivalents	1,214	1,009
Trade receivables	231	270
Sundry debtors	21	28
Total financial assets at amortised cost	**1,466**	**1,307**
Total financial assets	**1,466**	**1,307**

	2019 $'000	2018 $'000
Financial liabilities at amortised cost		
Trade creditors	(486)	(393)
Accrued expenses	(530)	(490)
Other payables	(44)	(63)
Convertible loan	(647)	(2,758)
Total financial liabilities at amortised cost	**(1,707)**	**(3,704)**
Total financial liabilities	**(1,707)**	**(3,704)**

Notes to the Financial Statements

For the year ended 31 March 2019

13. FINANCIAL INSTRUMENTS (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control the market risk exposures within acceptable parameters. The market risks the Group is exposed to are interest rate and foreign currency risk.

Foreign currency risk

The Group's functional and presentation currency is the New Zealand dollar.

The Group considers that foreign currency risk is minimal as there are sales and purchases in USD creating a natural hedge for currency risk. These risks are economically hedged via the use of foreign exchange contracts as required. The Group does not apply hedge accounting.

Denominated in foreign currency

The Group's exposure to foreign currency at 31 March 2019 is detailed below.

	Receivable $'000	Payable $'000
USD	153	13

Interest rate risk

The Group manages its interest rate risk by maintaining minimal variable rate cash balances. Excess cash resources are placed into fixed rate term deposits where appropriate.

The Group considers that there is an immaterial interest rate risk in existence at 31 March 2019. Interest rate exposures of the Group are shown in Note 4.

The convertible loan note has a fixed coupon rate and as such is not exposed to interest rate risk.

Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL), favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables. The Group's maximum credit risk is represented by the carrying value of these financial assets. The credit risk associated with cash transactions and deposits is managed through the Group's policies that limit the use of counterparties to high credit quality financial institutions.

The group applies the NZ IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics based on the type and location of the customer.

Liquidity risk

Liquidity risk represents the Group's ability to meet its contractual obligations as they fall due. The Group evaluates its liquidity requirements on an ongoing basis to make the most effective use of its banking facilities.

As at 31 March 2019 the Group is dependent on the securing of additional funding to meet its obligations. Refer to Note 16 for further information.

Notes to the Financial Statements

For the year ended 31 March 2019

13. FINANCIAL INSTRUMENTS (continued)

The following table sets out the undiscounted contractual cash flows for all financial liabilities settled on a gross cash flow basis.

2019	Statement of Financial Position $'000	Contractual Cash flows $'000	3 months or less $'000	4 months to 12 months $'000	Greater than 12 months $'000
Trade creditors and other payables	486	486	486	-	-
Accrued expenses	530	530	530	-	-
Convertible loan	647	913	223	690	-
Total non-derivative liabilities	**1,663**	**1,929**	**1,239**	**690**	**-**

2018	Statement of Financial Position $'000	Contractual Cash flows $'000	3 months or less $'000	4 months to 12 months $'000	Greater than 12 months $'000
Trade creditors and other payables	393	393	393	-	-
Accrued expenses	490	490	490	-	-
Convertible loan	2,758	3,246	82	3,164	-
Total non-derivative liabilities	**3,641**	**4,129**	**965**	**3,164**	**-**

The Convertible loans held as at 31 March 2019 mandatorily convert to equity. Refer to Note 4 for further information.

Capital Management

The Group's strategy in respect of capital management is reviewed regularly by the Board of Directors.

The Group's capital includes share capital, reserves and accumulated losses. As part of the Board's regular review of capital requirements they assess the current and forecasted cash flow position of the Group and then consider the need for additional funding. Refer to note 2e) in the statement of accounting policies for further information.

Notes to the Financial Statements

For the year ended 31 March 2019

14. RELATED PARTY INFORMATION

General

All members of the Group are considered to be related parties of SeaDragon Limited.

Key management personnel and members of the Board of Directors

Each Company within the Group maintains an interest register in which members of its Board record all parties and transactions in which they may have a potential or actual self-interest. The Group undertook the following transactions with Directors and associates of Directors.

	2019 $'000	2018 $'000
Key management compensation		
Short term benefits to directors (Directors fees)	211	225
Consulting fees to directors	32	8
Short term benefits to senior management	634	869
Total	**877**	**1,102**

The Company has approval to issue up to a total of $9.0 million convertible loan notes, $3.0 million to each of Comvita, BioScience Managers and Pescado. As at 31 March 2019 $7.75 million of these loan notes have been drawn. Refer to note 3 of the statement of accounting policies and Note 4 for additional information.

15. CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 March 2019 (2018: $Nil).

16. POST BALANCE DATE EVENTS

On 17 May 2019, the Company's shareholders approved the issuance of $4.0 million of convertible loan notes (CLN) to Pescado Holdings Limited.

These CLN have the following terms:

- Non-interest bearing
- Conversion price $0.002
- Maturity date of 31 March 2021
- Mandatory conversion to ordinary shares at maturity date, unless an event of default subsists or the Company is insolvent at maturity time.

As a condition to the issuance of the CLN the existing CLN holders have waived their rights to future interest payments. While the Group is yet to formally assess the impact of this change, it is anticipated that the change will lead to the extinguishment of the debt component of the existing CLN. This would result in the Group recognising a gain in profit or loss equal to the value of debt as at the date of extinguishment.

Company Directory

Registered Office
12 Nayland Road
Stoke, Nelson 7011
Ph: (03) 547 0336

Postal Address
12 Nayland Road
Stoke, Nelson 7011

Company Number
310577

Incorporated
31 July 1986

Securities Issued as at 31 March 2019
4,843,304,727 Ordinary Shares
909,090,909 Options – expire 31 March 2020
7,750,000 Convertible loan notes

Share Registrar
Link Market Services
PO Box 91976, Auckland 1142
Phone: (09) 375 5998

Solicitors
Flacks & Wong
70 Shortland Street
PO Box 591
Auckland 1140

Auditor
PricewaterhouseCoopers
10 Waterloo Quay,
Wellington 6011

Bankers
Bank of New Zealand
PO Box 1075
Wellington 6140

Board of Directors – Current

Bryan Mogridge	Independent Chairman, non-executive (appointed 30 January 2019)
Colin Groves	Independent non-executive (appointed 1 June 2015)
Stuart Macintosh	Non-executive (appointed 29 June 2015)
Matthew McNamara	Non-executive (appointed 15 October 2012)
Mark Sadd	Non-executive (appointed 22 November 2017)
Mark Stewart	Non-executive (appointed 22 November 2017)
Jeremy Curnock Cook	Non-executive (alternate director for Matthew McNamara)
Warwick Webb	Non-executive (alternate director for Mark Stewart)

Financial Calendar

Annual meeting:	September 2019
Half year results announced:	November 2019

YOUR NOTES:

SEADRAGON

RESPONSIBLY PURE

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