

Disclosure of movement of 1% or more in substantial holding or change in nature of relevant interest, or both

Sections 277 and 278, Financial Markets Conduct Act 2013

To: NZX Limited
and
To: SeaDragon Limited

Relevant event being disclosed: Disclosure of movement of 1% or more in substantial holding

Date of relevant event: 1 April 2019

Date this disclosure made: 2 April 2019

Date last disclosure made: 5 October 2018

Substantial product holder(s) giving disclosure

Full name(s): Pescado Holdings Limited

Summary of substantial holding

Class of quoted voting products: SeaDragon Limited ordinary shares (SEA)

Summary for: Pescado Holdings Limited

For **this** disclosure,—

- (a) total number held in class: 855,433,823 (and up to 3,764,524,732 in total if the maximum number of loan notes are issued to Pescado Holdings Limited and are converted).
- (b) total in class: 4,843,304,727 (and up to 9,570,577,454 in total if the maximum number of loan notes are issued and are converted).
- (c) total percentage held in class: 17.662% (and up to 39.334% in total if the maximum number of loan notes are issued and are converted).

(Please refer to the "Important Note" below)

For **last** disclosure,—

- (a) total number held in class: 855,433,823 (and up to 1,764,524,732 in total if the maximum number of loan notes are issued to Pescado Holdings Limited and are converted).
- (b) total in class: 4,843,304,727 (and up to 5,752,395,636 in total if the maximum number of loan notes are issued to Pescado Holdings Limited and are converted).
- (c) total percentage held in class: 17.662% (and up to 30.675% in total if the maximum number of loan notes are issued to Pescado Holdings Limited and are converted).

Details of transactions and events giving rise to relevant event

On 1 April 2019, Pescado Holdings Limited (**Pescado**) entered into a convertible loan agreement (**New Pescado CLN**) with SeaDragon Limited (**SeaDragon**). Under the New Pescado CLN, Pescado may be required by SeaDragon to subscribe for loan notes having an aggregate face value of up to \$4,000,000. The New Pescado CLN is conditional on approval by SeaDragon's shareholders. If that approval is obtained, and if other conditions in the New Pescado CLN are satisfied, loan notes may be drawn by SeaDragon. Any drawn loan notes may convert into shares in SeaDragon (at a conversion price of \$0.002 per share) on maturity (31 March 2021) or earlier at the option of Pescado.

Important Note

Unless otherwise stated, the numbers and percentages and shares used in this notice:

- (a) are based on a total of 4,843,304,727 SeaDragon ordinary shares currently on issue;
- (b) assume that Pescado converts existing convertible notes with an aggregate face value of \$3,000,000 (of which \$3,000,000 of existing notes have been issued to Pescado at the date of this notice) at a conversion price of \$0.0033 per share (resulting in the issue of 909,090,909 shares);
- (c) assume that Pescado converts new convertible notes with an aggregate face value of \$4,000,000 (of which \$0 of new notes have been issued to Pescado at the date of this notice) at a conversion price of \$0.004 per share (resulting in the issue of 2,000,000,00 shares);
- (d) assume that each of Comvita Limited (Comvita), One Funds Management Limited as trustee for Asia Pacific Healthcare Fund II (OFM) and BioScience Managers Ventures Pty Ltd as general partner of BioScience Management Partnership LP (BMV) (OFM and BMV together, BioScience) converts all of their convertible loan notes when Pescado converts convertible notes pursuant to (b) and (c);
- (e) assume that no options issued by SeaDragon are exercised; and
- (f) assume that no other ordinary shares in SeaDragon are issued or repurchased.

Details after relevant event

Details for: Pescado Holdings Limited.

Nature of relevant interest(s): Registered holder and beneficial owner. No relevant agreement is required to be attached because of the application of regulation 141 of the Financial Markets Conduct Regulations 2014.

For that relevant interest,—

- (a) number held in class: 855,433,823
- (b) percentage held in class: 17.662%
- (c) current registered holder(s): Pescado Holdings Limited
- (d) registered holder(s) once transfers are registered: Pescado Holdings Limited

Note: This percentage ignores the effect of conversion of the convertible loan notes referred to below.

Nature of relevant interest(s): Power to control acquisition of ordinary shares in SeaDragon through conversion of existing convertible loan notes issued pursuant to a convertible loan note agreement dated 30 May 2016 (as amended and restated from time to time) between Pescado, Comvita, BioScience and SeaDragon. The relevant agreement document was attached to a previous disclosure dated 5 July 2018.

For that relevant interest,—

- (a) number held in class: 909,090,909
- (b) percentage held in class: 9.499%
- (c) current registered holder(s): N/A
- (d) registered holder(s) once transfers are registered: Unknown

Please refer to the “Important Note” above regarding the number and percentage held in class stated for this relevant interest.

Nature of relevant interest(s): Power to control acquisition of ordinary shares in SeaDragon through conversion of new convertible loan notes (described above). The relevant interest is conditional because the New Pescado CLN is conditional on shareholder approval. The

relevant agreement document (being the New Pescado CLN) (comprising 28 pages) is attached to this notice.

For that relevant interest,—

number held in class:	2,000,000,000 (noting that as of the date of this notice, \$0 of new notes have been issued, which would convert into 0 ordinary shares)
(b) percentage held in class:	20.897% (noting that as of the date of this notice, \$0 of new notes have been issued, which would convert into 0% of the ordinary shares)
(c) current registered holder(s):	N/A
(d) registered holder(s) once transfers are registered:	Unknown

Please refer to the “Important Note” above regarding the number and percentage held in class stated for this relevant interest.

Additional information

Addresses of substantial product holder(s): Pescado Holdings Limited
21 Leslie Hills Drive
Riccarton
Christchurch

Contact details: Warwick Webb
(+64) 3 348 5040
warwick.webb@masthead.co.nz

Name of any other person believed to have given, or believed to be required to give, a disclosure under the Financial Markets Conduct Act 2013 in relation to the financial products to which this disclosure relates: Dame Adrienne Stewart, Mark Stewart and Todd Stewart

Certification

I, Warwick Graham Webb, certify that, to the best of my knowledge and belief, the information contained in this disclosure is correct and that I am duly authorised to make this disclosure by all persons for whom it is made.

Convertible Loan Note Agreement (2019)

SeaDragon Limited (the **Company**)

Pescado Holdings Limited (**Pescado**)

Convertible Loan Note Agreement (2019)

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Details

Date

1st April 2019

Parties

Name **SeaDragon Limited**
Company number 310577
Short form name **Company**
Notice details 12 Nayland Road, Stoke, Nelson, New Zealand
Email Colin.Groves@seadragon.co.nz
Attention Colin Groves

Name **Pescado Holdings Limited**
Company number 5960494
Short form name **Pescado**
Notice details Unit 2, 21 Leslie Hills Drive, Riccarton, Christchurch 8011, New Zealand
Email Mark.Stewart@masthead.co.nz
Attention Mark Stewart

Background

Pescado has agreed to make available to SeaDragon a new convertible loan note facility on the terms set out in this Agreement.

Agreed terms

1. Defined terms and interpretation

1.1 Defined terms

In this Agreement:

Agreement means this agreement, including any Schedules.

Board means the board of directors of the Company.

Business Day means a day that is not a Saturday, Sunday, bank holiday or public holiday in Auckland, New Zealand.

Comvita means Comvita Limited

Conversion Date means a date (if any) on which the Notes are converted into Shares pursuant to clause 6.

Conversion Notice means a notice in the form set out in Schedule 3.

Conversion Price means \$0.002 per Share.

Deed of Acknowledgment and Agreement means the deed of acknowledgment and agreement dated 25 March 2019 between, among others, the Company and Pescado.

Enforcement has the meaning given to it in the Security Sharing Deed.

Event of Default means an event or circumstance specified in clause 9.1.

Existing CLN Agreement means the convertible loan note agreement dated 30 May 2016 as amended and restated from time to time including on 8 August 2018 between the Company and the Existing Noteholders.

Existing Noteholders means Pescado, Comvita, One Funds Management Limited as trustee for Asia Pacific Healthcare Fund II and BioScience Managers Ventures Pty Ltd as general partner of BioScience Management Partnership LP.

Existing Notes means the loan notes of \$1.00 each issued to the Existing Noteholders on the terms of the Existing CLN Agreement.

Finance Document means:

- (a) this Agreement;
- (b) any Note;
- (c) the Deed of Acknowledgment and Agreement;
- (d) the general security deed dated 18 May 2018 granted by the Company in favour of Pescado;
- (e) the Security Sharing Deed;

- (f) the general security deed dated on or about 8 August 2018 granted by the Company and the Subsidiaries in favour of Pescado;
- (g) any document which is a 'Finance Document' under the Existing CLN Agreement; and
- (h) any other document which the Company and Pescado agree is a 'Finance Document'.

Insolvency Event means the occurrence of any of the following events:

- (a) a distress, attachment, execution or other legal process for an amount of or in excess of NZ\$250,000 is levied or enforced on or against assets of the Company or any Subsidiary and is not discharged or stayed within 14 days;
- (b) a receiver, trustee, manager, statutory manager, administrator or similar officer is appointed in respect of the Company or any Subsidiary or any of the Company's or any Subsidiary's assets;
- (c) a present or future security interest for an amount of or in excess of NZ\$250,000 over or affecting assets of the Company or any Subsidiary is enforced;
- (d) an application is made (other than frivolous or vexatious application which is contested in good faith by appropriate proceedings) to a court for an order appointing a liquidator, provisional liquidator, interim liquidator, receiver, manager, receiver and manager, administrator, administrative receiver, trustee in administration, statutory manager or similar officer in respect of the Company or any Subsidiary, or a resolution is passed or proposed for the appointment of any such officer, or one of them is appointed;
- (e) the Company or any Subsidiary ceases or threatens to cease to conduct all or a substantial part of its business, or disposes or threatens or agrees to dispose of (either by a single transaction or series of transactions whether related or not and whether voluntary or involuntary) all or a substantial part of its business or assets;
- (f) the Company or any Subsidiary is unable to pay its indebtedness as it falls due or a moratorium is declared on, any of its indebtedness;
- (g) an insolvency event (however described) in relation to the Company or any Subsidiary occurs for the purposes of any other Finance Document;
- (h) any step is taken to appoint or with a view to appointing an administrator in respect of the Company or any Subsidiary, or a statutory manager or any recommendation is made to appoint a statutory manager by the Financial Markets Authority under the Corporations (Investigation and Management) Act 1989 in respect of the Company, any Subsidiary or any associated person (as defined in that Act) or any of those persons is declared to be under statutory management;
- (i) any step is taken to declare or with a view to declaring any of the persons referred to in sub-clause (h) above to be a corporation at risk under the abovementioned Act or any of those persons is declared to be a corporation at risk; or
- (j) any step is taken for the purpose of the Company or any Subsidiary entering into any assignment, arrangement or compromise with, or for the benefit of, its creditors generally or any class of them,

other than where, in the case of any of the events referred to in sub-clause (d) to (e) above, such event takes place for the purpose of and is followed by a reconstruction, amalgamation or reorganisation (not involving or arising out of insolvency) approved in writing by Pescado.

Interest Rate means:

- (a) 0% per annum while an Event of Default is not subsisting; and

(b) 9.95% per annum while an Event of Default is subsisting.

Issue Price means, in respect of each Note, \$1.00.

Maturity Date means 31 March 2021.

Maturity Time means 5:00pm on the Maturity Date.

Notes means the loan notes of \$1.00 each issued to Pescado on the terms of this Agreement, and a reference to:

- (b) a Note that is **outstanding** as at a particular date means a Note that has not been converted, repaid, redeemed or cancelled, as applicable, in each case in accordance with this Agreement, before that date; and
- (c) a Note that has been **issued** means any Note that is issued in accordance with this Agreement (including any such Note issued and subsequently converted, repaid, redeemed or cancelled, as applicable).

Note Certificate means, in respect of a Note or Notes, a certificate in the form set out in Schedule 2.

Note Issue Date means the date specified in the relevant Request Notice as the date Notes will be subscribed for and issued.

NZX Listing Rules means the rules of the main board equity security market operated by NZX Limited.

NZ Noteholder means a person that, for the purposes of the Tax Act:

- (a) is resident in New Zealand; or
- (b) is not resident in New Zealand and derives interest (or any payment deemed by law to be interest) under this Agreement for the purposes of a business they carry on in New Zealand through a fixed establishment in New Zealand.

Obligors means the Company and each of its Subsidiaries (and **Obligor** means any one of them).

Pescado Nominee has the meaning given to that term in clause 3.3(b)(vi).

Principal Amount means, at any time, in respect of any outstanding Notes, an amount equal to the aggregate of the Issue Price of those Notes.

Quarter Date means 31 March, 30 June, 30 September and 31 December (as applicable).

Requested Notes means the number of Notes requested to be subscribed for in a Request Notice.

Request Notice means a notice provided by the Company to Pescado in compliance with clauses 3.1 and 3.3, and in the form set out in Schedule 1.

RWT Exemption Certificate has the meaning set out in section YA 1 of the Tax Act.

Security Sharing Deed means the Security Sharing Deed dated 8 August 2018 between the Company and the Existing Noteholders.

Shareholders means the shareholders of the Company.

Shares means ordinary shares in the capital of the Company.

Stamp Act means the Stamp and Cheque Duties Act 1971.

Subsidiary means a subsidiary (within the meaning given to that term in the Companies Act 1993) of the Company.

Takeovers Code means the Takeovers Code set out in the schedule to the Takeovers Regulations 2000, and includes any applicable exemption granted in respect thereof.

Tax Act means the Income Tax Act 2007.

Tax Deduction has the meaning set out in clause 7.1.

1.2 Construction of certain references

In this Agreement, unless the context otherwise requires, any reference to:

an **agreement** also includes a contract, deed, licence, franchise, undertaking and other document or legally enforceable arrangement (in each case, whether or not in writing, present or future) and includes that document as amended, assigned, supplemented, novated or substituted from time to time;

assets includes the whole and any part of the relevant person's business, undertaking, property, revenues and rights (in each case, present and future) and reference to an asset includes any legal or equitable interest in it;

borrowed money includes:

- (a) money borrowed or raised by any means and the deferred purchase price of assets and services except for assets and services obtained in the ordinary course of business on normal trade terms;
- (b) money borrowed or raised by drawing, accepting, endorsing or discounting bills of exchange; and
- (c) indebtedness in respect of rental or lease payments under finance leases and guarantees of borrowed money of another person;

compromise includes a compromise as defined in section 227 of the Companies Act 1993;

costs incurred by a person include all commissions, charges, losses, expenses (including legal fees on a solicitor and own client basis) and taxes incurred by that person;

indebtedness includes any obligation (whether present or future, actual or contingent, secured or unsecured, joint or several, as principal, surety or otherwise) relating to the payment of money;

loss includes loss of profit and loss of margin;

material adverse effect means something, which in the reasonable opinion of Pescado, has or is likely to have, a material adverse effect on:

- (a) the financial condition, business, or operations of the Company;
- (b) the ability of the Company to perform or comply with its obligations under a Finance Document; or
- (c) the validity or enforceability of the whole or any part of a Finance Document or any rights or remedies of Pescado under a Finance Document;

a **person** includes an individual, a body corporate, an association of persons (whether corporate or not), a trust, a state, an agency of a state and any other entity (in each case, whether or not having separate legal personality);

rights includes authorities, consents, discretions, remedies, powers and causes of action;

a **security interest** includes:

- (a) a mortgage, pledge, charge, lien, hypothecation, encumbrance, deferred purchase, title retention, finance lease, contractual right of set-off, flawed asset arrangement, sale-and-

repurchase and sale-and-leaseback arrangement, order and other arrangement of any kind, the economic effect of which is to secure a creditor; and

- (b) a “security interest” as defined in section 17(1)(a) of the Personal Property Securities Act 1999 (NZ);

an Event of Default **subsists** until it is either remedied or otherwise waived;

tax(es) includes any levy, impost, stamp or other duty, and any other charge, deduction or withholding of a similar nature (including any penalty or interest in connection with any failure to pay or any delay in paying any of the same);

writing includes a facsimile transmission, an email communication and any means of reproducing words in a tangible and permanently visible form;

a reference to a **party, clause, schedule** or **annexure** is a reference to a party to, clause of, schedule to or annexure to, this Agreement;

the word **including**, when introducing an example, does not limit the meaning of the words to which the example relates;

the singular includes the plural and vice versa;

any legislation includes a modification and re-enactment of, legislation enacted in substitution for and a regulation, order-in-council and other instrument from time to time issued or made under, that legislation; and

a party to this Agreement or another agreement includes its successors and its permitted assignees and transferees.

Headings and the table of contents are to be ignored in construing this Agreement.

2. Condition

2.1 Condition

This Agreement is conditional on resolutions of the Shareholders being passed on or before 21 May 2019 in accordance with the NZX Listing Rules, the Takeovers Code, the Companies Act 1993 and the Company’s constitution approving:

- (a) the terms of the Deed of Acknowledgment and Agreement; and
- (b) the conversion of the Notes into Shares, and the consequent issue of Shares,

as required pursuant to, and in accordance with:

- (c) rules 7.3.10(b)(ii), 7.5 and 9.2.1 (to the extent required after taking into account any waiver granted by NZX Limited) of the NZX Listing Rules; and
- (d) rule 7(d) of the Takeovers Code.

2.2 Provisions relating to conditions

- (a) The Company must call a meeting of Shareholders to vote on the resolutions referred to in clause 2.1 as soon as reasonably practicable after the date of this Agreement.
- (b) The Company must use reasonable endeavours to satisfy the condition set out in clause 2.1.
- (c) The condition set out in clause 2.1 may only be waived by Pescado and the Company agreeing in writing to waive the condition. Any such waiver may not be retracted and the condition will be deemed to have been satisfied on the date of waiver.

2.3 Cancellation rights

If the condition in clause 2.1 is not fulfilled, or waived in accordance with the provisions of clause 2.2(c), by the date specified for its satisfaction in clause 2.1, or such later date as may be agreed by the Company and Pescado, this Agreement may be cancelled by written notice given by either party, and if this Agreement is so cancelled it will be of no further force or effect and the parties shall be released from their obligations under this Agreement (but without prejudice to any rights which a party has in respect of any breach of this Agreement occurring before cancellation).

3. Issue of Convertible Notes

3.1 Request Notice

Subject to clause 4.1(e), the Company may give Pescado one or more Request Notices, provided that the number of Notes to be issued under this Agreement may not, in aggregate with any Notes that have converted to Shares in accordance with clause 6:

- (a) prior to each date stated in column 1 of the table in Schedule 4, exceed the limit of Notes set out to the right of that date in column 2 of the table in Schedule 4; and
- (b) in any case, exceed 4,000,000.

3.2 Use of funds

The Company undertakes that it shall apply the proceeds from the issue of the Notes in accordance with clause 8.1.

3.3 Request Notices

- (a) Upon receipt of a Request Notice, Pescado must:
 - (i) countersign the Request Notice; and
 - (ii) deliver the countersigned Request Notice to the Company prior to the relevant Note Issue Date specified in that Request Notice.
- (b) Notwithstanding any other provision of this Agreement, the obligations of Pescado in relation to a Request Notice is conditional upon:
 - (i) **(Request Notice)** Pescado having received a Request Notice by 10:00am at least five Business Days (or such shorter period as may be agreed by Pescado) before the proposed Note Issue Date;
 - (ii) **(Note Issue Date)** the proposed Note Issue Date being a Business Day prior to the Maturity Date;
 - (iii) **(number of Notes)** the number of Notes to be issued to Pescado pursuant to any Request Notice being a minimum of:
 - (A) 500,000; or
 - (B) if the difference between the total Notes issued to Pescado and the aggregate total of 4,000,000 Notes that can be issued to Pescado in accordance with clause 3.1 is less than 500,000, that difference;
 - (iv) **(representations true)** the representations and warranties set out in this Agreement being true and accurate in all material respects and not misleading in any material respect as of the date of the Request Notice by reference to the facts and circumstances existing on that date;
 - (v) **(waivers in effect)** the terms of the Deed of Acknowledgment and Agreement being unconditional in all respects and remaining in full force and effect;

- (vi) (**nominee**) if Comvita has at any time and from time to time exercised its contractual right (if any) to:
 - (A) appoint a director to the Board who is not Mark Sadd; or
 - (B) remove or replace Mark Sadd as a director on the Board,
 the Company procuring that the Board appoint an individual nominated by Pescado as a director of the Company (the **Pescado Nominee**);
- (vii) (**nominee**) if the Pescado Nominee has been appointed, the Pescado Nominee remaining as a director of the Company until the annual general meeting following the Pescado Nominee's appointment;
- (viii) (**costs**) the Company providing Pescado with evidence that all of Pescado's reasonable legal costs relating to the preparation and consideration of this Agreement and any ancillary documentation have or will (on issue of the Notes) be paid; and
- (ix) (**no Event of Default**) no Event of Default is subsisting.

3.4 Issue and subscription

- (a) The parties acknowledge and agree that on each Note Issue Date:
 - (i) Pescado:
 - (A) will subscribe for the Requested Notes; and
 - (B) will pay to the Company the aggregate Issue Price for the Requested Notes; and
 - (ii) subject to Pescado complying with clause 3.4(a), the Company will issue the relevant Requested Notes to Pescado.
- (b) The Company will issue to Pescado a Note Certificate in respect of the Requested Notes issued under this clause 3.4.

3.5 Acknowledgement of indebtedness

The Company acknowledges that it is indebted to Pescado in respect of the Principal Amount of the Notes issued and outstanding together with any amounts of interest accrued and unpaid in respect of those Notes as set out in this Agreement.

3.6 Security arrangements

The obligations of the Company under this Agreement and in respect of the Notes (including the obligation to allot Shares upon conversion of Notes) are secured by:

- (a) the general security deed dated 18 May 2018 granted by the Company in favour of Pescado;
- (b) the general security deed (including a cross guarantee) dated 8 August 2018 granted by the Company and its subsidiaries to Pescado.

The Company and Pescado agree that this Agreement and the Notes issued pursuant to it are each a "Secured Document" for the purposes of the general security deeds referred to in (a) and (b) above.

3.7 Further assurances

- (a) The Company shall deliver to Pescado any document, and shall do any other thing, to ensure all the Notes are validly issued and enforceable under this Agreement.

- (b) Pescado shall deliver to the Company any document, and shall do any other thing, to ensure all of Pescado's Notes are validly issued and enforceable under this Agreement.

4. Repayment

4.1 Prepayment

- (a) Subject to clause 4.1(c) below, the Company may repay the Principal Amount (together with all accrued and unpaid interest) in respect of all (but not some only) of the Notes held by Pescado at any time on or prior to the applicable Maturity Time by giving Pescado two Business Days' written notice (a **Repayment Notice**), and upon such repayment:
 - (i) all of Pescado's Notes are automatically cancelled and may not be re-issued; and
 - (ii) no further Notes may be issued to Pescado pursuant to this Agreement.
- (b) Pescado, upon receipt of a Repayment Notice, must notify the Company in writing of the bank account for repayment within one Business Day.
- (c) The Company must not:
 - (i) give a Repayment Notice to Pescado under this Agreement unless a repayment notice in relation to the Existing Notes (if there are any outstanding at that time) is given simultaneously to the Existing Noteholders in respect of the entire "Principal Amount" (as that term is defined in the Existing CLN Agreement) (together with all accrued and unpaid interest) owing to the Existing Noteholders as at the date of such Repayment Notice; or
 - (ii) unless Pescado consents in writing otherwise, give a repayment notice in relation to any of the Existing Notes unless a Repayment Notice is given simultaneously to Pescado under this Agreement in respect of the entire Principal Amount (together with all accrued and unpaid interest) owing to Pescado as at the date of such Repayment Notice.
- (d) The Company may not give a Repayment Notice to Pescado if Pescado has previously given the Company a Conversion Notice with respect to any of its then outstanding Notes.
- (e) The Company may not issue a Request Notice to Pescado after the date of a Repayment Notice.
- (f) A Repayment Notice is irrevocable and the Company must comply with any Repayment Notice given or deemed to have been given.

4.2 Repayment

At any time whilst an Event of Default subsists, Pescado may (in addition to its other rights) give a notice (an **EoD Notice**) to the Company requiring the Company to repay, on the date specified in that notice, the Principal Amount (together with all accrued and unpaid interest) in respect of the Notes held by Pescado. The Company shall comply with any such notice.

4.3 Proportionate payments

- (a) Any payment, prepayment or repayment of Notes made by, or on behalf of, the Company may only be effected if made *pari passu* with respect to all then outstanding Notes.
- (b) The Company agrees that if it makes any payment, prepayment or repayment of the Existing Notes, it must also make a *pari passu* payment, prepayment or repayment of the Notes.
- (c) The Company agrees that if it makes any payment, prepayment or repayment of the Notes, it must also make a *pari passu* payment, prepayment or repayment of the Existing Notes.

5. Interest

5.1 Accrual of interest

Interest in respect of the Principal Amount of each Note accrues daily at the applicable Interest Rate, and is calculated on the actual number of days elapsed and on the basis of a 365-day year from and including the relevant Note Issue Date to, but not including, the date on which that Note is repaid under clause 4, converted into shares under clause 6 or otherwise cancelled, redeemed or repaid in accordance with this Agreement.

5.2 Payment of interest

Interest which accrues on the Principal Amount of each Note up to (but excluding) the applicable Maturity Date shall, unless it is paid earlier in accordance with clause 4, be payable within 5 Business Days after each Quarter Date in arrears by the Company in cash.

5.3 Payment

Unless otherwise specified, all amounts payable to Pescado by the Company under a Finance Document must be made:

- (a) if any date for repayment is not a Business Day, on next Business Day;
- (b) in immediately available, cleared funds for value on the due date to the bank account (if any) specified by Pescado;
- (c) in New Zealand dollars free and clear of any restriction or condition; and
- (d) except to the extent required by law, without any deduction or withholding for or on account of tax or on any other amount, whether by way of set-off, counterclaim or otherwise.

5.4 Default interest

- (a) Default interest accrues daily on the Principal Amount of each Note that is due and payable by the Company (including on unpaid interest under this clause):
 - (i) from and including the due date (or, for an amount payable by reimbursement or indemnity, any earlier date the amount was incurred), up to but excluding the date of actual payment; and
 - (ii) at 9.95% per annum.
- (b) The Company must pay to Pescado accrued default interest under this clause 5.4 on the last Business Day of each calendar month or on demand.

6. Conversion

6.1 Conversion Notice

Pescado has the option to issue the Company with a Conversion Notice. Pescado may only issue a Conversion Notice in respect of all (and not some only) of its Notes outstanding at that time and shall not be entitled to issue a Conversion Notice in the event it has defaulted in its obligations under clause 3.4(a) and has not made the Company whole in respect of any such default. Pescado may not issue a Conversion Notice if the Company has given a Repayment Notice.

6.2 Automatic Conversion

- (a) Unless an Event of Default subsists at the Maturity Time, Pescado shall be deemed to have served a valid Conversion Notice on the Company in respect of all its then outstanding Notes such that the date of issue of the relevant Shares will take effect on the Maturity Date.

- (b) In the event than an Event of Default subsists on the Maturity Time, the Principal Amount (together with all accrued and unpaid interest) in respect of the Notes shall become due and payable at that time and, until Pescado gives or is deemed to give a Conversion Notice to the Company, Pescado shall be entitled (subject to the terms of the Finance Documents) to exercise its Enforcement rights.
- (c) In the event than an Event of Default subsists on the Maturity Time, but such Event of Default ceases to subsist or is waived in writing by Pescado prior to any Enforcement (the **EOD Resolution Date**), then the provisions of clause 6.2(a) shall apply as if references to the Maturity Date are references to the EOD Resolution Date.

6.3 Conversion to Shares

- (a) Within five Business Days of receipt, or deemed receipt, of a Conversion Notice under and in accordance with clause 6.1 or 6.2:
 - (i) the Company shall issue to Pescado the number of Shares determined in accordance with clause 6.4 by entry of Pescado as the holder of those Shares into the Company's share register; and
 - (ii) upon completion of the relevant details into the Company's share register, the Principal Amount of Pescado's Notes shall be applied by the Company to pay up in full the issue price of the Shares and all obligations under or in respect of the Principal Amount of such Notes shall be deemed to be satisfied and discharged.
- (b) The parties acknowledge and agree that the Notes cannot be converted into Shares other than in accordance with the terms and the conditions of this Agreement.

6.4 Number of Shares on Conversion

The number of Shares into which a Note shall be converted shall be determined in accordance with the following formula, and rounded to the nearest whole Share:

$$A = B / C$$

Where A = Number of Shares
 B = The Principal Amount of that Note
 C = The Conversion Price

6.5 Shares rank equally and have same rights

All Shares issued on conversion of any Notes shall:

- (a) rank equally in all respects with, have the same rights as (including as to dividends), and form one class with, the Shares on issue as at the Conversion Date; and
- (b) be free from any security interest, charge, lien or other encumbrance to Pescado.

6.6 Reorganisation

If there is a consolidation or subdivision of the share capital of the Company (or any securities derived from it) (**Reorganisation**) between the date of this Agreement and the Maturity Time (inclusive), then the Conversion Price will be deemed to be adjusted pro rata to the extent of such Reorganisation. For example, if there were a 20-for-1 consolidation of Shares, then the Conversion Price shall be increased by a multiple of 20. The Company shall provide Pescado with a notice in writing after the occurrence of a Reorganisation setting out the adjusted Conversion Price.

6.7 All Notes convertible

For the avoidance of doubt, the conversion of Notes to Shares pursuant to this clause applies to all Notes issued under the terms of this Agreement regardless of when such Notes were issued.

6.8 Payment of Interest

Within five Business Days of receipt of a Conversion Notice under and in accordance with clause 6.1, the Company shall pay Pescado any interest on the Notes subject to such Conversion Notice calculated in accordance with this Agreement. Accrued and unpaid interest shall not convert to Shares.

6.9 Converted Notes cannot be redrawn; conversion does not affect remaining commitment

The parties acknowledge and agree that:

- (a) any Notes which convert into Shares shall not be capable of being re-issued (such that, notwithstanding conversion, the Notes will count towards the relevant maximum number of Notes set out in clause 3.1); and
- (b) conversion of Pescado's Notes does not effect Pescado's remaining commitment to subscribe for Notes up to the maximum number of Notes set out in clause 3.1.

7. Tax

7.1 Gross-up

If the Company is required by law to make any deduction or withholding on account of tax from any amount paid or payable by it to Pescado under a Finance Document (**Tax Deduction**), then:

- (a) provided that Pescado has complied with each of its obligations under this clause 7, the amount payable by the Company to Pescado shall be increased to the extent necessary to ensure that, after the making of the Tax Deduction, Pescado receives and retains a net amount equal to the amount which it would have received and so retained had no such Tax Deduction been required;
- (b) the Company will make the Tax Deduction and any payment required in connection with that Tax Deduction to the relevant taxation or other authority within the time allowed, without incurring a penalty for late payment; and
- (c) the Company shall deliver to Pescado within 30 days of making any Tax Deduction or any payment required in connection with the Tax Deduction, evidence satisfactory to Pescado (acting reasonably) that the Tax Deduction has been made or (as applicable) any appropriate payment made to the applicable taxation or other authority.

7.2 Notifications and undertakings by Pescado

- (a) Pescado must, within 5 days of the date of this Agreement, confirm to the Company:
 - (i) its New Zealand tax file number (if applicable); and
 - (ii) whether it:
 - (A) is a NZ Noteholder; and
 - (B) holds a RWT Exemption Certificate.
- (b) Where Pescado is a NZ Noteholder and holds a RWT Exemption Certificate it:
 - (i) undertakes to the Company to use reasonable endeavours to maintain its RWT Exemption Certificate throughout the term of this Agreement if it is lawfully able to do so; and
 - (ii) agrees to promptly notify the Company if it ceases to hold, or ceases to be entitled to hold, a RWT Exemption Certificate.

7.3 Approved issuer levy

The Company may:

- (a) register as an “approved issuer” (as defined in section YA 1 of the Tax Act) and register this Agreement with the Commissioner of Inland Revenue under section 86H of the Stamp Act and use its reasonable endeavours to maintain that status; and
- (b) in respect of any payment of interest (or payment deemed by law to be interest) to Pescado if it is not a NZ Noteholder, make the relevant payment of approved issuer levy (as defined in section 86F of the Stamp Act) in accordance with section 86K of the Stamp Act in order to reduce (to the extent permitted by law) the applicable level of non-resident withholding tax to zero percent.

8. Company undertakings

8.1 Use of funds

The Company undertakes that it shall apply all of the proceeds from the issue of any Notes towards business operations, working capital and/or capital expenditure contemplated under a business plan approved by the Board from time to time.

8.2 Notification

The Company agrees to deliver to Pescado:

- (a) notification of any Event of Default or any event or circumstance that would or would be reasonably likely to have a material adverse effect, in each case, immediately upon becoming aware of it and, within seven Business Days, provide full details of it and of any action taken (or to be taken) as a result; and
- (b) details of any litigation, arbitration or administrative proceeding affecting it or any Subsidiary that, if it had been current, pending or, to its knowledge, threatened against it, would render the relevant representation in this document incorrect if repeated.

8.3 Compliance with laws

The Company agrees to duly and promptly comply with all applicable laws the non-compliance with which might have a material adverse effect on the Company.

8.4 Negative pledge

The Company must not, and must procure that its Subsidiaries do not, create or permit to subsist any security over all or any of its assets, other than:

- (a) the security granted pursuant to the Finance Documents;
- (b) the security existing as at the date of this Agreement as disclosed to Pescado; and
- (c) security interests arising in the ordinary course of business and which:
 - (i) are interests which are deemed to be security interests under section 17(1)(b) of the Personal Property Securities Act 1999 that do not secure the payment or performance of an obligation; or
 - (ii) are security interests granted in favour of a seller of personal property solely over that personal property, and securing payment of part or all of the purchase price of that property
- (d) a lien arising by operation of law;
- (e) a right of set off or combination arising by operation of law or practice over money deposited with a bank or financial institution in the ordinary course of its business; and

- (f) any security consented to by Pescado, acting reasonably.

9. Default

9.1 Events of Default

There will be an event of default if at any time any of the following events occur:

- (a) an Obligor fails to pay an amount payable by it under a Finance Document when due or if the failure is due to a technical or administrative error beyond the control of the Obligors, within three Business Days after it falls due;
- (b) an Obligor commits any breach of, or omits to observe, any of its undertakings or obligations under a Finance Document and, in respect of any such breach or omission which is capable of being remedied, such breach or omission is not remedied within:
 - (i) in the case of any breach or omission relating to clause 8.1, five Business Days of the date an Obligor became aware of such breach or omission; and
 - (ii) in all other cases, 30 Business Days of the date an Obligor became aware of such breach or omission;
- (c) an event of default (however described) occurring under any Finance Document;
- (d) any representation, warranty or statement made or deemed to have been made or repeated by or on behalf of an Obligor at any time under or in connection with a Finance Document is or proves to have been untrue, inaccurate or misleading in any material respect, when made or repeated or deemed to have been made or repeated and, if the circumstances that resulted in such representation, warranty or statement being untrue, inaccurate or misleading are capable of remedy, those circumstances have not been remedied to Pescado's satisfaction within 30 Business Days of the date an Obligor became aware of it;
- (e) an Insolvency Event occurs in respect of an Obligor;
- (f) any indebtedness for borrowed money in excess in aggregate of \$250,000 of an Obligor is not paid when due or within any applicable grace period in any document relating to such indebtedness, or becomes (or becomes capable of being rendered) due and payable before its stated maturity by reason of an event of default, cancellation event or similar event (however described);
- (g) any Finance Document:
 - (i) ceases to be, or is claimed by the Company not to be, in full force and effect or has, or is claimed by the Company to have, effect otherwise in accordance with its terms;
 - (ii) becomes, or is claimed by the Company to be, void, voidable, illegal or unenforceable; or
 - (iii) is repudiated.

9.2 Effect of an Event of Default

If an Event of Default occurs and is subsisting, subject always to the terms of the Finance Documents, Pescado may by notice to the Company do one or more of the following:

- (a) exercise its rights pursuant to clause 4.2; and
- (b) exercise any or all of its rights, remedies, powers or discretions under the Finance Documents.

10. Cancellation and discharge

10.1 Discharge and release

The Company is immediately discharged and released from its liabilities, obligations and covenants under this Agreement on the date on which:

- (a) all outstanding Notes issued to Pescado have either been:
 - (i) converted under clause 6; or
 - (ii) repaid under clause 4; and
- (b) no other amounts remain owing to Pescado under this Agreement.

10.2 Cancellation

All Notes that are repaid or converted are automatically cancelled on repayment or conversion and may not be re-issued.

11. Transfer of Notes

11.1 Consent to transfer

Pescado may not transfer any Notes to any person at any time, other than with the prior written consent of the Company, except Pescado shall be entitled to transfer all of its outstanding Notes without the written consent of the Company pursuant to a takeover offer regulated by the Takeovers Code, or a scheme of arrangement pursuant to the Companies Act 1993, in which case Pescado shall also be entitled to transfer to the transferee:

- (a) all of Pescado's rights and obligations under this Agreement (including any Notes not issued); and
- (b) all of Pescado's rights and obligations under the security held by it in respect of those Notes, together with Pescado's rights and obligations under the Security Sharing Deed.

11.2 Transfer

Subject to clause 11.1, Notes may be transferred:

- (a) by written transfer instrument in any usual or common form or in any other form approved by the Board, executed by the transferor and the transferee; and
- (b) to a person or entity that has executed and delivered to the Company an undertaking to observe, perform and be bound by the terms of this Agreement.

11.3 Note Certificates

A written transfer instrument must be forwarded for registration to the Company together with the Note Certificate(s) for the Notes to be transferred. Upon receipt, the Company shall immediately register the transfer and issue a Note Certificate to the transferee for the number of Notes comprised in the transfer and, if necessary, a new Note Certificate to the transferor for its remaining holdings.

12. Warranties

12.1 Warranties

The Company represents and warrants, in respect of itself and its other Obligors, to Pescado that each of the following statements is true and accurate as at the date of this Agreement:

- (a) it is validly existing under the laws of New Zealand;

- (b) it has the power and authority to enter into and perform and comply with its obligations under the Finance Documents and, subject to the passing of the resolutions referred to in clause 2.1, to carry out the transactions contemplated by the Finance Documents;
- (c) subject to the passing of the resolutions referred to in clause 2.1, it has taken all necessary action to authorise its entry into and performance of the Finance Documents and to carry out the transactions contemplated by the Finance Documents;
- (d) its obligations under the Finance Documents are valid and binding and enforceable against it;
- (e) the entry into, execution and performance of its obligations under the Finance Documents does not and will not violate any other agreement which is binding on it, its constitution, or any law or directive to which it or its assets are subject (including, for the avoidance of doubt, any stock exchange rules);
- (f) it is solvent and able to pay its debts as they fall due and, so far as it is aware, no steps have been taken or threatened against it for its dissolution or for the appointment of a liquidator, inspector, receiver, administrator, statutory manager or similar officer; and
- (g) no Event of Default has occurred.

12.2 Repetition

The warranties and representations in clause 12.1 will be deemed to be repeated on each Note Issue Date, and on each date that a payment is to be made to Pescado under this Agreement, by reference to the facts and circumstances existing on those dates.

13. Costs and expenses

13.1 Other costs indemnity

The Company agrees to indemnify, and to pay or reimburse on demand, Pescado for all costs and other liabilities incurred or sustained by Pescado in connection with:

- (a) **(documents)** the administration, registration and other completion of, and any consent, approval, waiver or amendment of or under, a Finance Document;
- (b) **(enforcement and exercise of rights)** any actual, attempted or contemplated:
 - (i) enforcement of any Finance Document; or
 - (ii) exercise, preservation or consideration of any power under or pursuant to any Finance Document or at law (including expenses and liabilities resulting from a mistake or error of judgment);
- (c) **(defaults)** a default, or a breach of or obtaining or procuring performance or satisfaction of, an Obligor's obligations under any Finance Document;
- (d) **(enquiry)** any enquiry by a government agency involving an Obligor or any transaction or activity with which the monies advanced under this Agreement is connected (including any secured property); and
- (e) **(releases)** the release of any secured property from the security created under any Finance Document.

13.2 Survival of indemnities

- (a) Each indemnity in this Agreement is:
 - (i) unconditional and irrevocable; and

- (ii) a continuing and separate obligation which will survive termination, release or discharge of this document or any other Finance Document and payment of all other money owing.
- (b) Pescado need not make a payment before enforcing an indemnity or reimbursement obligation in this Agreement.

14. Notices and other communications

14.1 Service of notices

A notice, demand, consent, approval or communication under this Agreement (**Notice**) must be:

- (a) in writing, in English and signed by a person duly authorised by the sender; and
- (b) hand delivered or sent by prepaid post or email to the recipient's address for Notices specified in the Details, as varied by any Notice given by the recipient to the sender.

14.2 Effective on receipt

A Notice given in accordance with clause 14.1 takes effect when taken to be received (or at a later time specified in it), and is taken to be received:

- (a) if hand delivered, on delivery;
- (b) if sent by prepaid post, the third Business Day after the date of posting (or the seventh Business Day after the date of posting if posted to or from a place outside New Zealand); and
- (c) if sent by email, on the date and time at which it enters the recipient's information system (as shown in a confirmation of delivery report from the sender's information system, which indicates that the email was sent to the email address of the recipient notified for the purposes of this clause),

but if the delivery, receipt or transmission is not on a Business Day, or is after 5.00pm on a Business Day, the Notice is taken to be received at 9.00am on the next Business Day.

15. Miscellaneous

15.1 Positive undertakings

The Company must obtain the prior written approval of Pescado to:

- (a) any appointment, replacement or removal any member of the senior management of the Company or any of its subsidiaries (including CEO, CFO and COO); and
- (b) any appointment by the Board of any person as a director of the Company or any of its subsidiaries.

15.2 Business Days

If any payment by the Company falls due on a day which is not a Business Day it will be made on the next succeeding Business Day.

15.3 Reinstatement

If any payment by the Company to Pescado under this Agreement is avoided by law:

- (a) the Company's obligation to have made such payment will be deemed not to have been affected or discharged; and

- (b) Pescado and the Company will, in any such case, be deemed to be restored to the position in which each would have been, and will be entitled to exercise the rights they respectively would have had, if that payment had not been made.

15.4 In trade

Each party confirms that it is:

- (a) in trade; and
- (b) acting in trade in relation to the transactions contemplated by this Agreement,

and agrees that sections 9, 12A, 13 and 14(1) of the Fair Trading Act 1986 shall not apply in relation to this Agreement or as between the parties, and it is fair and reasonable to exclude their application.

15.5 Purposes of business

Each party confirms that it is entering into this Agreement for the purposes of a business and that the Consumer Guarantees Act 1993 does not apply, and the parties will, to the maximum extent permitted by law, exclude the application of the Consumer Guarantees Act 1993 from all agreements between the parties that in any way relate to the subject matter of this Agreement.

15.6 Alterations

- (a) This Agreement may be altered only in writing signed by each party. Unless expressly agreed, no variation shall constitute a general waiver of any provision of this Agreement nor shall it affect any rights, obligations or liabilities under this Agreement which have already accrued up to the date of variation.
- (b) The Company must not agree to any amendments to the Existing CLN Agreement unless Pescado is given the opportunity to have such amendments made to this Agreement on the same basis.

15.7 Approvals and consents

Except where this Agreement expressly states otherwise, a party may, in its discretion, give conditionally or unconditionally or withhold any approval or consent under this Agreement.

15.8 No assignment by Company

The Company may not assign, transfer or otherwise deal with any of its rights or obligations under this document or any other Finance Document without Pescado's prior written consent.

15.9 Counterparts

This Agreement may be executed in counterparts (including by electronic transmission). All executed counterparts constitute one document. The parties agree for the purposes of Part 4 of the Contract and Commercial Law Act 2017 to be bound by any agreement reached through electronic means.

15.10 No merger

The rights and obligations of the parties under this Agreement do not merge on completion of any transaction contemplated by this Agreement.

15.11 Entire agreement

- (a) The Finance Documents constitute the entire agreement between the parties in connection with their subject matter and supersedes all previous agreements, representations, undertakings, contracts, arrangements, promises, or understandings between the parties in connection with their subject matter.

- (b) The parties have not relied on any representation, warranty or agreement relating to the subject matter of the Finance Documents that is not expressly set out in a Finance Document, and no such representation, warranty or agreement has any effect from the date of this Agreement.

15.12 Further action

Each party must do, at its own expense, everything reasonably necessary (including executing documents and passing all resolutions) to give full effect to the Finance Documents and any transaction contemplated by them.

15.13 Severability

To the extent that any term or part of a term of this Agreement would be valid or enforceable under the law if that term was read down, then that term must be read down to the minimum extent necessary to achieve that result. If that term cannot be read down, then that term may be severed from this Agreement and the remaining terms or parts of the term of this Agreement continue in force.

15.14 Waiver

A party does not waive a right, power or remedy if it fails to exercise or delays in exercising the right, power or remedy. A single or partial exercise of a right, power or remedy does not prevent another or further exercise of that or another right, power or remedy. A waiver of a right, power or remedy must be in writing and signed by the party giving the waiver.

15.15 Relationship

Except where this Agreement expressly states otherwise, it does not create a relationship of employment, trust, agency or partnership between the parties.

15.16 Governing law and jurisdiction

This Agreement is governed by the law of New Zealand and each party irrevocably and unconditionally submits to the exclusive jurisdiction of the courts of New Zealand.

[Signature page follows]

Signing page

EXECUTED as an agreement

SIGNED on behalf of **SEADRAGON LIMITED** by:



Signature of director
Colin Groves

Name of director



Signature of director
Bryan Mogridge

Name of director

SIGNED on behalf of **PESCADO HOLDINGS LIMITED** by:

Mark Stewart, Director

Signature of witness

Name of witness

Occupation of witness

City/town of residence

Signing page

EXECUTED as an agreement

SIGNED on behalf of **SEADRAGON LIMITED** by:


Signature of director

Name of director

Signature of director

Name of director

SIGNED on behalf of **PESCADO
HOLDINGS LIMITED** by:



Signature of witness
Ainsley Walter

Name of witness
Company Director

Occupation of witness
Auckland

City/town of residence



Mark Stewart, Director

Schedule 1– Request Notice

SEADRAGON LIMITED LOAN NOTES – REQUEST NOTICE

To: Pescado Holdings Limited (**Pescado**)

REQUEST FOR SUBSCRIPTION OF [INSERT] LOAN NOTES OF \$1.00 EACH (**Notes**)

SeaDragon Limited requests that Pescado subscribes for the following Notes under the convertible loan note agreement dated [] 2019) (**Agreement**):

Number of Notes to be subscribed for: [#] Notes [*Note: Must be in a minimum amount of 500,000 unless otherwise agreed*]

Date Notes to be issued: [#] [*Note: Request Notice must be provided at least 5 Business Days prior to the Note Issue Date*]

By countersigning this notice, Pescado accepts the request and will subscribe for the Notes detailed above.

The Notes will be issued by SeaDragon Limited on and subject to the terms and conditions contained in the Agreement.

Dated

SIGNED on behalf of **SEADRAGON LIMITED** by:

Signature of director

Name of director

ACCEPTANCE:

SIGNED on behalf of **PESCADO HOLDINGS LIMITED** by: [*Insert signing block for Pescado*]

Date:

Schedule 2 – Note Certificate

SEADRAGON LIMITED

ISSUE OF [INSERT] LOAN NOTES OF \$1.00 EACH (**Notes**)

This certifies that Pescado Holdings Limited is registered as a holder of [Insert] Notes under the convertible loan note agreement dated [] 2019 (**Agreement**).

The Notes are issued by SeaDragon Limited on and subject to the terms and conditions contained in the Agreement.

Dated

SIGNED on behalf of **SEADRAGON LIMITED** by:

Signature of director

Name of director

Schedule 3 – Conversion Notice

To: SeaDragon Limited

We refer to the convertible loan note agreement dated [*Insert*] 2019 (**Convertible Loan Note Agreement**). Terms defined in the Convertible Loan Note Agreement have the same meanings when used in this Conversion Notice.

We give notice, under clause 6 of the Convertible Loan Note Agreement, of the exercise of our right to convert all of our Notes.

Dated

SIGNED on behalf of **PESCADO HOLDINGS LIMITED** *by*:

Signature of director

Name of director

Schedule 4 – Drawdown Schedule

Date	Aggregate Limit of Notes
1 May 2019	1,000,000
1 June 2019	2,000,000
1 September 2019	3,000,000
1 December 2019	4,000,000