

NZX / MEDIA RELEASE

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UNAUDITED FINANCIAL RESULTS FOR THE YEAR TO 31 MARCH 2019

SeaDragon releases preliminary unaudited financial results for the year to 31 March 2019

New Zealand's largest refiner and blender of high-quality, internationally certified concentrated fish oils and fractions, SeaDragon today announces its unaudited financial results for the year to 31 March 2019.

Overview

- Normalised EBITDA¹ losses were \$5.2 million compared to \$4.5 million in the prior year.
- Net losses after tax from operations were \$6.6 million before recognition of a \$3.0 million impairment loss on the value of property, plant and equipment. This impairment raised the total after tax losses to \$9.6 million.
- Omega-3 sales rise to \$3.2 million during the financial year generating 65% of total revenue, up from 35% of total revenue last year.

Impairment of property, plant and equipment

Property, plant and equipment (PP&E) has been tested for impairment as at 31 March 2019 using discounted pre-tax cash flows over a forecast five-year period. Management has needed to exercise significant judgement and make key assumptions in preparing this forecast and calculating the value in use of the Company's PP&E. On the basis of the underlying assumptions made the carrying value of the Company's PP&E totalling \$11.097 million were in excess of the ongoing economic benefit to the Group and should be impaired. An impairment expense of \$2.973 million was recognised as at 31 March 2019 to reflect this impairment of these fixed assets.

Funding:

During the year \$6.0 million of convertible loan notes were issued to key shareholders Bioscience Managers and Pescado. The existing \$3.0 million of convertible notes issued to Comvita were aligned with the new issue to Pescado and BioScience Managers. Additionally, \$1.1 million in funds were raised in a corresponding rights issue offered to shareholders. At the end of the 2019 financial year SeaDragon had \$1.2 million of cash on hand.

Subsequent to year end at an extraordinary meeting of shareholders approval was given to issue our cornerstone shareholder Pescado with a further \$4.0 million of interest-free convertible loan notes. As part of this agreement Pescado, Bioscience Managers and Comvita agreed to waive any interest being paid on the existing \$9.0 million of convertible loan notes available to the company, saving close to \$1.0 million over the next year.

¹ Normalised EBITDA is a not a generally accepted accounting principles (GAAP) measure of financial performance. It is defined and reconciled to the GAAP on page 3 of this announcement.

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Comment:

The new chairman Bryan Mogridge said. "This result is far from satisfactory and we need to do much better. 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."

For further information, contact:

Bryan Mogridge

Chairman

Tel: +64 21 931 355

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GAAP to non-GAAP reconciliation:

SeaDragon's standard profit measure prepared under NZ GAAP is net profit after tax (NPAT). SeaDragon has used a non-GAAP profit measure of earnings (or losses) before 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.

12 Months to 31 March	2019	2018
	\$000	\$000
Sales	4,887	3,028
Reported net profit loss after tax	(9,569)	(6,057)
Add back:		
Total financing costs	524	647
Depreciation	902	888
Impairment of property, plant and equipment	2,973	-
Normalised EBITDA	(5,170)	(4,522)

About SeaDragon: www.seadragon.co.nz

SeaDragon Limited (NZX:SEA) is New Zealand's largest refiner and blender of high-quality, internationally certified concentrated fish oils and fractions, including Omega-3 oils. Our oils are sourced from fish caught in the clean and pure waters around New Zealand, in the Southern Ocean, and elsewhere. We have more than 30 years' experience processing fish oils and we are recognised for the quality and purity of our products. We supply health supplement manufacturers around the world to meet the burgeoning demand for pure, high-quality fish oils, which are scientifically proven to deliver significant human health benefits such as lowering the risk of heart disease, improving brain function and joint health. The majority of our supply is exported.