



SEADRAGON

RESPONSIBLY PURE

# ANNUAL SHAREHOLDERS MEETING

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Mills Reef • Tauranga • 20 September 2017 • 10:00am



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# COLIN GROVES

CHAIRMAN



# Directors

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**COLIN GROVES**  
INDEPENDENT CHAIRMAN



**STUART MACINTOSH**  
NON-EXECUTIVE DIRECTOR



**RICHARD ALDERTON**  
INDEPENDENT DIRECTOR



**MATTHEW MCNAMARA**  
NON-EXECUTIVE DIRECTOR



**BRETT HEWLETT**  
NON-EXECUTIVE DIRECTOR



**PATRICK GEALS**  
INDEPENDENT DIRECTOR



# Agenda

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CHAIRMAN'S REPORT

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CHIEF EXECUTIVE'S REPORT

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Q&A

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RESOLUTIONS

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GENERAL BUSINESS

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MEETING CLOSE



# Strategic highlights

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Appointment of new executive team

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Omega-3 strategy completed

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New Omega-3 supply arrangements established

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First commercial orders for Omega-3 fish oil

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\$10.9 million capital raising introduces Masthead as new cornerstone shareholder

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Reviewing capital requirements monthly



# Dr. NEVIN AMOS

CHIEF EXECUTIVE



# Life-giving oils from the sea

## GOED OMEGA-3 EPA + DHA DAILY INTAKE RECOMMENDATIONS\*\*

- Omega-3s - EPA and DHA - are essential fatty acids abundant in fish and some shellfish
- Their consumption supports cardiovascular, eye, brain and joint health
- The health benefits of Omega-3s are supported by a vast body of scientific literature\*



### 500 mg

For the general healthy adult population, in order to lower the risk of coronary heart disease (CHD)<sup>1</sup>



### 700-1000 mg

For pregnancy / lactation: 200 additional mg/day of DHA over recommendation for healthy adults<sup>2</sup>

For secondary prevention of CHD: 1000mg/day EPA + DHA<sup>3</sup>



### >1000 mg

Higher intakes are supported for a range of additional health conditions (e.g. blood pressure<sup>4</sup>, triglycerides<sup>5</sup>)

Source: GOED

\* Omega-3 research covers 24,000 papers and 2,700 human clinical trials in humans, according to GOED

\*\* Studies supporting GOED's recommendations are noted on page 35 of this presentation





# Our VISION

To be recognised by global customers as a valued supplier of unique and sustainably-harvested marine bioactives for use in supporting healthy lifestyles.



# Our MISSION

SeaDragon is capturing value from processing fish into purified marine bioactives, for use in the functional foods, nutraceutical and pharmaceutical industries.




In everything we do, we strive to maintain natural purity and uphold the principles of sustainability.

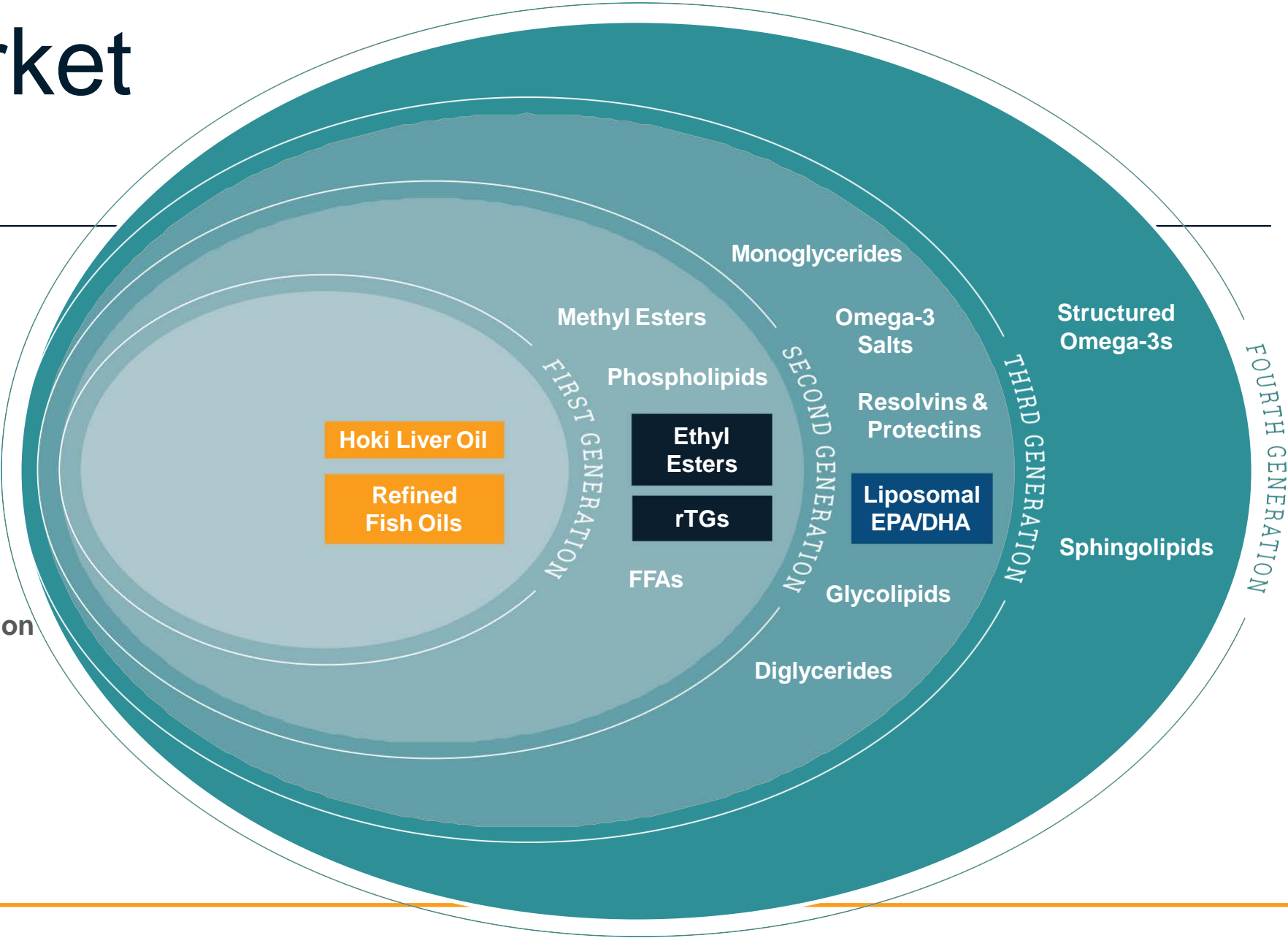


# Omega 3 market evolution

MARKETS EVOLVING DUE TO:

- Increasing customer demand for sustainably- sourced products
- The development of higher value niches
- Demand for high-potency compounds

-  Currently manufacture
-  Third-party toll manufacture for SeaDragon
-  In licensing negotiations

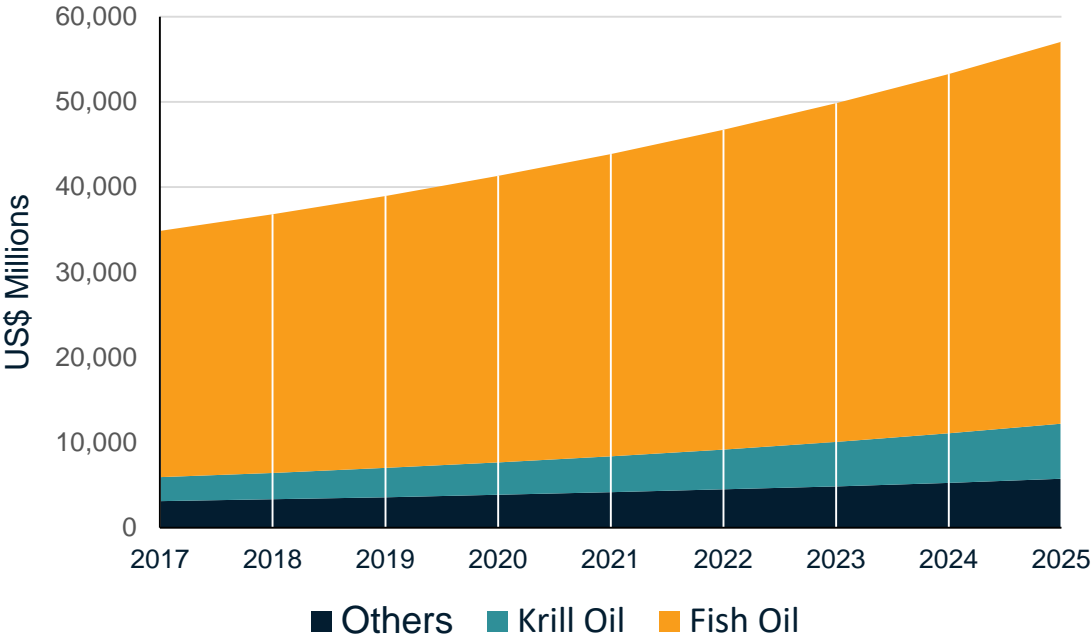






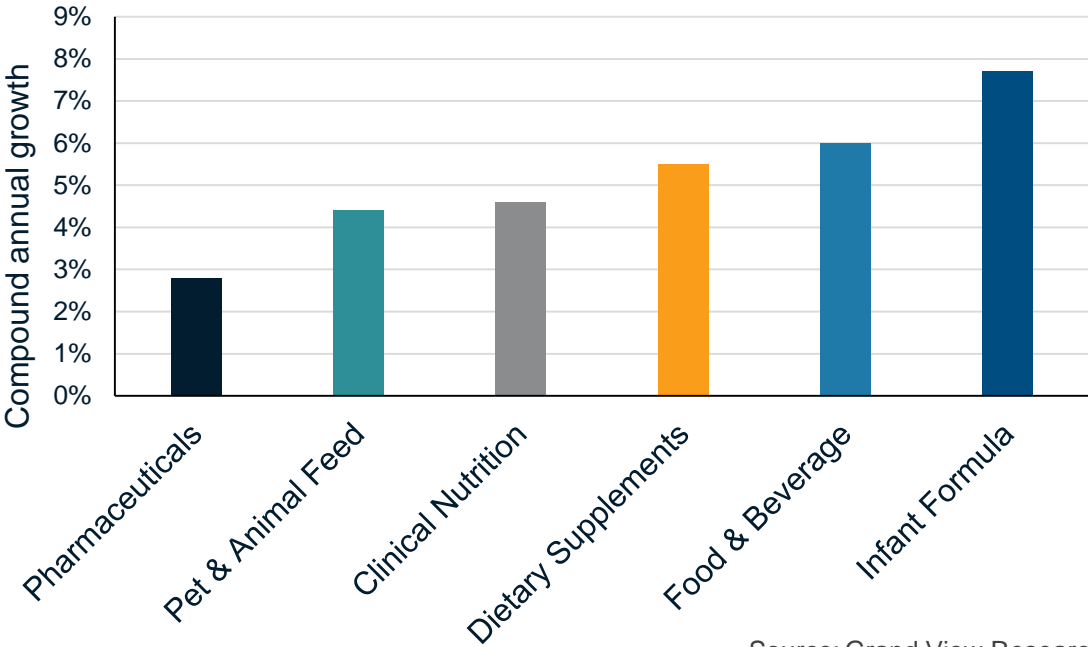
# Robust global market outlook

FORECAST OMEGA-3 SUPPLEMENT MARKET DEMAND BY SOURCE 2017-2025



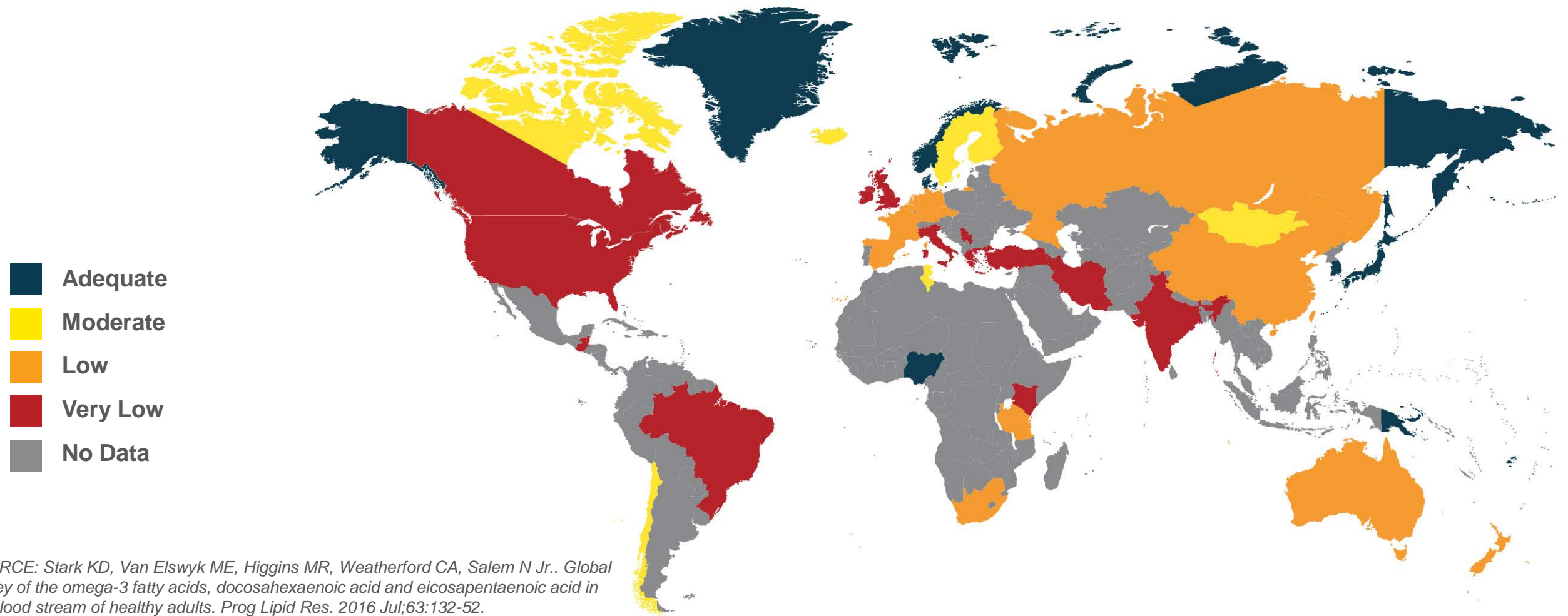
Source: Grand View Research

FORECAST OMEGA-3 SUPPLEMENT DEMAND GROWTH BY APPLICATION 2017-2025



Source: Grand View Research

*SEADRAGON'S REFINERY - EVEN AT FULL CAPACITY - REPRESENTS A SMALL FRACTION OF THE TOTAL MARKET*



# Making headway in Asia

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## ASIAN MARKETS

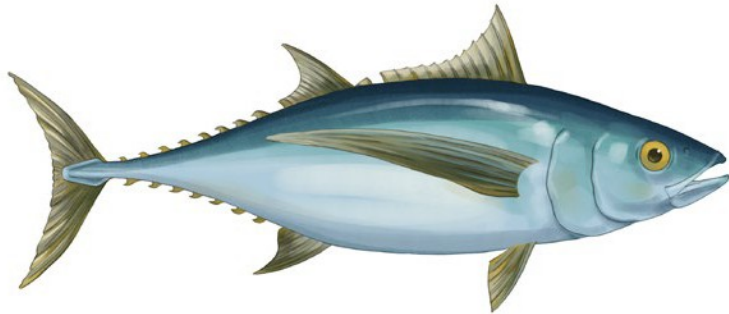
- Making progress in North and South East Asia
- Preparing to send samples to prospective Chinese customers

## EUROPEAN MARKETS

- Increasingly complex certification regime
- Making changes in our factory to overcome the hurdles.
- Extra DHA supply depressing prices

# Omega-3 supply sufficient to drive market development

## TUNA



- Range of supply to meet market access requirements
- Confident we can secure 2,000 tonnes p.a.
  - » Indian Ocean - Friends of the Sea Certified
  - » Pacific - Nauru Agreement signatory countries
- Blending required to meet DHA/EPA concentrations

## HOKI



- Secured frozen Hoki livers to meet sales
- Meets sustainable-sourcing and EU/US provenance requirements (MSC)
- Requires concentration or transformation into micro-encapsulated liposomal powders or emulsions to be competitive
- Market for differentiated Omega-3 oils still to be developed

## SALMON



- Plentiful local sustainably-produced supply
- Requires concentration or other transformation to reach required EPA/DHA levels for customers
- Market still to be developed



# Our prospective customers



## OMEGA-3 MARKET BARRIERS

- 6 -18 month lead time on sales
- Strict product approval and certification processes
- Complex oil provenance rules complicate sales process
- Supplier loyalty
- Emerging appetite for differentiated sustainably-sourced Omega-3 oil

- Differentiated Omega-3 oils
- Omega-3 powders/liposomes
- Small-batch bioactives
- Differentiated Omega-3 oils
- Omega-3 powders/liposomes
- Commodity oils for encapsulation and ingredients





# Slow sales progress

## SALES MILESTONES

- Announced first contract in 32,000 kg to Asian Tier 1 customer in June
- We have received a further order from another customer
- SeaDragon's Omega-3 oils in tests with 21 prospective customers
- Well supported offshore by New Zealand Trade and Enterprise
- Encouraging signals in Asia from Tier 2 customers
  - » Bulk oils
  - » Omega-3 micro-encapsulated powders
  - » Liposomes







# SeaDragon operations maturing

## OMEGA-3 REFINERY

- Processed 260 tonnes of raw oil calendar year to date
- 100% tuna oil but exploring other species
- Refinery generally performing well
- Resolving early specification issues
- Achieved halal certification
- Breakeven at 600 - 700 tonnes of refined tuna oil\*

## BOUTIQUE OMEGA-3 REFINERY

- Exploring contract manufacturing
  - » Concentrates
  - » Liposomes
  - » Micro-encapsulated Omega-3 oils



\*On fixed costs at current market prices

# STRENGTHENING OUR OPERATIONAL CAPABILITIES

- New operational appointments
  - » Commercial Manager
  - » Supply Chain Manager
- Restructure of the financial reporting and inventory management processes
- Driving improvements in information technology and human resource practices



# COLIN GROVES

CHAIRMAN



# A year of significant change

12 Months to 31 March*	2017 \$000	2016 \$000
Revenue	4,331	5,585
Normalised EBITDA**	[4,406]	[389]
Finance expense	[438]	[226]
<b>Non-cash adjustments</b>		
Inventory impairment	[297]	[4,263]
Depreciation	[877]	[645]
Stock options	[497]	—
Loss on asset disposal	[144]	—
<b>Net loss after tax</b>	<b>[6,659]</b>	<b>[5,523]</b>

## FY 2017 LOSSES RISE

- Losses reflect the sales of legacy Omega-2 stocks and absence of large volume Omega-3 sales
- Higher interest charges related to bridge financing
- Depreciation and amortisation also increased in line with our expanded asset base

\* Summary information only. For a full description of SeaDragon's results for the year to 31 March 2017 please refer to the 2017 annual report.

\*\* Normalised EBITDA is a non-GAAP profit measure. Notes on SeaDragon's use of this measure are included on page 35 of this presentation.

# Balance sheet strengthened

12 Months to 31 March*	2017 \$000	2016 \$000
Property plant and equipment	12,243	13,127
Cash and cash equivalents	4,929	195
Inventories	1,943	2,970
<b>Total assets</b>	<b>19,515</b>	<b>17,087</b>
Loans and borrowings	—	3,874
Convertible loan	1,429	—
<b>Total liabilities</b>	<b>2,773</b>	<b>5,447</b>
<b>Net equity</b>	<b>16,742</b>	<b>11,640</b>

## CAPITAL RAISING

- Highly-successful rights issue in October 2016 raised \$10.9 million
- Repaid all bank debt
- Inventories sufficient for sales development
- Sufficient cash to focus on business development
- \$1 million Comvita loan notes still available

\*Summary information only. For a full description of SeaDragon's results for the year to 31 March 2017 please refer to the 2017 annual report



# SUMMARY AND OUTLOOK

- **The refinery is delivering oil that meets quality and specification requirements**
  - » We have faced issues but they have largely been resolved
- **We are seeking to build sales momentum in the current financial year and cautiously confident of success**
  - » Two significant orders and 21 prospective customers
  - » Markets challenging
  - » Supply challenges
  - » Long lead times to achieve sales
- **As long as we meet sales expectations we have sufficient capital to meet immediate development plans, we are reviewing this monthly**
- **Expect Normalised EBITDA losses for the six months to 30 September 2017 to range between \$2.4 million and \$2.7 million**
- **Full year loss expected to be lower than last year – as long as we meet sales expectations**



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# SHAREHOLDER QUESTIONS

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# NOTES

## NON-GAAP PROFIT 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 interest, tax, depreciation and impairments (Normalised EBITDA), when discussing financial performance in this presentation, 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 business units, 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 from, or considered as a substitute for, measures reported by SeaDragon in accordance with NZ GAAP. The information contained in this presentation should be considered in conjunction with SeaDragon's latest financial statements and other market announcements, which are available at: <http://www.seadragon.co.nz/#investor>.

## IMPORTANT OMEGA-3 INTAKE INFORMATION:

- Some governments recommend higher intakes than those listed<sup>6</sup>.
- Intakes can be increased significantly without concern for adverse health effects, according to reports from Spherix<sup>7</sup>, EFSA<sup>8</sup>, and Norway's VKM<sup>9</sup>.
- EPA and DHA Omega-3s are only part of the composition of Omega-3 rich oils (e.g. fish, krill, algal, etc).

<sup>1</sup> International Society for the Study of Fatty acids and Lipids (ISSFAL). Report of the subcommittee on recommendations for intake of polyunsaturated fatty acids in healthy adults [internet]; Washington, DC; 2004. Available from [http://www.issfal.org/index.php?option=com\\_content&view=article&id=131:statement-3&catid=20:site-content](http://www.issfal.org/index.php?option=com_content&view=article&id=131:statement-3&catid=20:site-content)

<sup>2</sup> Koletzko B Cetin I Brenna JT for the Perinatal Lipid Intake Working Group (2007). Dietary fat intakes for pregnant and lactating women. Br J Nutr. 98:873-877.

<sup>3</sup> Kris-Etherton PM Harris WS and Appel LJ for the American Heart Association Nutrition Committee (2002). Fish consumption, fish oil, omega-3 fatty acids, and cardiovascular disease [published correction appears in Circulation 2003;107:512]. Circulation 106:2747-2757.

<sup>4</sup> Miller PE Van Elswyk M and Alexander DD (2014). Long-chain omega-3 fatty acids eicosapentaenoic acid and docosahexaenoic acid and blood pressure: a meta-analysis of randomised controlled trials. Am J Hypertens. 27:885-896. <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC4054797/pdf/hpu024.pdf>

<sup>5</sup> Eslick GD Howe PR Smith C Preist R and Bensoussan A (2009). Benefits of fish oil supplementation in hyperlipidemia: a systematic review and meta-analysis. Int J Cardiol. 136:4-16

<sup>6</sup> Global Organisation for EPA and DHA Omega-3s. Global recommendations for EPA and DHA intake. Salt Lake City; 2014. Available from <http://goedomega3.com/files/download/363>

<sup>7</sup> Spherix Consulting, Inc. Hazard characterisation of the long-chain polyunsaturated n-3 fatty acids, DHA. Available from <http://goedomega3.com/files/download/247> Prepared for the Global Organisation for EPA and DHA Omega-3s.

<sup>8</sup> EFSA Panel on Dietetic Products, Nutrition and Allergies (NDA). Scientific opinion on the tolerable upper intake level of eicosapentaenoic acid (EPA), docosahexaenoic acid (DHA) and docosapentaenoic acid (DPA). EFSA Journal [Internet]. 10(7):2815. Available from [http://efsa.europa.eu/sites/default/files/scientific\\_output/files/main\\_documents/2815.pdf](http://efsa.europa.eu/sites/default/files/scientific_output/files/main_documents/2815.pdf)

<sup>9</sup> Norwegian Scientific Committee for Food Safety (VKM). Evaluation of negative and positive health effects of n-3 fatty acids as constituents of food supplements and fortified foods [Internet]. Available from: <http://www.vkm.no/dav/c7a41adb79.pdf>



# SEADRAGON

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## SEADRAGON LIMITED

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