SEADRAGON

RESPONSIBLY PURE

ANNUAL REPORT
2017

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SEADRAGON LIMITED ANNUAL REPORT 2017

SEADRAGON

RESPONSIBLY PURE

SeaDragon is New Zealand's largest refiner and blender of high-quality, internationally-certified Omega fish oils, sourced from fish caught in the clean and pure waters of New Zealand, the South Pacific and other trusted sources around the world.

We have more than 20 years' experience processing fish oils and we are recognised for the quality and purity of our products. We supply nutraceutical and functional food manufacturers to meet the growing demand for pure, high quality, marine-sourced bioactive compounds.

Key HIGHLIGHTS

Financial Year

2017

- New Chief Executive Dr Nevin Amos appointed.
- Announces plans to redevelop legacy Omega-2 facilities into a boutique refinery.
- $10.9 million capital raising provides working capital for growth.
- MASTHEAD LIMITED — Masthead joins the share register as a cornerstone investor.

2016

- Completes construction of a 5,000 tonne per annum Omega-3 fish oil refinery in Nelson.
- COMVITA — Global natural health products company Comvita joins the SeaDragon share register.
- EXIT OMEGA-2 — Announces plans to exit the use of unsustainable raw materials used in Omega-2 processing.

2013

- Lists on the New Zealand stock exchange via the reverse takeover of Claridge Capital and introduces specialist life sciences investor BioScience Managers to its share register and the SeaDragon board.
- TRANSITION TO OMEGA-3 — Announces a plan to transition to Omega-3 rich fish oil markets.

2012 *to* 2004

- OMEGA-2 DSSLO — SeaDragon builds a position in the production and marketing of specialist fish oils including Omega-2 and Deep Sea Shark Liver Oil (DSSLO) for the nutraceutical and functional food industries.
- SEADRAGON RESPONSIBLY PURE — SeaDragon established with the acquisition of SeaDragon Fish Oils.

Chairman and CEO's REPORT

SeaDragon is beginning to see momentum build in its drive into high-value Omega-3 markets.

We were delighted in June 2017 to announce the first significant commercial order for Omega-3 oil from our new refinery. The order for 32,000kg (or two shipping containers) of refined Tuna Omega-3 oil was the culmination of months of product testing by the customer and we believe it is the first of many orders to come over the next few months.

The order also follows significant behind-the-scenes work by the SeaDragon team. Over the last year, they have put in place the necessary supply arrangements, successfully completed audit and supply clearances for several potential customers and regulators and continued to instil the disciplines we believe are necessary to thrive in Omega-3 markets.

We overcame supply constraints in the second half of the financial year when we secured arrangements for up to 1,700,000kg of unrefined Tuna oil for processing through our new refinery. The arrangements, which give us a good mix of product for refining for customers in Europe, South East Asia, Japan, Australia, and New Zealand, include up to 700,000kg of unrefined oil from the Indian Ocean and up to 1,000,000kg from the South Pacific, South East Asia, and South America.

We refined 275,000kg of Omega-3 oil using supply obtained under these and other agreements over the financial year. We remain generally pleased with the quality of the refined product although fine tuning of our refining process continues.

Discussions with prospective customers, which include functional food manufacturers and ingredient suppliers, continue. We have also held encouraging discussions with New Zealand companies over the supply of Salmon oil and Marine Stewardship Council-certified[1] Hoki oils. These discussions give us confidence about our ability to expand our product portfolio.

As we work to drive capacity utilisation in our new refinery and build demand for higher value customised products, we have experienced longer lead times than expected to secure orders.

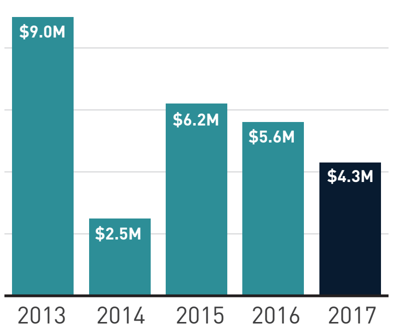
Sales for the year to 31 March 2017 fell 23.3% to $4.3 million from $5.6 million in the prior year. And in line with the guidance we gave in March, our normalised EBITDA loss for the year was $[4.4] million, larger than last year's normalised EBITDA loss of $(0.4) million. Nevertheless, we continue to believe our approach is aligned with shareholders' long-term interests.

Net losses after tax increased to $6.7 millon from $5.5 million a year earlier, principally reflecting the sales at low margin of our legacy Omega-2 stocks, as well as higher interest charges related to bridge financing as the Company undertook its rights issue. Depreciation and amortisation also increased in line with our expanded asset base.

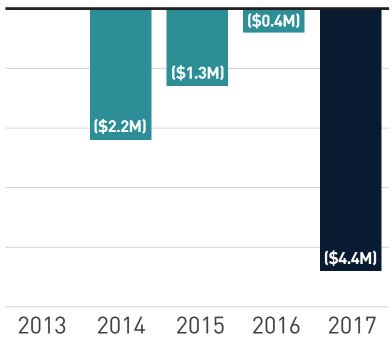
These results belie the significant achievements of the past year.

KEY PERFORMANCE INDICATORS

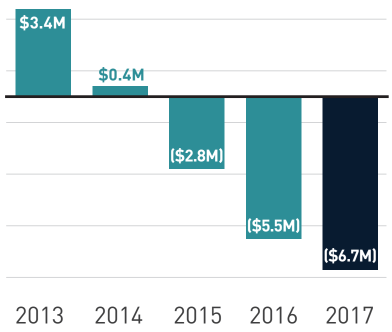
REVENUE



NORMALISED EBITDA LOSS



NET PROFIT (LOSS)



Following the highly-successful rights issue in October 2016, we have significantly improved our financial position.

Following the highly-successful rights issue in October 2016, we have significantly improved our financial position. The rights issue raised $10.9 million to bolster the Company's working capital and provided funds to further invest in our facilities, build a sales pipeline and repay debt.

It also saw Masthead, the investment vehicle of the Christchurch based Stewart family, joining global natural health products company Comvita and investors, BioScience Managers and SDMO Trustee, as cornerstone shareholders. SeaDragon is very fortunate to have the support of such high-calibre investors.

With regards to our going concern, our position has improved significantly from last year, in that we have a sufficient cash runway for the next twelve months, allowing us time to focus upon customer orders.

Cash on hand at the end of March stood at $4.9 million and the Company still has the facility to draw on $1 million of the $3 million convertible loan notes advanced by Comvita to the Company in 2016.

Meanwhile, we have strengthened our management team. Nevin Amos was appointed SeaDragon's new chief executive near the middle of the financial year. He brings to the Company a wealth of experience in adding value to New

[1]The Marine Stewardship Council is the world's leading body for certifying sustainable fisheries.

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 interest, tax, depreciation, impairments and stock options (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	2017 $000	2016 $000
Reported net profit (loss) after tax	**(6,659)**	**(5,523)**
Add back:		
Interest costs (net)	438	226
Impairment to inventory	297	4,263
Depreciation	877	645
Stock Options	497	-
Loss on disposal of assets	144	-
Normalised EBITDA	**(4,406)**	**(389)**

We continue to believe SeaDragon offers its customers and the global market a unique proposition: agile, state-of-the-art fish oil refining capabilities; global supply relationships and the assurance of a reputation for producing high-quality marine-sourced bioactive compounds.

Zealand's primary products in the forestry, food, nutraceutical, natural products, apiary, and fruit industries.

We have appointed a new commercial manager, Tracey Castleton, who after several years working with Comvita, has overhauled our financial reporting and inventory management processes. Thanks to her leadership, the audit for the business has been much faster and smoother than prior years.

Tracey is also driving improvements in information technology and human resources. We have also made several important operational appointments, including a new supply chain manager, Scott Christensen, a new process engineer, Rachini Siriwardene, and a laboratory chemist, Luke Pearce.

The board, supported by management, has refined SeaDragon's strategy. Our immediate goals are to drive capacity utilisation in the new Omega-3 refinery and build demand for higher-value customised products. We also seek to build and maintain a diversity of customers and markets to ensure we are insulated against adverse external supply fluctuations, changes in customer demands and other market trends.

The market for Omega-3 bioactives is evolving from commodity fish oils to highly-differentiated supplements including: concentrated, sustainably-sourced fish oils; Omega-3 concentrates; pharmaceutical-grade Omega-3 ethyl and methyl esters as well as Omega-3 fish oils structured to specific applications.

We are determined to evolve with the market to ensure we are always extracting the highest-value from New Zealand's precious marine resources. This approach is in line with our vision to be recognised by global customers as a valued supplier of unique and sustainably-harvested marine bioactive compounds.

In line with our strategy, the new Omega-3 refinery, which has the capacity to produce up to 5,000 tonnes of refined fish oils each year, is being tasked with meeting the demand for the first generation of Omega-3 bioactives. It will be used to serve customers looking for large volumes of Omega-3 oils sourced from Tuna and Hoki (once available) for use in applications such as functional foods and health supplements.

Our legacy Omega-2 facility is being repurposed to meet the growing demand for differentiated fish-oil derived bioactive compounds. This facility, which we are now designing in consultation with potential customers, including Comvita, will be used to produce small batches of unique oils that will provide customers with the opportunities to exploit lucrative niches in branded Omega-3 and bioactive markets. We have held encouraging discussions with potential customers who may be interested in buying these differentiated products.

The global market for Omega-3 products remains buoyant and we believe offers numerous attractive market categories across a broad range of territories. Each year customers spend an estimated US$31.4 billion[2] on Omega-3 products including functional foods, infant formula, supplements, and pharmaceuticals, according to GOED, the global Omega-3 trade organisation. Global growth for the period from 2015 to 2017 is expected to be around 5.0% a year[2].

We continue to believe SeaDragon offers its customers and the global market a unique proposition: agile, state-of-the-art fish oil refining capabilities; global supply relationships and the assurance of a reputation for producing high-quality marine-sourced bioactive compounds.

We have in summary put in place many of the pieces we believe are required to thrive in Omega-3 markets. And although the outcome for the year is uncertain, we believe success is simply a matter of persistence and time. The board continues to look to the year ahead and beyond with confidence.

Colin Groves
Chairman

Dr Nevin Amos
Chief Executive

[2] GOED 2015 estimate.

Growing our **STRATEGY & PROGRESS**

VISION:

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

STRATEGY:

SeaDragon is determined to drive capacity utilisation in our new fish oil refinery and build demand for higher-value customised products. We also seek to build and maintain a diversity of customers and markets to ensure we are protected against external supply fluctuations and changes in customer demands and other market trends.

CUSTOMERS

We have been refining our Omega-3 fish oils with a focus on our potential customers in Asia, Europe, North America and Australasia.

Negotiations continue and feedback on samples sent have been encouraging.

SUPPLY

We have secured agreements in the second half of the financial year for up to 1,700 tonnes of unrefined tuna oil. These agreements source us a mix of oil for refining for customers in Europe, South East Asia, Japan, Australia and New Zealand.

We are continuing to explore the feasibility of refining hoki oils from New Zealand fishing and salmon from New Zealand aquaculture companies.

TUNA

HOKI

SALMON

FACILITIES

OMEGA-3 REFINERY

Our plant was commissioned in 2016 and offers customers a highly flexible plant with continuous process refining and quick turnaround batch processing runs.

The refinery will be used to serve customers looking for large volumes of (primarily tuna) Omega-3 oils for use in applications such as functional foods and health supplements.

Our refining processes continue to evolve as we better understand our customer and market requirements.

BOUTIQUE REFINERY

SeaDragon is looking to repurpose its legacy Nayland Road Omega-2 facility to become a boutique refinery.

It will produce smaller volumes of specialised and premium fish oil products including single-species sustainably-sourced New Zealand Omega-3 fish oils.

PRODUCTS

We are determined to evolve with the market to ensure we are always extracting the highest-value from New Zealand's precious marine resources.

We are in discussion with prospective customers over future product requirements and are looking at how we can further develop our facilities to meet these needs.

Our facilities have recently achieved Halal certification providing a broader range of sales opportunities.

Cornerstone SHAREHOLDERS

SeaDragon is fortunate to have the support of several high-calibre investors.

MASTHEAD is the investment vehicle of the Christchurch-based Stewart family. The company is a long term investor in a number of companies and has been active in sectors as diverse as plastics, healthcare, and pet nutrition. Masthead, via its subsidiary Pescado Holdings, became a shareholder in 2016 and holds a 19.0% stake[1] in SeaDragon.

BIOSCIENCE MANAGERS is a leading specialist healthcare fund manager, headquartered in Melbourne, Australia. It was established in 2003 as a direct descendant of the Rothschild Bioscience Unit (1987-2000) which was the largest non US specialty biotechnology fund manager globally. The BioScience Managers team brings to SeaDragon experience in more than 170 investments in the healthcare and life science sectors. It has been a SeaDragon investor since 2012 and holds a 16.3% stake[1] in the Company.

SDMO TRUSTEE is the private investment vehicle of SeaDragon Director Stuart Macintosh. Stuart is one of SeaDragon's largest and longest-standing shareholders. He began backing the Company before it was listed on the NZX in 2012. SDMO Trustee holds a 9.7% stake[1].

COMVITA has been a shareholder in SeaDragon since 2015. Over a period spanning four decades Comvita has led the way in showing how New Zealand companies can add value to New Zealand primary products. Through smart marketing, investment in supply chain management, manufacturing and distribution, it has transformed the market for Manuka honey and other New Zealand-sourced natural health products. Comvita holds a 9.1% stake[1] in SeaDragon, but it could lift its holding as high as 22.1%.

[1] These proportional holdings in SeaDragon are subject to change. The company has issued to Comvita an option to subscribe for 375m new shares at $0.008 per share and has agreed to issue up to $3m convertible loan notes that can, at Comvita's election, convert into another 375m shares, being 750m shares in total. Currently the company has issued $2m of the maximum $3m convertible loan notes. If all $3m convertible loan notes are issued and Comvita exercised its rights to convert all 3m loan notes and exercised its option to subscribe for the additional 375m shares, its stake could rise as high as 22.1% (assuming no other securities are issued by the company and no other shareholder exercises any options). Comvita has an additional 410m options that confer rights to subscribe for new shares at $0.015 per share which were issued as part of the 3-for-5 rights offer in October 2015. Further details of these securities are set out on page 11 of this report.

BOARD & MANAGEMENT

INDEPENDENT CHAIRMAN:
COLIN GROVES

Colin is a professional director and investor. He has spent most of the last 25 years as Director of Mergers and Acquisitions at Tetra Laval. He has also held roles at Informix Software, and the US healthcare multinational Johnson & Johnson.

A chartered accountant and former English Colts rugby international, Colin chairs and sits on various boards in both New Zealand and the United Kingdom.

CHIEF EXECUTIVE:
DR NEVIN AMOS

Nevin was formerly the Chief Executive for a Taupo based startup 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. 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 is also a recipient of a New Zealand Prime Minister's business scholarship.

EXECUTIVE TEAM:

DIRECTOR OF SALES:
CAMPBELL BERRY-KILGOUR

COMMERCIAL MANAGER:
TRACEY CASTLETON

DIRECTORS:

RICHARD ALDERTON (INDEPENDENT)

Richard is a former Chief Executive Officer of DeLaval Oceania, the New Zealand and Australian division of the world's largest developer of dairy farming solutions. Richard operates his own high performance change practice and holds a Bachelor of Business Administration and Biochemistry from Aston University. He joined the board in July 2015.

PATRICK GEALS (INDEPENDENT)

Patrick has held several senior roles including Managing Director of Novartis NZ, Global head of Fonterra Health and Nutrition, Director and Chairman of Lactopharma and CEO of the NZ Organic Dairy Farmers Co-operative. Since 2013, Patrick has been working for the Government entity, New Zealand Trade & Enterprise (NZTE). He joined the board in July 2014.

BRETT HEWLETT

Brett is a professional director and consultant. He is a former Chief Executive and now a director of our cornerstone shareholder Comvita, Chairman of the Bay of Plenty's regional development agency Priority One, Chairman of Bluelab Corporation Ltd., Director of Enterprise Angels and a member of the Callaghan Innovation Stakeholder Advisory Group. Brett joined the board in November 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 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.

ALTERNATE DIRECTORS:

JEREMY CURNOCK COOK
Alternate director for Matthew McNamara. He joined the board in October 2012.

MARK SADD
Alternate director for Brett Hewlett. He joined the board in November 2015.

CORPORATE GOVERNANCE

FOR THE YEAR ENDED 31 MARCH 2017

Shareholder Information

As at 17 May 2017

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	6	0.16	1,446	0.00
1,001-5,000	829	23.84	2,217,258	0.05
5,001-10,000	217	6.24	1,777,063	0.04
10,001-50,000	596	17.14	16,573,919	0.37
50,001-100,000	368	10.58	29,398,863	0.65
Greater than 100,000	1,462	42.04	4,463,650,169	98.89
Total	**3,478**	**100.00%**	**4,513,618,718**	**100.00%**

Options issued as part of the rights issue on 2 October 2015 and remaining unexercised as at 31 March 2017

	Number of Holders	%	Options held	%
Options				
1-1,000	1	0.13	120	0.00
1,001-5,000	63	8.43	159,700	0.01
5,001-10,000	38	5.09	279,268	0.02
10,001-50,000	154	20.62	4,384,086	0.35
50,001-100,000	97	12.99	7,137,139	0.58
Greater than 100,000	394	52.74	1,228,914,538	99.04
Total	**747**	**100.00%**	**1,240,874,851**	**100.00%**

An additional option was also issued to Comvita on 18 December 2015 to acquire 375 million shares. Refer to note 10 of the financial statements.

Shareholder Information (continued)

As at 17 May 2017

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

As at 17 May 2017

	Number of ordinary shares	Percentage of ordinary shares
Forsyth Barr Custodians Ltd	904,421,453	20.04
New Zealand Central Securities Depository Limited	746,955,270	16.55
SDMO Trustee Limited	435,388,743	9.65
Comvita Limited	410,987,830	9.11
Longview Te Pirita Limited	99,730,884	2.21
Skylog Limited	75,902,750	1.68
Leveraged Equities Finance Limited	60,795,750	1.35
FNZ Custodians Limited	38,565,668	0.85
Darrell James Crozier	31,552,757	0.70
Lloyd James Christie	30,176,000	0.67
Rodney Henry Wallace	24,344,544	0.54
JBWERE (Nz) Nominees Limited	23,664,505	0.52
Graham Ian Dobbs	23,537,760	0.52
Yun Li	23,165,952	0.51
Tamahere Limited	22,500,000	0.50
Custodial Services Limited	21,466,645	0.48
Hui Ai Adriana Tong & Morlan Tong	20,000,000	0.44
Nicklas William P Willemse	19,500,000	0.43
Welch Securities Limited	16,580,666	0.37
David Wilton Thomas	16,083,333	0.36
Total	**3,045,320,510**	**67.48%**

Directors

During the 12 months ended 31 March 2017

Current	Appointed	Position	Status	Committee membership
Groves, Colin	1 June 2015	Chairman	Independent, Non-executive	Remuneration Audit
Alderton, Richard	27 July 2015		Executive	Remuneration
Geals, Patrick	28 July 2014		Independent, Non-executive	Audit
Hewlett, Brett	2 November 2015		Non-executive	Audit
Macintosh, Stuart	29 June 2015		Non-executive	Remuneration
McNamara, Matthew	15 October 2012		Non-executive	Audit
Curnock-Cook, Jeremy	15 October 2012		Alternate for Matthew McNamara	
Sadd, Mark	2 November 2015		Alternate for Brett Hewlett	

As at 31 March 2017, Richard Alderton, Colin Groves, and Stuart Macintosh were also directors of SeaDragon Marine Oils Limited and Omega 3 New Zealand Limited, and Nevin Amos was a director of SeaDragon Marine Oils Limited. Matthew McNamara and Stephen Bayley resigned as directors of SeaDragon Marine Oils Limited and Omega 3 New Zealand Limited during the year.

Directors Security Holdings

As at 31 March 2017

	Beneficially owned		Held by associated persons	
	31 March 2017	**31 March 2016**	**31 March 2017**	**31 March 2016**
Current				
Groves, Colin	**-**	-	**22,500,000**	18,750,000
Alderton, Richard	**-**	-	**14,062,500**	9,375,000
Geals, Patrick	**1,875,000**	1,250,000	**-**	-
Hewlett, Brett	**-**	-	**410,987,830**	410,987,830
Macintosh, Stuart	**-**	-	**435,388,743**	438,940,043
McNamara, Matthew	**-**	-	**735,264,802**	735,264,802
Curnock-Cook, Jeremy (alternative)	**-**	-	**735,264,802**	735,264,802
Sadd, Mark (alternative)	**-**	-	**410,987,830**	410,987,830

Directors Interest And Remuneration

Details of the nature and the amount of each major element of the remuneration of each Director for the year ended 31 March 2017 is:

Remuneration of Directors	2017 $'000	2016 $'000
Current		
Groves, Colin	50	42
Alderton, Richard	35	18
Geals, Patrick	35	35
Hewlett, Brett	35	15
Macintosh, Stuart	35	26
McNamara, Matthew	35	35
Curnock-Cook, Jeremy (alternate director for Matthew McNamara)	-	18
Sadd, Mark (alternate director for Brett Hewlett)	-	-
Past		
Joyce, Sean, Independent, non-executive (resigned 29 June 2015)	-	12
Preston, Tim, Independent, non-executive (resigned 17 September 2015)	-	12
Wilson, Doug, Chairman, non-executive (resigned 1 June 2015)	-	8
Total	**225**	**221**
Other services		
Groves, Colin	175	36
Alderton, Richard	243	220
Keeley, Ross, Honorary President (resigned 17 Sept 2015)	-	217
Total	**418**	**473**

Other services to directors includes the fair value of share options issued during the year of $161k (2016: nil).
Stephen Bayley, a former director of SeaDragon Marine Oils Limited and Omega 3 New Zealand Limited received nil remuneration in 2017 (2016: nil). Nevin Amos, a current director in SeaDragon Marine Oils Limited received nil remuneration in 2017 (2016: nil).

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 2017:

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

Shares were purchased or sold by Directors of the Company during the year ended 31 March 2017 with regards to the rights offer on 10 October 2016. 40,000,000 share options at $0.010 were issued to select directors during the year under the Company scheme. Refer to note 10.

c) Loans to Directors

There were no loans to Directors during the year ended 31 March 2017.

Remuneration of Employees

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

	Number of employees	
	2017	2016
$100,000 - $109,999	2	1
$110,000 - $119,999	-	2
$150,000 - $159,999	1	-
$160,000 - $169,999	1	1
$170,000 - $189,999	-	1
$190,000 - $239,999	-	1

Auditor

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

Donations

	31 March 2017 $'000	31 March 2016 $'000
Donations	-	-

NZX Waivers

NZX Regulation granted the following waivers to the Company, and the Company relied on such waivers, in the 12 months ending 31 March 2017:

1. **In relation to a supply agreement entered into with shareholder Comvita Limited (Comvita), a waiver from listing rule 9.2.1 on 2 December 2015. This was a waiver to the extent that listing rule 9.2.1 would require the Company to seek shareholder approval to enter into the supply agreement.**

This waiver was provided on the conditions that:

a. the Directors, other than those associated with Comvita, certify to NZX that:

   i. the terms of the supply agreement will be negotiated on an arm's length and commercial basis and will be considered independently of Comvita's interests;

   ii. the Company will not be influenced in its decision to enter into the supply agreement by the interests of Comvita, any director or executive officer of Comvita, or any associated person of any of them; and

   iii. the terms of the supply agreement will be in the best interests of the Company and fair to the Company's shareholders that are not associated with Comvita; and

b. the waiver, its conditions and implications, are disclosed in the Company's annual report for the period it seeks to rely on the waiver.

For full details of the waiver, see https://www.nzx.com/companies/SEA/announcements/274521.

Statements of Corporate Governance

As at 31 March 2017

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. The Board believes its governance structures are consistent with the Financial Markets Authority 's (FMA) Principles for Corporate Governance and the NZX Corporate Governance Code (the FMA Code). This Statement has been structured to report SeaDragon's governance practices against the FMA's nine principles set out in the FMA Code. SeaDragon's 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: ETHICAL STANDARDS

The Board Charter and Code of Ethics 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. The Audit and Risk Committee (AARC) has responsibility for evaluating management's procedures for monitoring compliance with the Code of Ethics.

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 has been 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 Securities 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 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 with the Chair. The Chair of the Board and The Audit and Risk Committee Chair note there have been no financial matters raised in this respect in the 2017 financial year.

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 is responsible for determining high-level health and safety strategy and policies which management is required to implement. The Remuneration and Nomination Committee 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 2017 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 responsibilities are set out in its 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. A minimum of three Directors is required. One third of the Directors are required to retire from office at the annual meeting of the Company but may seek re-election at that meeting.

Profiles of each Director are included on page 7 of the annual report. As at 31 March 2017 no Director had served a term of appointment of greater than 5 years, albeit there is no maximum term per the Board Charter.

As at 31 March 2017, the Board comprised six Directors of whom five are non-executive. Two Directors are considered by the Board to be independent under the NZX Main Board Listing Rules. The SeaDragon Board supports the separation of the role of Chair and Chief Executive Officer (CEO).

The Board has two sub-committees, the Audit and Risk Committee and 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.

Statements of Corporate Governance

As at 31 March 2017

Board and Board committee meeting attendance for the year ended 31 March 2017

	Board		Audit and Risk Committee		Remuneration and Nomination Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Groves, Colin	11	11	6	6	1	1
Alderton, Richard	11	11	n/a	n/a	1	-
Geals, Patrick	11	11	6	4	n/a	n/a
Hewlett, Brett	11	11	6	5	n/a	n/a
Macintosh, Stuart	11	9	n/a	n/a	1	1
McNamara, Matthew	11	11	6	6	n/a	n/a

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

	as at 31 March 2017			as at 31 March 2016		
	Directors	Officers	Employees	Directors	Officers	Employees
Female	0	0	7	0	0	5
Male	6	1	10	6	1	14
Total	6	1	17	6	1	19

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. Ongoing Director education and training is encouraged. A contribution to each Director's costs of education and training for programs approved by the Chair may be made.

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.

The Board's annual work program is set out in the Board Charter. All matters listed were addressed in the 2017 financial year.

The Board evaluates its performance, its processes and procedures annually. A review of each Director's performance and the performance of the Board as a whole was undertaken in the 2017 financial year using the process set out in the Board Charter. Minor changes were made to Board operating procedures.

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 2017 financial year.

Diversity

While SeaDragon does not have a formal diversity policy it 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.

Statements of Corporate Governance

As at 31 March 2017

PRINCIPLE 3: BOARD COMMITTEES

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

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

The AARC has a clear line of communication with the independent external auditors and the finance team. The Committee meets at least twice a year and meets at least annually with the auditor without management present. These requirements were met in the 2017 financial year with 6 meetings being held, some of which included a Director only meeting with the external auditor.

The AARC must have a minimum of three members, 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 Committee must have an accounting or financial background as that term is described in the NZX Main Board Listing Rules and, as a group, the Committee must be structured to have the skills, experience and knowledge to fulfil its purpose and responsibilities. The members of the Committee are Matthew McNamara (Chair), Brett Hewlett, Colin Groves and Patrick Geals. The members' qualifications and background are set out on page 7 of this Annual Report. The CEO and Commercial Manager attend all meetings.

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

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

The members of the RANC are Stuart Macintosh (Chair), Colin Groves and Richard Alderton. Mr Groves is an Independent Director. The RANC must meet at least twice a year. This requirement was not met in the 2017 financial year with one meeting being held.

PRINCIPLE 4: REPORTING AND DISCLOSURE

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 committee's Charter is available on the Website.

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 2017 financial statements.

Disclosure

The Board is committed to keeping a fully informed market through meeting the obligations imposed under SeaDragon's NZX Main Board listing and regulations, including the Financial Markets Conduct Act.

The Company provides all shareholders, analysts, media and other interested parties with equal and timely access to material information. SeaDragon seeks to make disclosures in a clear and balanced way. 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 Commercial Manager is responsible for the day to day management of meeting these obligations. Drafts of proposed disclosures are provided by the Commercial Manager to the Board and the CEO for input and approval.

Statements of Corporate Governance

As at 31 March 2017

Directors consider at the end of each Board meeting whether there is any material information that should be disclosed to the market.

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 13. The fees paid are considered reasonable compensation for the work undertaken and are the only remuneration paid to non-executive directors.

Non-executive members may be paid additional fees for chairing a Board committee or for special service. The Chair's fee is generally 143% of the fee paid to non-executive Directors. Directors may be reimbursed for expenses incurred in performing their duties. A performance-based equity compensation plan is not offered and no retirement payments are paid to Directors.

Directors are encouraged to own a minimum of $5,000 of the Company's shares. Directors may purchase shares in compliance with the operation of the Company's "Securities Trading Policy and Guidelines". Information on Directors' shareholdings and remuneration is set out on pages 12 and 13.

The CEO's remuneration and performance is reviewed each year by the RANC together with remuneration of the CEO's direct reports.

Management remuneration information is set out on page 14.

PRINCIPLE 6: RISK MANAGEMENT

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

The CEO is responsible for reporting any material risks or breakdowns in the risk management framework to the AARC. There were no matters reported in the 2017 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.

All Directors and senior executives are required to comply with the Company's Securities Trading Policy and Guidelines, a copy of which is available on the Website.

PRINCIPLE 7: AUDITORS

Oversight of the Company's external audit arrangements is the responsibility of the AARC. The Committee's functions in relation to the auditors are set out in the AARC Charter and include recommending the appointment and removal of external and internal auditors, reviewing the annual audit plans, 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 and management to ensure there is no actual or perceived threat to independence in accordance with the Charter. Additional services were provided by the external auditor in the 2017 financial year.

External audit services are provided by PricewaterhouseCoopers.

Statements of Corporate Governance

As at 31 March 2017

PRINCIPLE 8: SHAREHOLDER RELATIONS

A program of clear, meaningful and timely communications with shareholders is centred around a comprehensive set of information being available. This information includes making available to shareholders a copy of SeaDragon's interim and annual reports and ensuring the Website contains Investor-related information including NZX releases, corporate news releases, shareholder reports, shareholder newsletters and a broad set of customer and product-focussed information. The corporate governance policies are also available on the Website.

Shareholders who have provided SeaDragon or its share registrar with an email address will be sent annual and half year reports electronically unless they expressly opt to receive hard copy reports.

SeaDragon's investor relations program is aimed at building understanding and appropriate measurement of the Company's performance among investors and analysts through:

- dialogue with management;
- briefings for results and announcements that allow analysts to ask questions of management;
- visits to operations; and
- opportunities to meet with Directors.

The Company's objective with shareholder meetings is to ensure a high level of accountability for the Company's strategies and goals. Shareholders are offered the opportunity to ask questions of the Board during the meeting. Senior management, legal advisors and auditors will attend and may be asked to assist in answering questions raised by shareholders. At the conclusion of the meeting there will be an opportunity for shareholders to meet with Directors and senior management to informally discuss matters of interest.

PRINCIPLE 9: STAKEHOLDER INTERESTS

SeaDragon's Board recognises it has relationships with and obligations to groups including employees, customers, creditors, suppliers and the local and wider community. Legal obligations and relevant social, ethical, and environmental factors need to be taken into account when considering the interests of these stakeholders.

The Board seeks to balance the interests of shareholders with the interests of other stakeholders, as appropriate.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

Independent Auditor's Report

To the shareholders of SeaDragon Limited

What we have audited

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 March 2017;
- 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 financial statements, which include significant accounting policies.

Our qualified opinion

In our opinion, except for the possible effects of the matter described in the *Basis for qualified opinion* section of our report, the consolidated financial statements of SeaDragon Limited (the Company), including its subsidiaries (together the Group), present fairly, in all material respects, the financial position of the Group as at 31 March 2017, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for qualified opinion

The Group has property, plant and equipment with a carrying value of $12,243,000 recognised in the consolidated statement of financial position as at 31 March 2017. We refer to note 3e)iv) within the Statements of Accounting Policies section of the financial statements that discloses the Director's assessment of the recoverable value of the property, plant and equipment. In assessing the recoverable value, the Directors have performed a value in use calculation which includes key assumptions over expected future revenues and expenses. At the time of our audit we were unable to obtain sufficient appropriate audit evidence to support the reported carrying amount of the property, plant and equipment and, consequently, determine whether any adjustments to the carrying value of the specified assets was necessary as at 31 March 2017.

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

With the exception of the matter referred to above we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 areas of tax compliance services including filing of income tax returns, and taxation advisory services relating to shareholder continuity. The provision of these other services has not impaired our independence as auditor of the Group.

Material uncertainty related to going concern

Without modifying our opinion, we draw attention to Note 2e) of the Statements of Accounting Policies within the consolidated financial statements, which indicates that the Group incurred a net loss of $6,659,000 (2016: $5,523,000) and operating cash outflow of $3,882,000 (2016: $3,342,000) during the year ended 31 March 2017. The cash balance at 31 March 2017 was $4,929,000 (2016: $195,000).

The Group's ability to continue as a going concern for the foreseeable future is dependent on its ability to fund operations until such time as it can secure sufficient cash flows from sales. If the Group is unable to secure sufficient cash flows from sales over the next 12 month period, or it cannot execute other plans to reduce costs, cash reserves could reduce to a level where the Group is unable to meet its obligations as they fall due. Note 2e) within the Statements of Accounting Policies provides details of the Directors response to ensuring the Group is able to meet operating cash flow needs for at least the 12 months from the date of these financial statements. As stated in note 2e), these conditions, along with other matters as set forth in note 2e), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Our audit approach

Overview

An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

Overall group materiality: $167,000, which represents 1% of net assets.

We chose net assets as the benchmark because, in our view, the Group is in an investment phase and net assets is therefore the most appropriate benchmark. It is also a generally accepted benchmark.

Our key audit matters are:

- Valuation of inventory
- Accounting for convertible loan note and associated extension of options issued to Comvita Limited.

Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the consolidated financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of inventory The Group held inventory of $1,943,000 at 31 March 2017. Inventory is measured at the lower of cost and net realisable value (NRV). This requires management to exercise significant judgment in determining both the cost of work in progress (WIP) and finished goods and the NRV of inventory on hand at balance date. Upon initial recognition, management measures inventory at cost. For work in progress and finished goods (Omega-2 and Omega-3 fish oil), cost is based on a bill of materials that includes an allocation of the costs, including labour and overhead, to convert raw materials into finished goods. A standard costing method is used to allocate the conversion costs based upon normal production levels. The Omega-2 refinery did not operate at full capacity during the period. Additionally, the Refined Fish Oil (Omega-3) factory was newly commissioned and did not operate at full capacity throughout the year. Judgment was therefore required to estimate the level of normal production capacity of both refineries in order to appropriately allocate overhead costs to inventory produced. Of the total inventory balance, $596,000 was measured at NRV at balance date. The level of judgment involved in this measurement was assessed to be heightened given the volatility in sale prices and the associated impact that this volatility has on NRV. Measurement at NRV also included an estimation of the cost to complete for WIP and raw materials. This estimation is also impacted by the judgment over normal production levels as explained above. Refer to section 3t)ii in the Statements of Accounting Policies section and note 7 of the consolidated financial statements for disclosures relating to inventory.	We understood and evaluated the Group's processes and procedures, including controls, relating to inventory costing and the calculation of NRV. *Cost* For a sample of inventory Stock Keeping Units (SKUs) we tested cost by agreeing raw material inputs to supplier invoices. For overhead absorption rates we agreed a sample of external inputs, such as utility costs, to supplier invoices. Labour costs were agreed, on a sample basis, to underlying wage and salary records. Additionally, we assessed management's estimation of normal operating capacity by comparing it to production levels detailed within the budget for the year ending 31 March 2018. *Net realisable value* We tested management's assessment of the NRV of all material inventory SKUs by comparing estimated NRV to recent sales price history, signed purchase orders for future sales, or other support that provided reliable evidence of the external market price for similar inventory SKUs, including corroborating expected sales prices with the Director of Sales. In assessing management's calculation of the NRV of work in progress and raw materials, we tested the estimated costs of conversion, ensuring overheads were allocated using the same assumptions as were used for calculating inventory cost. The physical condition of inventory can also impact upon the NRV. To challenge the assertions made by management with respect to inventory quality we engaged external specialists to assess whether a tested sample of oil SKUs were consistent with the description noted in the inventory records (for example, the percentage level of squalene within finished good products). We compared the results to those recorded by management. No material differences were identified. There were no material inconsistencies between the assumptions made by management and the results of our procedures with respect to inventory costing and NRV calculations.
Accounting for convertible note and associated extension of share options issued to Comvita Limited During the period the Group issued a $3 million convertible note to Comvita Limited (Comvita), a cornerstone shareholder. Associated with the issuance of the note, the maturity date of options previously granted to Comvita were extended to align with that of the convertible note.	*Classification of the convertible note* We assessed management's consideration of the accounting classification of the convertible note by reading the convertible note agreement ("the Agreement"). The Group's obligation to pay cash for principal and interest charged if the note is not converted by Comvita represents a financial liability. The granting to Comvita of a right to convert the fixed principal amount into a fixed number of SeaDragon shares represents an equity instrument.

pwc

Key audit matter	How our audit addressed the key audit matter
The valuation and classification of the convertible note as a compound financial instrument is a significant judgment made by management. Additionally, judgment was applied to determine whether the cost associated with the extension of the maturity date of the share options met the criteria to be accounted for as a transaction cost. This judgment meant that the increase ($254,000) in the fair value of the options granted when extending the term of the options was recognised as a reduction of the financial liability, and will be amortised to profit or loss over the term of the convertible note. Judgment was also applied to calculating the value of the option extension. This involved significant judgment in determining the value of key inputs, share price volatility and risk free rate to be applied. Refer to section 3t)iii in the Statements of Accounting Policies section and note 8 of the consolidated financial statements for disclosure relating to the convertible note and associated options extension. The carrying value of the liability portion of the note is $1,429,000. The equity portion is $276,000 being the residual value between consideration and the debt component.	We agreed with management's assessment that the instrument was a compound financial instrument. *Valuation of the convertible note* Management assessed that the fair value of the note was the consideration received for the note. In assessing the reasonableness of management's valuation we have obtained a separate independent appraisal report prepared for shareholders of the Company which valued the notes at a higher value than management. We utilised an internal valuation expert to assess the reasonableness of management's and the independent appraiser's valuations. We made adjustments to the independent appraiser's valuation to reflect, among others, the potential impact of the conversion upon the Company's share price. Based on these procedures the calculations made by management were within an acceptable range and were consistent with our expert's findings. *Classification of the options extension* We examined management's assessment of the classification of the cost of the options extension as a transaction cost of issuing the convertible note. We read and considered the terms detailed within the options extension agreement and considered the requirements of the accounting standard. The details contained in these documents supported the recognition of the option extension as a transaction cost. *Valuation of the options extension* We tested the significant inputs to the model used to value the options extension, comparing the share price volatility used to historic movements in the Group's share price and using a valuation expert to verify the reasonableness of the risk free rate applied and the appropriateness and mathematical accuracy of the model. We have assessed the reasonableness of the risk free rate utilised in management's calculation by comparison to external published rates. The calculations made by management were within an acceptable range and were consistent with our expert's findings.

Information other than the consolidated financial statements and auditor's report

The Directors are responsible for the other information. The other information comprises the Directors' report and General Information. Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion on the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page1.aspx

This description forms part of our auditor's report.

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
29 June 2017

Wellington

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2017

	Note	2017 $'000	2016 $'000
Revenue	1	4,331	5,585
Cost of sales		(6,549)	(4,278)
Impairment of inventory		(297)	(4,263)
Gross loss		**(2,515)**	**(2,956)**
Other gains/losses from foreign exchange		15	121
Other income	1	-	175
Other expenses	1	(3,721)	(2,637)
Operating loss		**(6,221)**	**(5,297)**
Finance income - interest income		51	-
Finance expense - interest on borrowings		(489)	(226)
Loss before income tax		**(6,659)**	**(5,523)**
Income tax expense	2	-	-
Total comprehensive loss for the year attributable to the owners of the Company		**(6,659)**	**(5,523)**
Loss per share	4		
Basic loss per share (cents per share)		(0.18)	(0.22)
Diluted loss per share (cents per share)		(0.18)	(0.22)

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 2017

	Issued capital $'00	Accumulated loss $'000	Share options reserve $'000	Total Equity $'000
Balance at 31 March 2015	**25,719**	**(17,879)**	**98**	**7,938**
Total comprehensive loss for the year				
Total comprehensive loss for the year attributable to the owners of the Company	-	(5,523)	-	(5,523)
Total comprehensive loss for the year	**-**	**(5,523)**	**-**	**(5,523)**
Transactions with owners				
Issue of share capital	10,244	-	-	10,244
Transaction costs	(2,322)	-	-	(2,322)
Recognition of share-based payments	-	-	1,303	1,303
Balance at 31 March 2016	**33,641**	**(23,402)**	**1,401**	**11,640**
Total comprehensive loss for the year				
Total comprehensive loss for the year attributable to the owners of the Company	-	(6,659)	-	(6,659)
Total comprehensive loss for the year	**-**	**(6,659)**	**-**	**(6,659)**
Transactions with owners				
Issue of share capital	10,938	-	-	10,938
Transaction costs	(203)	-	-	(203)
Equity portion of convertible loan note	276	-	-	276
Recognition of share-based payments	-	-	750	750
Balance at 31 March 2017	**44,652**	**(30,061)**	**2,151**	**16,742**

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 2017

	Note	2017 $'000	2016 $'000
Assets			
Property, plant and equipment	5	12,243	13,127
Other receivable		75	75
Total non-current assets		**12,318**	**13,202**
Cash and cash equivalents		4,929	195
Trade and other receivables	6	325	685
Inventories	7	1,943	2,970
Derivative financial assets		-	35
Total current assets		**7,197**	**3,885**
Total assets		**19,515**	**17,087**
Equity and liabilities Equity			
Issued Capital	3	44,652	33,641
Reserves		(27,910)	(22,001)
Total equity attributable to holders		**16,742**	**11,640**
Liabilities			
Trade and other payables	11	1,096	1,333
Convertible loan	8	1,429	-
Loans and borrowings	8	-	3,874
Total current liabilities		**2,525**	**5,207**
Asset retirement obligations	5	248	240
Total non-current liabilities		**248**	**240**
Total liabilities		**2,773**	**5,447**
Total equity and liabilities		**19,515**	**17,087**

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 2017

	2017 $'000	2016 $'000
Operating activities		
Receipts from customers	4,536	7,211
Payments to suppliers and employees	(8,104)	(10,446)
Interest received	34	-
Interest paid	(348)	(123)
Taxes received / (paid)	-	16
Net cash flows used in operating activities	**(3,882)**	**(3,342)**
Investing activities		
Purchase of property, plant and equipment	(138)	(6,890)
Net cash flows used in investing activities	**(138)**	**(6,890)**
Financing activities		
Proceeds from issue of share capital	10,784	7,641
Proceeds from issue of convertible notes	2,000	2,500
Transaction costs of issue of shares	(156)	(1,019)
Net cash flows from financing activities	**12,628**	**9,122**
Net increase (decrease) in cash and cash equivalents	**8,608**	**(1,110)**
Cash and cash equivalents at beginning of period	**(3,679)**	**(2,569)**
Cash and cash equivalents at end of period	**4,929**	**(3,679)**
Made up as follows		
Cash and cash equivalents	4,929	195
Loans and borrowings	-	(3,874)
Total cash and cash equivalents at end of period	**4,929**	**(3,679)**

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 2017

Reconciliation of net deficit with cash flows from operating activities	**2017 $'000**	**2016 $'000**
Total loss for the year	**(6,659)**	**(5,523)**
Adjustments for:		
Depreciation of property, plant and equipment	877	645
Fixed assets written off	144	-
Impairment of inventory	297	4,263
Non-cash interest income	(17)	-
Non-cash interest expense	141	103
Reversal of impaired receivable	-	(125)
Bad debt written off	125	-
Stock options	497	-
Unwind of discount rate	8	-
Impact of changes in working capital items:		
(Increase) decrease in trade and other receivables	250	2,296
(Increase) decrease in inventories	730	(5,210)
(Increase) decrease in derivative financial assets liabilities	35	(54)
(Increase) decrease in current tax assets	-	16
Increase (decrease) in trade and other payables	(310)	247
Net cash flows used in operating activities	**(3,882)**	**(3,342)**

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

Statements of Accounting Policies

For the year ended 31 March 2017

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 financial statements of the Company as at and for the year ended 31 March 2017 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 a FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013.

The 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 financial statements were approved by the Board of Directors on 29 June 2017.

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 Company's functional currency.

All financial information presented has been rounded to the nearest thousand dollars and is in NZD being the presentation currency.

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 meaning the Group has the intention to continue its business for the foreseeable future, without the need to significantly curtail activity.

In October 2016 the Group successfully raised $10,938k from existing and new shareholders through a pro rata 1 for 2 rights offer and book build. The Company secured a $3 million convertible note with Comvita Limited in May 2016 of which $2 million has been drawn down as at 31 March 2017.

As at 31 March 2017 the Group has net cash of $4,929k (2016: $3,679k net borrowings) and operating cash out flows of $3,882k (2016: $3,342k).

The Group incurred a loss for the year of $6,659k (2016: Loss $5,523k). This loss was the result of a prolonged period of minimal sales whilst the transition of business from Omega 2 to Omega 3 occurred.

Directors' released in March 2017 an updated strategy overview setting out the Company's strategic focus on Omega-3 markets going forward. With the successful completion of the Omega-3 refinery and the securing of tuna supply agreements the Group is well positioned to execute its strategy however sales agreements are not yet secure and therefore material uncertainty still exists. As the Group secures new Omega-3 sales agreements the uncertainty around achievement of the future forecasts will reduce.

With operating costs being predominately non-variable in nature the Directors have considered options to reduce the minimum viable operating costs in the event of a delay in or reduction in volume of forecast sales. The Directors believe that these options are feasible, able to be implemented in a short time frame and would not significantly reduce the Company's ability to continue to operate or require it to significantly curtail operations. The Group is also able to call upon the additional $1m in funding from Comvita if necessary.

Statements of Accounting Policies (continued)

For the year ended 31 March 2017

Despite the material uncertainties noted, the Directors are of the view that the underlying assumptions in forecasting the performance and cash flows of the Group for the next year are reasonable and the going concern basis is appropriate.

3. Significant accounting policies

The principal accounting policies set out below have been applied consistently to all periods presented in these financial statements. These policies have been applied consistently by Group entities.

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, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation, in which case exchange differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve along with the exchange differences arising on the retranslation of the foreign operation.

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

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through profit or loss

This category includes derivative financial assets. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of balance date.

Financial assets at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets at fair value through profit or loss are subsequently carried at fair value with changes in fair value recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. Loans and receivables are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and subsequently carried at amortised cost using the effective interest method. They are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current assets.

The Group's loans and receivables comprise 'trade and other receivables', 'cash and cash equivalents' and 'other receivable' in the Statement of Financial Position.

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 Statement of Financial Position.

Statements of Accounting Policies (continued)

For the year ended 31 March 2017

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

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 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 profit or loss on a straight-line 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 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 2017 using discounted cash flows on a value in use basis. These cash flows have been based on Managements' forecast for the next financial year, which has been extended for a further four years forecast period and assumes significant growth over this period reflecting the ramp up of Omega-3 production following the commissioning of the factory and the anticipated securing of future sales orders. Management has needed to exercise significant judgement in the absence of confirmed long term sales contracts and limited historic sales data of Omega-3 product. Sales have been forecast based on the expectation that the Company will operate at close to full operating capacity by the end of this period. Gross Margins are expected to grow with any increase in material costs offset by production efficiencies. Operating costs are anticipated to increase by 5% each year.

These forecast cash flows were then discounted to present value using a discount rate of 15%. On the basis of this value in use calculation Management and the

Statements of Accounting Policies (continued)

For the year ended 31 March 2017

Directors believe the carrying value of the Company's PP&E is supported and no impairment exists.

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

10% decrease in annual sales growth in both the budget and forecast periods	($6,405,784)
5% decrease in margin	($5,790,878)

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.

Finished goods and work in progress: Cost of direct materials and labour and a proportion of manufacturing 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 property 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 the consolidated statement of comprehensive income 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 the consolidated statement of comprehensive income 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 the 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

Statements of Accounting Policies (continued)

For the year ended 31 March 2017

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.

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, 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 exercised 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 Statement of Profit and Loss and Other Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity have been prepared so that all components are stated exclusive of GST. All items in the 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 is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts, volume rebates and GST. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. Usually transfer occurs when the product is delivered to the customer's warehouse; however, for some international shipments transfer occurs on loading the goods onto the relevant carrier at the port.

Revenue is also generated from toll processing and is recognised in the month processed.

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

Statements of Accounting Policies (continued)

For the year ended 31 March 2017

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 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, management has determined that the Group itself forms a single operating segment.

Revenues of $2.9m (2016; $4.3m) are derived from two (2016: three) external customers which individually make up more than 10% of total revenues.

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 2 (amendments): Classification and Measurement of Share-Based Payment Transactions (Effective date: periods beginning on or after 1 January 2019). The amendment requires the Group to account for:

- The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- Share-based payment transactions with a net settlement feature for withholding tax obligations; and
- A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Group intends to adopt NZ IFRS 2 effective from 1 April 2019 and has yet to assess its full impact but this is not expected to be material.

» NZ IFRS 9, Financial Instruments (Effective date: periods beginning on or after 1 January 2018), addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the guidance in NZ IAS 39 Financial Instruments - Recognition and Measurement. The Group intends to adopt NZ IFRS 9 effective from 1 April 2018 and has yet to assess its full impact although given the low level of financial assets held does not expect the impact of applying the standard to be material

» NZ IFRS 15: Revenue from contracts with customers (Effective date: periods beginning on or after 1 January 2018) deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The Group intends to adopt NZ IFRS 15 effective from 1 April 2018 and has yet to assess its full impact.

» 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; however, this exemption can only be applied by lessees. The Group intends to adopt NZ IFRS 16 effective from 1 April 2019 and has yet to assess its full

Statements of Accounting Policies (continued)

For the year ended 31 March 2017

impact. The Group's lease commitments substantially relate to property hence expect the adoption of NZ IFRS 16 to be straight forward with minimal changes to existing systems and processes. Detailed assessment of the impact has yet to occur.

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 that have been issued that management have assessed as either not being applicable or unlikely to have an impact on the Group accounts.

t) 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. Given recent volatility in sales volumes and prices, particularly those denoted in US dollars, these estimates include significant management judgement and inherent uncertainties. Refer to note 7.

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	($46,604)
10% decrease in sales price	$91,088

The table below summarises the impact that a movement in USD exchange rate would have.

Percentage change	**Increase/(decrease) in inventory impairment charge recognised in profit or loss**
5% increase in USD NZD FX rate	$38,317
5% decrease in USD NZD FX rate	($31,765)

In determining the cost of inventories management allocate overheads and other indirect costs based on the 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

On 31st May 2016 the Company issued 1,500,000 convertible loan notes to Comvita Limited as consideration for an advance of $1,500,000. A further 500,000 were issued on the 24th August 2016 in consideration for an advance of $500,000. Management has exercised judgment in respect of the accounting treatment of the convertible loan notes issued to Comvita and have 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 Company can draw down the remaining $1m tranche of this loan at any time before maturity. Comvita can convert the notes to equity at any point, or can demand repayment in the event of the Company's default.

Management has also exercised judgment in respect to the accounting treatment of the fair value of the cost of extending the options issued to Comvita. The term of options issued to Comvita on 17th December 2015 were extended as a condition of securing the convertible loan note funding. Management has assessed that this transaction meets the definition of a transaction cost. Transaction costs are accounted for as a deduction to the fair value of the component to which they relate to the extent that they are incremental and directly attributable to the transaction. The transaction costs recognised against the debt component form part of the effective interest rate calculation and are recognised in profit or loss over the term of the note.

Notes to the Financial Statements

For the year ended 31 March 2017

1. REVENUE AND EXPENDITURE

	Note	2017 $'000	2016 $'000
Revenue includes:			
Sale of goods		4,273	5,468
Rendering of services		58	117
Total revenue		**4,331**	**5,585**
Other income includes:			
Grants received		-	50
Reversal of doubtful debt		-	125
Other expenses and cost of sales includes:			
Auditors' remuneration (see below)		161	223
Impairment of trade receivables		125	-
Depreciation expense[1]	5	877	645
Directors' fees	14	225	221
Rental & operating lease expense		614	399
Personnel expense[2]		1,648	1,526
Contributions to defined contribution plans		38	39

AUDITORS' REMUNERATION

The auditor for SeaDragon Limited is PricewaterhouseCoopers (2016: PwC)

	2017 $'000	2016 $'000
Fees to PricewaterhouseCoopers for:		
Audit of financial statements	145	104
Tax compliance services	16	12
Secondment of an individual prior to auditor appointment to assist with preparation of investor information for capital raise	-	104
Fees to other auditors for:		
Audit of share register	-	3
Total auditors' renumeration	**161**	**223**

[1] Of the depreciation expense, $845k (2016: $611k) has been recognized as part of cost of sales in profit or loss.

[2] In the prior year $165k (2017: $nil) of personnel expense were capitalised. The prior year comparative for personnel expense has been restated from $1,137k to correct miscoding.

Notes to the Financial Statements

For the year ended 31 March 2017

2. INCOME TAX

	2017 $'000	2016 $'000
Reconciliation of effective tax rate:		
Total loss for the year	(6,659)	(5,523)
Current domestic tax rate (cents in the dollar)	0.28	0.28
Income tax using the domestic tax rate	1,864	1,546
Other permanent differences	6	-
Prior period adjustment	-	-
Current losses where no deferred tax asset was recognized	(1,870)	(1,546)
Total income tax benefit / (expenses)	**-**	**-**

The Company has imputation credits at 31 March 2017 of $17k (2016 $48k).

Deferred tax assets

The Group has unrecognised tax losses of $16,198,000 to be carried forward and available for offset against future assessable income (2016: $10,013,186). The tax losses carried forward for the current year includes corrections from prior years. 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 2017

3. SHARE CAPITAL

	Number of ordinary shares	Issue price (cents)	$'000
Balance at 31 March 2015	**1,876,904,194**		**25,719**
1,251,142,517 rights shares issued	1,251,142,517	0.8000	10,009
10,267,666 options exercised	10,267,666	1.5000	155
8,000,000 options exercised	8,000,000	1.0000	80
Transaction costs			(2,322)
Balance 31 March 2016	**3,146,314,377**		**33,641**
1,367,304,341 rights shares issued	1,367,304,341	0.8000	10,938
Transaction costs			(203)
Equity portion of convertible loan note			276
Balance 31 March 2017	**4,513,618,718**		**44,652**

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 are ranked equally on the winding up of the Company.

1. Comvita share option

In the prior year the Company granted Comvita an option to acquire 375,000,000 ordinary shares at a price of $0.008 per share resulting in an aggregate subscription price of $3 million. The options were allotted on 17 December 2015 and may only be exercised in full. During the year the option expiry date was extended from 1 October 2017 to 28 September 2018. This was approved by shareholders on 31 August 2016. An independent appraisal was sought in order for the shareholders to approve the issue of the option and shares to Comvita. As at 31 March 2017 these options had not been exercised. Refer to Statement of Accounting Policies, note 3 for additional information.

2. Comvita Convertible notes

Comvita has agreed to advance up to $3 million via the issue of convertible loan notes at $1 per note to assist the Company's transition to the Omega-3 market. As at 31 March 2017, the Company drew down $2 million from the convertible loan and issued 2,000,000 convertible loan notes (convertible to ordinary shares at $0.008 per share) to Comvita. The convertible loan notes can be converted any time before 28 September 2018. The Company has the option to redeem any convertible loan note at any time before maturity, unless a conversion notice has been issued by Comvita. The Company has considered the terms of the agreement and has assessed that the transaction is a compound financial instrument and possesses both debt and equity characteristics. Refer to note 8 for further details.

Notes to the Financial Statements

For the year ended 31 March 2017

4. LOSS PER SHARE

	2017 $'000	2016 $'000
Basic loss per share		
Numerator – loss attributable to shareholders	(6,659)	(5,523)
Denominator – weighted average ordinary shares	3,764,410,860	2,511,609,286
Basic loss per share (cents per share)	**(0.18)**	**(0.22)**

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

5. PROPERTY, PLANT AND EQUIPMENT

	Computer, Office, Plant and equipment	Work in progress	Total $'000
Cost			
Balance at 1 April 2015	**4,113**	**3,913**	**8,026**
Additions	7,131	-	7,131
Transfers from WIP to PPE	3,913	(3,913)	-
Balance at 31 March 2016	**15,157**	**-**	**15,157**
Additions	233	12	245
Disposals	(493)	-	(493)
Balance at 31 March 2017	**14,897**	**12**	**14,909**

Notes to the Financial Statements

For the year ended 31 March 2017

5. PROPERTY, PLANT AND EQUIPMENT (continued)

	Computer, Office, Plant and equipment	Work in progress	Total $'000
Depreciation			
Balance at 1 April 2015	**1,385**	**-**	**1,385**
Depreciation for the year	645	-	645
Disposals	-	-	-
Balance at 31 March 2016	**2,030**	**-**	**2,030**
Depreciation for the year	877	-	877
Disposals	(241)	-	(241)
Balance at 31 March 2017	**2,666**	**-**	**2,666**
Carrying amounts			
Balance at 1 April 2015	2,728	3,913	6,641
Balance at 31 March 2016	13,127	-	13,127
Balance at 31 March 2017	12,231	12	12,243

Borrowing costs of $nil (2016: $125,297) were capitalised during the year.

The property plant and equipment balance includes an asset retirement provision asset of $248k (2016; $240k) which represents the present value of the estimated costs for the restoration of the leased refinery property at the termination of the lease in 2037.

6. TRADE AND OTHER RECEIVABLES

	2017 $'000	2016 $'000
Trade receivables	118	197
Sundry debtor	19	49
GST receivable	103	86
Prepayments	85	353
Total	**325**	**685**

Notes to the Financial Statements

For the year ended 31 March 2017

7. INVENTORIES

	2017 $'000	2016 $'000
Raw materials and consumables	541	874
Work in progress	854	470
Finished goods	548	1,626
Total	**1,943**	**2,970**

During 2017 inventory was impaired by $297k (2016: $4,263k) and recognised in the loss for the year.

At 31 March 2017, $596k of inventory was carried at net realisable value (2016: $2,575k).

8. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, refer note 13: Financial Instruments.

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

			2017		2016	
	Nominal interest rate %	Year of maturity	Face Value	Carrying amount $'000	Face Value	Carrying amount $'000
Overdraft	7.95%	At call	-	-	3,874	3,874
Convertible Loan Note	7.95%	28 Sept 2018	2,000	1,429	-	-
Total interest-bearing liabilities			**2,000**	**1,429**	**3,874**	**3,874**

Convertible Loan Note

In May 2016 the Company granted Comvita a $3,000,000 convertible loan note. As at 31 March 2017 $2,000,000 has been drawn down and 2,000,000 notes issued. The loan matures on 28 September 2018 at its total face value unless the loan has been converted to equity or redeemed early. The loan can be converted into ordinary shares in full at any time by Comvita, at $0.008 per share, unless a redemption notice has been issued by SeaDragon.

The amortised cost of this liability as at 31 March 2017 is $1,429k after adjusting for associated transaction costs and implied market interest rates. The equity component ($276k) of the note was recognised in equity.

Notes to the Financial Statements

For the year ended 31 March 2017

8. LOANS AND BORROWINGS (continued)

Integral to the Company's access to the additional funding, the Company extended the maturity date of options issued to Comvita in the prior period by 12 months. The fair value of the modification of the option term was valued using the Black Scholes model with the following inputs:

Exercise price	31/08/2016	$0.008
Share price	31/08/2016	$0.008
Expected volatility		50%
Option life from date of extension		2 years
Risk free interest rate	31/08/2016	2.50%

Due to the relatively thin trading volumes of the Company's shares, there is not sufficient data available to accurately calculate a volatility rate for the model. A set rate of 50% has been used. This rate reflects the volatility of comparable companies.

The portion of these transaction costs that relate to the 1,000,000 convertible loan notes still available to be issued have been recognised as a prepaid finance charge.

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 2017**	**31 March 2016**
Omega 3 New Zealand Limited	New Zealand	Non Trading	**100.0%**	100.0%
SeaDragon Marine Oils Limited	New Zealand	Marine Oil Blenders	**100.0%**	100.0%

Notes to the Financial Statements

For the year ended 31 March 2017

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 three 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 during the year are as follows:

Options Date of issue	Person Entitled	Number of Shares on Exercise of options	Vesting Conditions	Exercise Period	Exercise Price	Share Price
26/07/16	Employees & Directors	88,000,000	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
		136,000,000				

The fair value of services received of $497k (2016: nil) 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		Average exercise price	
	2017	**2016**	**2017**	**2016**
Options outstanding at 1 April	1,615,874,851	8,000,000	**1.3 cents**	1.0 cents
Granted during the period	136,000,000	1,626,142,517	**1.0 cents**	1.3 cents
Forfeited during the period	-	-	**-**	
Exercised during the period	-	(18,267,666)	**-**	1.2 cents
Expired during the period	-	-	**-**	-
Outstanding at end of period	**1,751,874,851**	**1,615,874,851**	**1.3 cents**	**1.3 cents**

The weighted average share price at the time of exercise of the options in 2016 was 1.02 cents (2017: Nil).

Options outstanding at 31 March 2017 have a weighted average exercise price of 1.3 cents (2016: 1.3 cents) and a weighted average contractual life of 1.6 years (2016: 2.2 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 2017

11. TRADE AND OTHER PAYABLES

	2017 $'000	2016 $'000
Trade creditors	504	884
Accrued expenses	592	370
Other payables	-	79
Total	**1,096**	**1,333**

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:

	2017 $'000	2016 $'000
Within one year	549	638
After one year but not more than five years	1,689	2,015
More than 5 years	1,500	2,158
	3,738	**4,811**

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

	2017 $'000	2016 $'000
Raw material purchase commitments		
Within one year	-	238
More than one year	-	-
	-	**238**

Notes to the Financial Statements

For the year ended 31 March 2017

13. FINANCIAL INSTRUMENTS

The Group has entered into a number of financial instruments. The carrying values of these items approximate their fair value.

	2017 $'000	2016 $'000
Loans and receivables		
Cash and bank balances	4,929	195
Trade receivables	118	197
Sundry debtor	19	49
Total loans and receivables	**5,066**	**441**
Financial assets at fair value through profit or loss		
Derivative financial assets	-	35
Total financial assets at fair value through profit or loss	**-**	**35**
Total financial assets	**5,066**	**476**
Financial liabilities at amortised cost		
Trade creditors	(504)	(884)
Accrued expenses	(493)	(370)
Other payables	-	(79)
Convertible loan	(1,429)	-
Loans and borrowings	-	(3,874)
Total financial liabilities at amortised cost	**(2,426)**	**(5,207)**
Total financial liabilities	**(2,426)**	**(5,207)**

Notes to the Financial Statements

For the year ended 31 March 2017

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 2017 is detailed below.

	Receivable $'000	Payable $'000
USD	-	14
AUD	-	5

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 2017. Interest rate exposures of the Group are shown in note 8.

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

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises from cash and cash equivalents, deposits with banks and the Group's receivables from customers. 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.

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.

Notes to the Financial Statements

For the year ended 31 March 2017

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.

2017	Statement of Financial Position	Contractual Cash flows	3 months or less	4 months to 12 months	greater than 12 months
Trade creditors and other payables	504	504	504	-	-
Accrued expenses	493	493	493	-	-
Convertible loan	1,429	2,277	39	119	2,119
Total non-derivative liabilities	**2,426**	**3,274**	**1,036**	**119**	**2,119**

2016	Statement of Financial Position	Contractual Cash flows	On Demand	3 months or less
Trade creditors and other payables	963	963	-	963
Accrued expenses	370	370	-	370
Loans and borrowings	3,874	3,874	3,874	-
Total non-derivative liabilities	**5,207**	**5,207**	**3,874**	**1,333**

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 2017

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. During the year the Group undertook the following transactions with Directors and associates of Directors.

	2017 $'000	2016 $'000
Key management compensation		
Short term benefits to directors (Directors fees)	225	221
Consulting fees to directors	257	473
Short term benefits to senior management	665	818
Fair value of share options granted to directors and senior management	426	-
Total	**1,573**	**1,512**

Consulting fees to Directors include $168k (2016: $220k) paid to Richard Alderton in his capacity as interim CEO.

The Company has secured a $3 million convertible note with Comvita Limited in May 2016 of which $2 million has been drawn down as at 31 March 2017. Refer to the Statement of Accounting Policies note 3, Note 3 and Note 8 for additional information.

15. CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 March 2017 (2016: $Nil).

16. POST BALANCE DATE EVENTS

There have been no material events subsequent to balance date.

Company Directory

Registered Office
12 Nayland Road
Stoke, Nelson 7011
Ph: (03) 547 0336
Fax: (03) 547 0337

Postal Address
12 Nayland Road
Stoke, Nelson 7011

Company Number
310577

Incorporated
31 July 1986

Securities Issued as at 31 March 2017
4,513,618,718 Ordinary Shares
375,000,000 Options – expire 28 Sept 2018
1,240,874,851 Options – expire 28 Sept 2018
2,000,000 Convertible loan notes

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

Solicitors
Minter Ellison Rudd Watts
88 Shortland St
Auckland 1140

Auditor
PricewaterhouseCoopers
113-119 The Terrace
Wellington 6140

Bankers
Bank of New Zealand
PO Box 1075
Wellington 6140

Board of Directors – Current

Colin Groves	Independent Chairman, non-executive (appointed 1 June 2015)
Richard Alderton	Independent, non-executive (appointed 27 July 2015)
Patrick Geals	Independent, non-executive (appointed 28 July 2014)
Brett Hewlett	Non-executive (appointed 2 November 2015)
Stuart Macintosh	Non-executive (appointed 29 June 2015)
Matthew McNamara	Non-executive (appointed 15 October 2012)
Jeremy Curnock Cook	Non-executive (alternate director for Matthew McNamara)
Mark Sadd	Non-executive (alternate director for Brett Hewlett)

Financial Calendar

Annual meeting:	September 2017
Half year results announced:	November 2017

YOUR NOTES:

SEADRAGON

RESPONSIBLY PURE

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