**SEADRAGON ANNUAL SHAREHOLDERS' MEETING 2016**
**TRINITY WHARF HOTEL**
**TAURANGA**
**31 AUGUST 2016, 10:00AM**

**SeaDragon Chairman Colin Groves:**

Good morning ladies and gentlemen. Welcome to SeaDragon's annual shareholders meeting. My name is Colin Groves. I am Chairman. Before we proceed with the meeting, I would like to cover a few points of house-keeping and safety. Firstly, I would ask you as a matter of courtesy to turn your mobile phones to silent.

In the event of an emergency or if we need to evacuate the building, please do so through the marked exits.

In case of a medical emergency, the hotel staff are your first port of call.

Thank you. The items of business and the resolutions to be considered by shareholders at this meeting are contained in the Notice of Meeting, which was mailed to shareholders on 15 August 2016 this year and is available on the NZX website.

As it is 10.00am and we have a quorum present, I now declare the meeting open.

I am joined here by my fellow directors: Patrick Geals, Matt McNamara, Stuart Macintosh, Brett Hewlett and Richard Alderton. Rich, earlier this month relinquished the role he has held for the past year as the company's Interim Chief Executive and handed the reins to our new Chief Executive Dr Nevin Amos, who I will introduce to you later in the meeting. Rich now sits on the board as a non-executive director.

We also have representatives from our solicitors Minter Ellison Rudd Watts, our auditors PwC and our share registrar Link Market Services, who you would have met at the registration desk.

Before we get to the formal business of the meeting, I will give a brief address setting out our strategic achievements of the last year. I will then hand over to Rich to review the company's operational and financial progress.

I will then ask Nevin to introduce himself.

We will then address the non-standard resolutions in front of today's meeting, before opening the meeting to questions. After that we will move into the formal part of the meeting to consider the resolutions and then vote.

We will then open the meeting to shareholders to ask any other questions about the business generally.

I remind you that this is a meeting of - and for - our shareholders. Only shareholders registered at 5:00 pm on 30 August 2016 or their proxies or representatives are entitled to vote. If you have become a shareholder since then, you are not entitled to vote at this meeting, but we do welcome you here.

Meanwhile, if there are any media present today, we ask that you keep any questions until after the meeting, when Richard Alderton, Nevin and I will make ourselves available to speak with you.

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As we set out in the annual report, the 2016 financial year has seen a tremendous transformation of SeaDragon. The most significant and tangible achievement has been the completion of our new Omega-3 refinery.

The commissioning of the new facility has lifted our total refining capacity to more than 5,200 tonnes per year and we now have the capability to produce a range of new products, including sustainably-sourced Omega-3 fish oils.

We have put in place a new board with the appointment of Stuart Macintosh and Brett Hewlett. Stuart represents one of the company's longest standing shareholders SDMO Trustee and continues to be a staunch supporter of the company's ambitions. Brett, meanwhile, joined the board as an appointee of cornerstone investor Comvita, following last year's capital raising.

We have appointed new auditors PwC, who have introduced new rigour to our financial reporting systems and processes.

We raised $10.009 million have introduced global natural health products company Comvita to our share register. This move has not only provided SeaDragon with an additional strong cornerstone shareholder, it has also led to a strategic alliance from which we expect to reap considerable rewards.

However these achievements have been diminished by the sharp decline in demand for the company's Omega-2 products during the last few months of the 2016 financial year.

This downturn, which came as management were focusing on the commissioning of the new refinery, has weighed on the company's financial performance. The company experienced an extension in the Omega-2 sales cycle and a build-up in inventory, which put pressure on the company and its cash reserves and resulted in a slower transition from the Omega-2 market.

In the past, SeaDragon had been generally unable to satisfy demand for its refined Omega-2 products. However, in the latter half of the 2016 financial year, inventories began to build as we honoured raw material purchase agreements made many months earlier when competition for supply was strong. This put significant pressure on the company and its cash reserves.

Instead of providing a bridge for SeaDragon for its transition to Omega-3 markets, the Omega-2 business became a serious roadblock to the company's aspirations.
SeaDragon decided to accelerate its exit from the market, but lacked the capital to manage this exit in an orderly fashion.

In the face of such difficulties, the company was very fortunate to have struck the 2015 alliance with Comvita, which had sufficient confidence in our long-term Omega-3 business plan to provide the necessary funding. Comvita offered the company up to $3 million via convertible loan notes. The capital has allowed us to focus our attention on Omega-3 markets, which offer the greatest opportunity to generate shareholder value.

We have come through a challenging year, but we believe we are now in a better position than we have ever been to take advantage of the significant opportunities we see.

I would now like to hand you over to Rich Alderton, who will walk you through the company's operational achievements.

**SeaDragon Interim Chief Executive Rich Alderton:**

Thank you Colin. As Colin mentioned the biggest disappointment has been the sharp downturn in Omega-2 markets in the last few months of the 2016 financial year. Historically, demand for our products has exceeded supply, with the biggest limit on our earnings generally being our inability to secure the supply of raw materials to meet demand.

In the last few months of the financial year, we saw a sharp reversal of these trends, with the company experiencing a sharp decline in demand for its products. The causes of the fall are many and varied. However, price and volume volatility - which is characteristic of the Omega-2 market - led to key customers withdrawing from buying new product. They honoured the contracts we had agreed, but the Omega-2 products we sold simply shifted from our warehouses to theirs. SeaDragon obviously sought to find new customers. However, getting new customers on board took longer than expected.

All of this came at a time when the company was focussed on the commissioning of the Omega-3 refinery and so a decision was taken in May 2016 to begin a staged exit from Omega-2 markets. The Omega-2 business, which was primarily focused on two main suppliers and two main customers, was limited to relatively small volumes of fish oil and subjected the company to long lead times for imported raw materials and a highly variable supply chain. With the new refinery complete, our decision to accelerate the exit from Omega-2 oils produced from imported sources, allowed us to focus our attention on opportunities in the Omega-3 markets, which have the greatest potential to drive shareholder value.

In June we agreed the sale of the majority of our Omega-2 stock for around $2.5 million. The sale represented a major step towards exiting the market. We have two more contracted deliveries of Omega-2 but we expect to have completed our exit by the end of this financial year. In the medium term, if we are able to obtain domestic sustainably-sourced materials, we will continue to refine Omega-2 oils, leveraging the considerable expertise we have in this area. However, we expect the ongoing Omega-2 business to be a relatively minor part of SeaDragon going forward.

The difficulties we faced in Omega-2 markets, as you are no doubt aware, had a dramatic impact on our financial results. The 2016 financial results look significantly better than the results we achieved in 2015. Notably, normalised EBITDA losses reduced substantially to just under $400,000.

This result, as I mentioned a moment ago, was entirely due to the performance in the first half of the financial year, when we benefitted from a more steady supply of Omega-2 raw materials and strong demand from our customers. But the financial performance of the business dropped away sharply in the last few months of the financial year. In the absence of sales of Omega-2, we began to build inventory, while remaining confident we would be able to make sales. And then, faced with a fall in prices and continued market weakness, we wrote down the value of that inventory by $4.3 million. As you can see, this meant our bottom line result was well short of where we expected it to be.

Shareholders have raised a number of questions about the write down and the timing of our disclosures to the market. So we believe it is important that we address these questions up front. Firstly, why didn't SeaDragon advise the market that it would not hit its EBITDA forecasts until late April 2016? Surely we should have known that we would not hit the forecasts at least by the end of the quarter?
The simple answer to these questions is we did not know.

Sales of Omega-2 are very “lumpy”. A single order of Omega-2 has the potential to generate material EBITDA towards year end targets. One does not need to look far back in our history for evidence of this. Indeed, on 30 June 2016, we announced we had agreed to sell $2.5 million worth of Omega-2 in a single sale (representing at the time more than 80% of our total Omega-2 inventory). Given the relatively strong sales earlier in the year and continuing discussions with customers, management considered it was reasonable to believe that the company was in a position to complete sales of Omega-2 prior to the financial year end that could potentially have had a significant impact on the final EBITDA result.

Meanwhile, revenue from the Omega-3 operation was lower than forecast primarily as a result of:

- the longer lead times required to agree sales than the company had expected
- delays sourcing raw materials and, to a lesser extent, delays to the commissioning of the new refinery.

The dynamics of the Omega-3 market are different in terms of procurement processes with potential customers and are longer than we had experienced in the Omega-2 market. Right up until the market update on 26 April 2016, the board remained confident that the final EBITDA result for the 2016 financial year would be close to forecast. Moreover, the board considered the key metric relevant to the market was EBITDA rather than the sales forecasts made during the July 2015 update.

In reaching this view, the Board took into account the fact that we were in discussions with customers right up to the end of the financial year with respect to potential sales.

Additionally, the board did not consider that it was in a position to provide any meaningful guidance to the market prior to the date it did, and, in the board's view, to do otherwise risked providing the market with information it did not consider material and that would have presented an incomplete and/or misleading picture.
Even by 26 April 2016 the company was not in a position to indicate the extent to which it had missed the forecasts it had given in the July 2015 update, due in no small measure to shortcomings in our financial reporting systems.

During the audit process for the 2016 financial year, our new auditors (PwC) identified a number of adjustments that were required to SeaDragon's financial reporting systems and improvements were required in internal controls. These issues were not previously identified by SEA's previous auditors. The review found our inventory management systems were not fit for purpose and not compliant with New Zealand Generally Accepted Accounting Practice (NZ GAAP). It also required us to restate our prior year's sales.

These issues made it difficult to accurately determine delivery to forecasts and PwC was unable to provide SeaDragon with clear guidance as to their impact on our year end results until late May 2016, when we released our preliminary results. The build-up of inventory had not been identified as an issue with the company until this point, partly we believe, because we had always been able to sell everything we produced.

At that point we had sufficient certainty to write down the value of our inventory by $3.7 million.

The SeaDragon audit and risk committee held numerous meetings and worked closely with PwC to finalise the year end results throughout May 2016 and up to the release of the final audited results on 30 June 2016.

Finally, the sale price agreed for Omega-2 inventory in June 2016, just prior to the release of our audited results, precipitated an additional write-down to inventory of $0.6 million. This price fall reflected the softening market. As we have noted, these financial reporting issues are now being addressed and mitigating internal controls are being established.

Operating cash flows reflected the build-up in inventory. Payments to suppliers of Omega-2 raw materials exceeded sales receipts, by around $3.3 million. Meanwhile, we invested just under $7 million, mainly in the new plant. Funding was provided by the $9.1 million of new capital raised during the year (net of costs). This fund raising included $7.6 million from the 2015 rights issue and a further $2.5 million from the issue and conversion of convertible notes advanced by SeaDragon's cornerstone shareholder One Funds Management.

The financial strength of the business has obviously suffered. The capital raising and the investment in the new refinery lifted our asset backing. However, due to the build-up in Omega-2 inventories, we ended the year facing what we believed was a short-term cash flow shortage.

The SeaDragon board considered a number of funding options including approaching our major shareholders and our bankers Heartland Bank. Ultimately, Comvita agreed to provide up to $3.0 million via convertible loan notes. This capital has assisted with the orderly exit from the Omega-2 market and allowed us to focus on the transition to Omega-3 markets.

Reflecting a change of focus, we are continuing to reconfigure the business to put the company in the best position for the future. This has included a thorough review of our reporting systems, costs and the planned launch of a rights issue to ensure we have the right capital structure. We will set out full details of this offer in an offer document to be released soon.

We remain very optimistic about the opportunities that come with the completion of the Omega-3 refinery and this is a view shared broadly. I now want to show you a video that appeared on TVNZ's Rural Delivery programme, which, was shot in February 2016, and provides an example of how others see us.

SeaDragon's new refinery is state of the art. And, with the exit from the Omega-2 market now largely complete, we are now focussed on the new opportunities before the company.

As we have said many times before, the Omega-3 opportunity is significant. For instance the latest report from GOED, the Global Organization for EPA and DHA Omega-3s, estimated the global Omega-3 finished products market was worth €28 billion in 2015 and would reach €33 billion by 2018.

The demand is driven by the weight of evidence supporting the view that supplementing diets with Omega-3 fish oils, or DHA and EPA, provides a number of health benefits. GOED has accumulated other research that suggests the consumption of Omega-3 products may improve human cognitive performance, cardiac health, blood pressure and infant development. Meanwhile, the body of academic research into these compounds is broad. We believe the research is compelling and supports our drive into the market, especially because we believe over the long-term we offer a proposition that is difficult to match.

We believe SeaDragon's Omega-3 products can generate a significant premium over our competitors in international as well as domestic markets. In the eyes of our international customers, New Zealand is synonymous with clean, pure, fresh and cool, deep blue oceans and it is regarded internationally as producing food of the highest quality and purity.

We are seeking to source products from sustainably managed sources. We also seek to provide traceability to the source in order to give consumers precise information about the provenance of our products. We have the capability to refine single-species oils, such as Hoki, Tuna and Salmon, which offer consumers unique Omega-3 characteristics.

Finally, our prospective Omega-3 customers recognise our production capabilities.

We are also close to the key Asian markets. We offer a fresh product with short lead times. Lastly, our more than 20-year history of refining and blending high quality fish oils gives us a strong platform from which we can transition to this new business.

All of this is made possible by the new Omega-3 refinery and the SeaDragon team that operate it. The new refinery is state-of-the-art. It has the capacity to process up to 5,000 tonnes per year.

Between commissioning in December and the end of the financial year it produced 60 tonnes of finished product, including Anchovy, Cod, Tuna and Salmon oils.
This is less than a week's production if the factory was running at full capacity.

In addition to completing the refinery we have gained the certifications necessary to export products to key target markets.

This was made possible through the Ministry of Primary Industries' approval of our risk management plan and obtaining the additional accreditations required for export to markets such as the USA, Canada and China.

We achieved Marine Stewardship Council chain of custody accreditation, which means our customers can be confident that MSC products we supply are from certified sustainable fisheries. The certification covers New Zealand Hoki and Antarctic Krill.

We have let our earlier agreements for 700 tonnes of unrefined tuna oil lapse as the quality and provenance did not match customer needs. But we do retain access to a few hundred tonnes from various sources. Our team is mastering the plant, with Omega-3 recoveries from the raw materials and product quality meeting market requirements. And, there is still plenty of room for production performance improvements, especially as the refinery starts to process larger volumes of same-species raw oil.

Since commissioning the plant we have processed well over 100 tonnes of Omega-3 fish oil and we have either sold or agreed to sell the majority of that stock. News of our capabilities has generated significant interest from some of the world's major buyers. However, as discussed earlier, the dynamics of the Omega-3 market are different in terms of procurement process with potential customers and are longer than we had experienced in the Omega-2 market.

The end uses of Omega-3 include capsules and infant formula and accordingly the processes and controls around product specifications are extremely stringent and customers require a rigorous process of audits, tests and verifications.

As previously noted to the market, SeaDragon has held ongoing discussions with a number of these prospective customers and numerous sales leads were being pursued throughout the period to 31 March 2016.

One of the multinationals that we are talking with has sent a team of people to audit the Omega-3 refinery. The audit has proceeded well and we expect to move onto the next phase of discussions with the customer. Although there is no guarantee discussions will lead to a contract, we are very pleased with the progress we have made. This contract, if it comes to fruition, will be a tolling contract, with the customer providing the raw material.

Meanwhile, SeaDragon believes there is an opportunity to capture more value in the Omega-3 fish oil markets with further investment in processing capability.
Our plans include the repurposing of the legacy Nayland Road facility for the production of lower-volume runs of premium fractionated and concentrated Omega-3 fish oils.

At the new refinery, we remain committed to building a capability to fractionate large volumes of Omega-3 fish oils. For those of you who are not steeped in fish oil refining technology, fractionation prevents crystals forming in oil at cooler temperatures.

Fractionation leads to a higher value, higher quality product and it is required if we are to produce Omega-3 oils for the highly-lucrative gel capsule and nutraceutical markets.

As noted in our annual report, we currently intend, subject to the availability of funding, to invest in fractionation and concentration capabilities at the new Omega-3 refinery and we are currently targeting commissioning during 2017.

While we are continuing discussions with contractors on design proposals and quotations, we currently expect the costs to be greater than the circa $3 million we previously signalled. At this time our preliminary estimate for the upgrade to the Nayland Road facility is around $250,000, but this is still subject to design changes and final quote.

Obviously, proceeding with these plans is dependent on securing funding and we will update shareholders once the costs and timetable for these investment plans are set.

So in summary; SeaDragon is transformed and is continuing to evolve. We are now focussed on the opportunities emerging from the completion of the Omega-3 refinery.

We have a new Chief Executive and improved reporting systems and processes.

We are most of the way through our staged exit from products produced from imported Omega-2 sources. We have received strong interest from global supplement manufacturers for our new products and we have made trial sales to customers and continue to work towards securing orders for commercial quantities of Omega-3 oils.

Finally, I believe, I speak on behalf of the entire board when we say we are looking forward to the remainder of the year with optimism.

I will now hand you back to Colin.

**SeaDragon Chairman Colin Groves:**

Thanks Rich for your address. With the arrival of Nevin, I believe that was your last formal act as an executive of the company. It is therefore appropriate at this time, on behalf of shareholders and the board, to thank you for your leadership over the past year.

You took on a very difficult challenge. Successfully commissioning New Zealand's largest and most sophisticated fish oil refining plant, while building product supply and wooing our international customers has been no mean feat.

And yet you have achieved this while managing funding pressures and the significant challenges posed by the market for SeaDragon's legacy Omega-2 products.

Through these difficulties, you have provided sound leadership, guidance and good humour. More importantly, you have left the company in a much stronger position than you found it. We are looking forward to your continuing contribution as a non-executive director of the company.

I invite you to join me in a round of applause for his contribution.

So, looking to the future, I would now like to introduce you to our new Chief Executive Dr Nevin Amos.

Nevin took over the reins earlier this month. He came to SeaDragon from Taupo-based forestry start-up Pacific T&R, after nearly a decade at Comvita, where he held a number of senior roles including General Manager Asia and Chief Supply Chain Officer.

Nevin brings to the company a wealth of experience in adding value to New Zealand's primary products.

He has strong leadership skills and a proven record in global business. This includes an awareness of SeaDragon's target markets and an in-depth understanding of supply chain systems and processes.

These skills have the potential to add enormous value as we transition to the production and marketing of sustainably-sourced Omega-3 fish oils.

**SeaDragon New Chief Executive Dr Nevin Amos:**

Thank you Colin.

Although I have only been in the job for just over a week, I am already enjoying myself. SeaDragon is on the cusp of realising a tremendous opportunity to create high value Omega-3 products using single-source sustainable supplies. My goal is to first make sure the company maximises the potential from the new refinery and delivers the returns shareholders seek. Over the longer term the company will be dedicated to building a leading branded oils business in Omega-3 markets on the key principles of sustainability, traceability, freshness and quality. I am looking forward to working with you all in the future.

**SeaDragon Chairman Colin Groves:**

Thanks Nevin.

I now want to devote a bit of time to the resolutions relating to Comvita that we are to consider later in the meeting.

The board believes we are very lucky to have Comvita as a strategic partner.

Over several decades Comvita has transformed the market for New Zealand-sourced natural health products.

When Comvita started in business, beekeepers regarded Manuka honey as a low-value by-product of the industry. Today, thanks in no small measure to Comvita's efforts, Manuka honey is New Zealand's most valuable bee product export.

The parallels with our industry are strong.

Indeed, like Comvita, SeaDragon is generating value from what was once a by-product. Like Comvita we are planning to sell products that are natural and unique to New Zealand. And like Comvita, we are planning to sell into markets that are prepared to pay a premium for products that have these characteristics.
In many ways SeaDragon is starting on a journey that Comvita began many decades ago. We believe we will benefit from its experience.

Comvita committed to SeaDragon when it partially underwrote last year's capital raising. This year's agreement, which among other things has facilitated SeaDragon's transition to Omega-3 markets, has seen Comvita provide the company with a $3 million convertible loan note facility. As at 24 August 2016, Comvita had advanced $2.0 million.

The notes convert into ordinary shares at 0.8 cents per share and mature on 28 September 2018. And, assuming shareholders today approve the terms of these notes, they will attract an interest rate of 7.95% per annum.

Together these agreements - those struck last year and the convertible loan notes issued this year - could see Comvita lifting its stake in SeaDragon up to 36.5%.
This assumes, in the independent directors' view, the unlikely event of:

- Comvita exercising all of its options and converting all its convertible loan notes to shares; and importantly
- No other shareholder exercising any outstanding options and SeaDragon issuing no further shares and options.

We are considering two matters here today in relation to these convertible notes.
Firstly, the terms of the loan notes issued by Comvita, the key terms of which I have already discussed, and secondly the extension of the expiry date of the option issued to Comvita in 2015 for 375 million shares at $0.08 per share to 28 September 2018.

Comvita sought the option extension as a condition of it providing the convertible loan notes. The new expiry date matches the date of the convertible loan notes and the expiry date of other options issued to shareholders as part of the 2015 rights offer.

I am not going to traverse in detail the merits of these transactions as they are well covered in the independent advisers report sent to shareholders with the notice of meeting earlier this month.

What I do wish to address is the conclusion in the independent advisers report that the consideration and the terms and conditions of the proposed transaction are not fair to the non-associated shareholders.

The independent directors accept that the terms of this transaction are favourable to Comvita.

However, we agree with the independent adviser's subsequent comments that: "taking into account the wider benefits and risks relating to the proposed transaction, the positive aspects of the proposed transaction outweigh the negative aspects".

The independent advisor made a similar comment when assessing the merits of the transaction. Additionally, as the adviser noted on page 16 of his report: given the urgency of the company's funding requirement and its stage of development, it was unlikely that SeaDragon would have been able to secure alternative funding'.
The independent directors believe SeaDragon has negotiated the best it was able given the circumstances. And we believe we have arrived at an agreement that represents the best that we could hope for.

More importantly independent directors believe the transaction represents the best way to preserve long-term shareholder value.  These are views that are also shared by the company's other cornerstone shareholders One Funds Management and SDMO Trustee, both of whom have indicated they will support the transaction.

For all of these reasons the transaction has the unanimous support of SeaDragon's independent directors and the board and we encourage you to vote your shares in favour of the transaction.

I would also like to briefly traverse the company's planned rights issue. The intended use for the additional capital includes facilitating growth and meet working capital needs, including assisting the company's staged exit from imported Omega-2 sources.

The full terms of the offer will be contained in an offer document which will be released to the market soon, but as previously indicated to the market the key terms will include a right to acquire a new share for every 2 shares held for $0.008 per share. This would be the same price as the conversion price under the convertible loan note agreement with Comvita and the board believes this offer would give shareholders the ability to support the company in its growth phase and provide additional funding.

We urge shareholders to refer to the terms as set out in the offer document when it is released.

**Director nomination speeches**

**Matt McNamara:**

I have been a director of SeaDragon since the company joined the NZX in 2004. I joined the board because the funds I represent saw the potential for the company in Omega-3 fish oils. Indeed, it was in no small measure to our influence that SeaDragon decided to explore the opportunity. It is now very exciting to be sitting on the board having seen this vision realised.

We are at the start of a very exciting journey. Obviously the first step for the company is to start driving the magnificent facility we have created in Nelson, but beyond that there are exciting opportunities that will come from our planned investment in fractionation and concentration capabilities.

And although progress has not been as fast as I - or investors in my funds would like - I am very encouraged by the level of interest we have received from potential customers all around the world.

I believe my understanding of SeaDragon's journey and my experience in the healthcare and nutraceutical sector will continue to deliver value to shareholders and I hope you will support my re-election

**Brett Hewlett:**

Richard's comments earlier that SeaDragon is starting on a journey that Comvita started several decades ago is apt.

Volatile supply, volatile earnings and funding constraints in the face of huge growth opportunities; these are the characteristics of all entrepreneurial companies, including Comvita in periods of its history.

Unfortunately these characteristics are not the ingredients for a comfortable ride for investors. I believe my extensive experience with start-up companies will help SeaDragon navigate these challenging periods.

SeaDragon has over the last year passed through a perfect storm at a highly inconvenient time in its development. But my excitement for the business opportunity the company is seeking to exploit remains undimmed.

This is also a view shared by Comvita management and the board, who look at SeaDragon with memories of an earlier time in Comvita's development. They not only see an opportunity, they also recognise how counsel from a company that has walked a similar path has the potential to accelerate SeaDragon's growth and drive shareholder value.

Working alongside Nevin, I also believe I can facilitate that relationship for the benefit of all shareholders. I also hope you will support my election.
Thank you.

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**Note: These speeches should be read in conjunction with the AGM presentation released to the NZX with these speech notes.**