



SEADRAGON

SUSTAINABLY PURE

**ANNUAL SHAREHOLDERS
MEETING**

Trinity Wharf Hotel
Tauranga
31 August 2016, 10:00am

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The information contained in this presentation should be considered in conjunction with SeaDragon's latest financial statements and other market announcements, which are available at: <http://www.seadragon.co.nz/#investor>

All currency amounts are in New Zealand dollars unless stated otherwise.



Chairman
COLIN GROVES



Directors

- Colin Groves – Independent Chairman
- Patrick Geals – Independent Director
- Matthew McNamara – Non-executive Director
- Stuart Macintosh – Non-executive Director
- Richard Alderton – Non-executive Director
- Brett Hewlett – Non-executive Director





Agenda

- Chairman's address
- Chief Executive's review and trading update
- Introduction to SeaDragon's new Chief Executive, Nevin Amos
- Strategic alliance with Comvita
- AGM Questions
- Resolutions
- General business
- Meeting close

Strategic highlights

- SeaDragon transformed with the commissioning of our new Omega-3 refinery
- Refreshed the board
- Appointed PwC as auditor and continue to strengthen SeaDragon's reporting systems and processes
- Raised \$10.24 million * and introduced Comvita as a cornerstone shareholder
- Comvita provides up to \$3 million via convertible loan notes
- Appointed Nevin Amos as our new Chief Executive post balance date
- Omega-2 markets have diminished our achievements and a market exit from imported products is underway



* Includes options exercised as well as \$10.009 million from the 2015 rights offer



Outgoing Interim Chief Executive
RICHARD ALDERTON



Omega-2 markets challenging in 2H 2016

Omega- 2 market:

- Price and volume volatility led to a breakdown of long-standing and critical supply-chain relationships
- Our two main customers , which took the majority of our stock stopped buying

SeaDragon's response:

- We sought new customers
- Long-lead times in securing alternative customers resulted in a build up of inventory
- Strategic decision taken to exit the market
 - Agreed to sell the majority of Omega-2 in June 2016 for \$2.5 million
 - Expect to complete staged exit this financial year

Financial results – a year of two halves

	2016	2015
Year to 31 March	\$000	\$000
Revenue	5,585	6,211
Cost of sales	(4,278)	(5,869)
Gross margin	1,307	342
Gross margin (%)	23%	6%
Normalised EBITDA ¹	(389)	(1,280)
Depreciation	(645)	(564)
Impairment of inventory	(4,263)	(905)
Taxation	-	(29)
Interest	(226)	(60)
Net loss after income tax	(5,523)	(2,838)

- 2016 gross margins reflect strong first-half performance
- Normalised EBITDA improvement due to consistent Omega-2 raw material supply amid strong demand in the first half of the year
- Market weakness in the last few months of the 2016 financial year sees a build up in Omega-2 inventory
- Omega-2 inventory written down at the full year to reflect difficult market conditions and exit from producing oils from imported sources.

Inventory write down and disclosure

- SeaDragon confident normalised EBITDA would be close to forecast
 - Omega-2 sales are lumpy
- Discussions with customers continued right up until the end of the financial year
- Revenue from Omega-3 markets lower than anticipated
- Financial performance difficult to assess due to financial reporting systems:
 - Systems not fit for purpose and not compliant with NZ GAAP
 - Numerous meetings held to finalise results by 30 June 2016
- Impairments finalised by 26 April 2016, but sales agreed in June 2016 precipitated further adjustments

Inventory as at 31 March 2016	\$000
Pre-impairment book value	7,233
Initial impairment	(3,663)
Additional adjustment on order	(600)
Total impairment	(4,263)
Audited book value	2,970

Cash flow – investing for the future

	2016	2015
Year to 31 March	\$000	\$000
Customer receipts	7,211	4,574
Payments to suppliers and employees	(10,446)	(8,847)
Other operating cash flows	(107)	(68)
Operating cash flow	(3,342)	(4,341)
Purchase of property plant and equipment	(6,890)	(3,314)
Investing cash flow	(6,890)	(3,314)
Issue of share capital	7,641	-
Proceeds from convertible notes issued	2,500	-
Transaction costs	(1,019)	-
Financing cash flow	9,122	-
Net (decrease) in cash	(1,110)	(7,655)

- Investment in the new Omega-3 refinery and Omega-2 inventory build up were the main uses of cash proceeds
- 2015 capital raising enabled the completion of the refinery

Balance sheet – Comvita provides support

Year to 31 March	2016 \$000	2015 \$000
Assets		
Property plant and equipment	13,127	6,641
Cash and cash equivalents	195	425
Trade and other receivables	685	2,974
Inventories	2,970	1,906
Other assets	110	91
Total assets	17,087	12,037
Equity and liabilities		
Issued capital	33,641	25,719
Reserves	(22,001)	(17,781)
Loans and borrowings	3,874	2,994
Other liabilities	1,573	1,105
Total liabilities and equity	17,087	12,037

- Omega-2 inventory write down and investment in the new Omega-3 drive balance sheet
- Comvita's \$3 million convertible loan notes arranged post balance date provides additional funding for Omega-2 market exit
- Planned one-for-two pro-rata renounceable rights issue at 0.8 cents per share to raise a minimum of \$0.25 million
- Reviewing the cost structure of the business

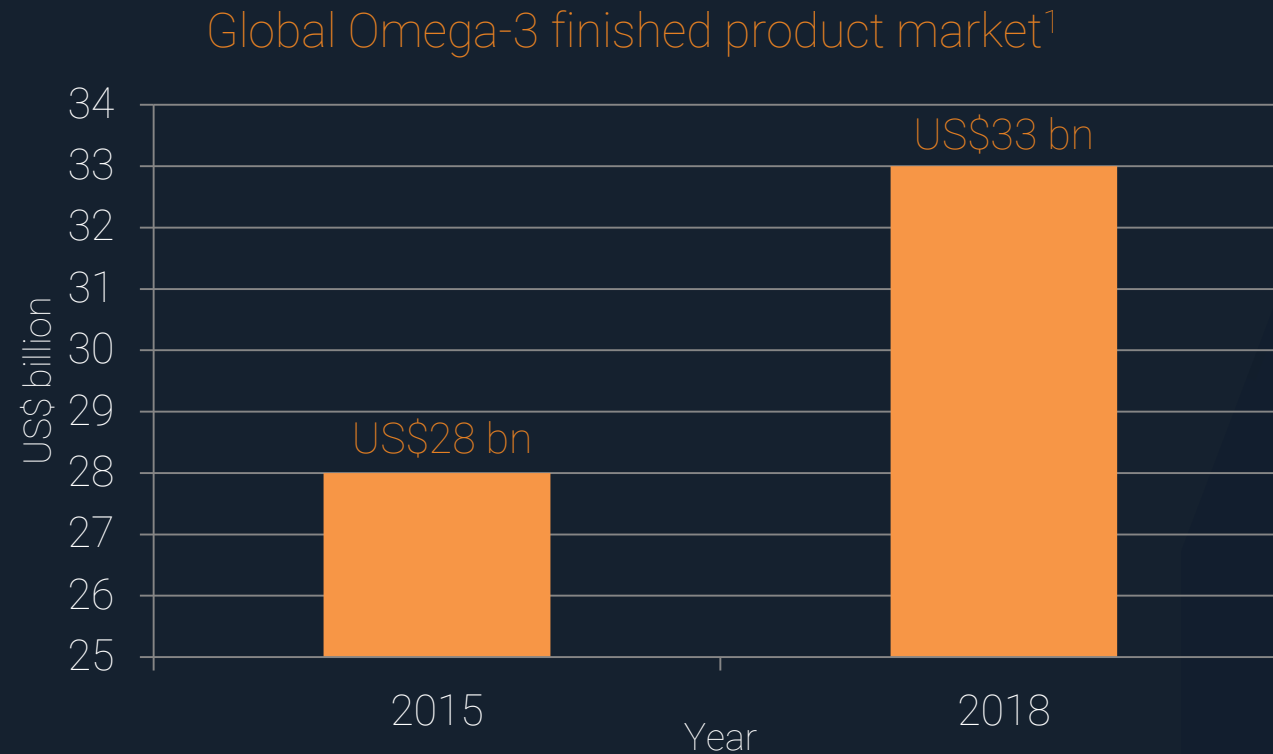


SeaDragon's new refinery creates growth opportunities

SeaDragon's strategy is to take advantage of the significant opportunities for growth that have emerged with the completion of the new Omega-3 fish oil refinery.



Omega-3 market growing



Global Omega-3 finished goods market growing at about 5% a year

1. <http://www.nutraingredients.com/Markets-and-Trends/Omega-3-hits-28bn-in-2015-growth-predicted>

Omega-3 has FDA qualified health claim status

Omega-3

- Omega-3 fatty acids are a group of long chain polyunsaturated fatty acids. The two key acids within the Omega-3 group are:
 - Eicosapentaenoic acid (EPA)
 - Docosahexaenoic acid (DHA)
 - Omega-3 is sourced primarily from fish.

Health benefits

- The U.S. Food and Drug Administration (FDA) has given qualified health claim status to Omega-3 fatty acids, allowing supplement manufacturers to state: "Supportive but not conclusive research shows that consumption of EPA and DHA omega-3 fatty acids may reduce the risk of coronary heart disease."²
- Almost 31,000 scientific articles on EPA and DHA have been published, and the number of articles published per year has been increasing rapidly³

SeaDragon believes the research into Omega-3 is compelling

2. US Food and Drug Administration website. 3. GOED.

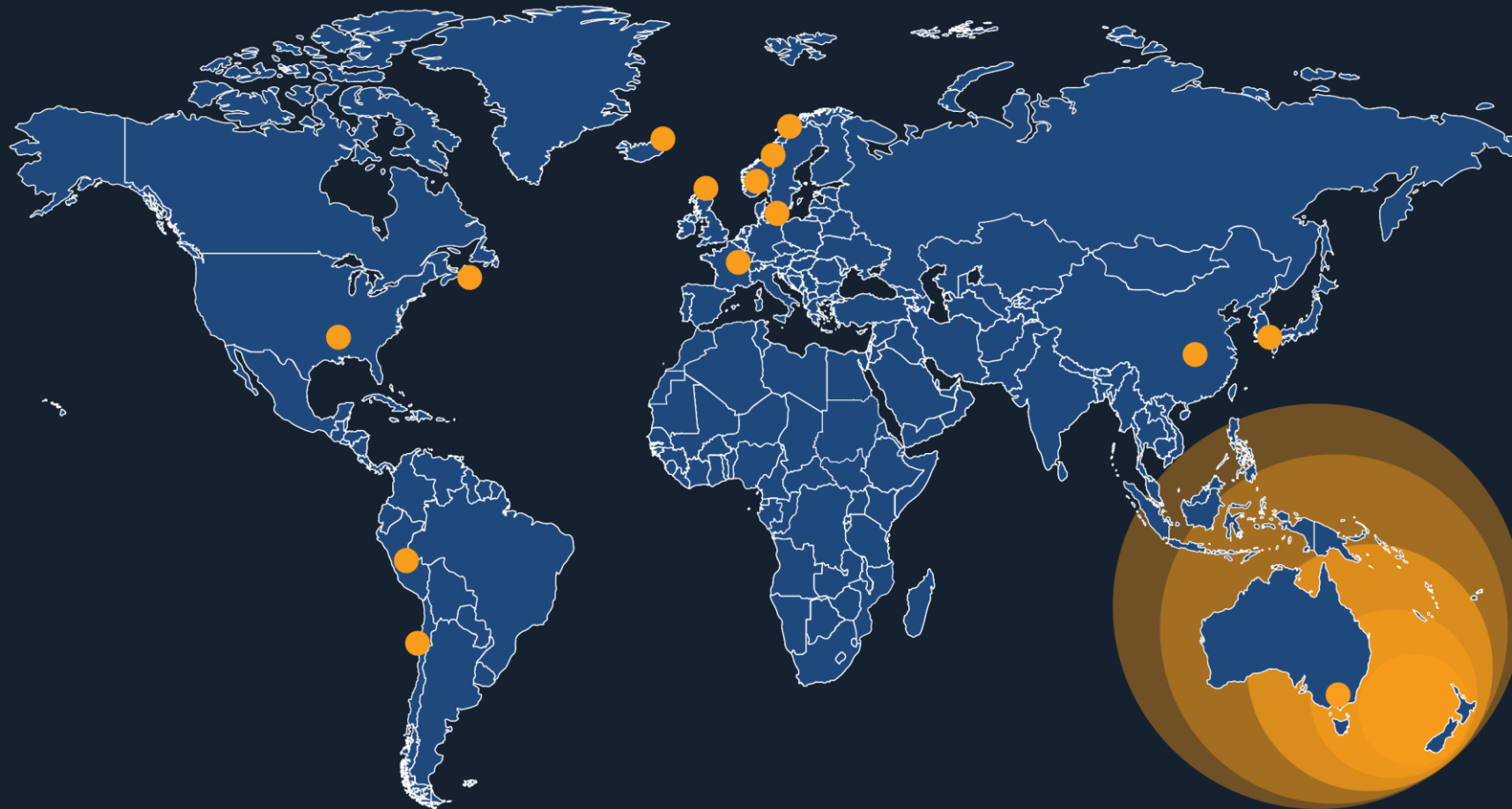
SeaDragon's unique long-term proposition



Potential for a premium Omega-3 product:

- “Product of New Zealand” is synonymous with clean, pure, fresh and cool deep blue oceans.
- Proximity to key markets
- Sustainably sourced New Zealand and South Pacific fish
 - Clear declaration of fish species used
 - Traceable product
 - A robust and trusted food safety regime
- SeaDragon can leverage its reputation and strong customer relationships

Limited Omega-3 competitors in the Asia Pacific



SeaDragon's new Omega-3 refinery

Key Facts:



Capacity:
5,000 tonnes
per annum



2016
production:
60 tonnes*



Oils processed
to date include:
**Anchovy,
Cod, Tuna &
Salmon**



Staff:
Four



Commissioned:
**December
2015**



Cost:
\$10.8 million



New Omega-3 refinery performing well with staff
building on their strong capabilities

*Finished goods twelve months to 31 March 2016

Omega-3 refinery achievements

Ministry for Primary Industries
Manatū Ahu Matua



Accreditations:

- MPI Risk Management Programme
- MPI Transitional Facility
- Marine Stewardship Council Chain of Custody
- Accreditation for export to the European Union, USA, Canada and China

Production and marketing:

- SeaDragon staff mastering the plant
- Omega-3 recoveries from the raw materials and product quality meeting market requirements
- A large multinational company has completed a quality audit of the refinery, but no guarantee a contract will be agreed.

Proposed future investment in Omega-3 refining capability

Nayland Road legacy facility repurposed:

- Boutique higher-value Omega-3 fish oil refinery
- Low-volume Omega-3 fractionation and concentration
- Preliminary cost of around \$250,000

Fractionation and concentration capability

- Plans for fractionation and concentration capabilities remain
- Targeting commissioning in 2017
- Still in discussion with contractors on design proposals and quotations
- Costs likely to be higher than previously anticipated

Proposals subject to availability of funding





Summary and outlook

- SeaDragon is transformed and is focussed on the opportunities emerging from the completion of the Omega-3 refinery
- New Chief Executive and improved reporting systems and processes
- Staged exit from the production of Omega-2 oils from imported sources to be completed this financial year
- Continuing to work with suppliers to secure raw materials
- Strong interest from global supplement manufacturers for our new products
- Product trial sales to customers and continue to work towards securing orders for commercial quantities of Omega-3 fish oils
- Looking to the remainder of the year with optimism



Chairman
COLIN GROVES





Chief Executive
Dr. NEVIN AMOS





Chairman
COLIN GROVES



Strategic alliance with Comvita and convertible loan notes

- Comvita has led the way in showing how New Zealand companies can add value to their primary products
- NZX-listed, world leader in Manuka (leptospermum) honey and fresh-picked Olive Leaf Extract
- 500 staff located in NZ, Australia, Hong Kong, Japan, South Korea, UK and USA



Investment strengthens the alliance

- Comvita partially underwrote last year's share issue
 - Subscribed to 411 million shares and 411 million options
 - Granted options to a further 375 million shares at NZ\$0.008 per share
- Comvita this year agreed to advance the company up to \$3 million via convertible loan notes to assist exit from Omega-2 markets
 - SeaDragon has drawn \$2.0 million as at 24 August 2016
 - Interest rate of 7.95% pa, assuming approval by non-associated shareholders
 - Notes convert at NZ\$0.008 per share
 - Mature 28 September 2018
- Agreements could see Comvita lifting its stake in SeaDragon up to 36.5%*

*If Comvita exercised all of its options and converts all its convertible loan notes to shares and assuming that no other shareholder exercises any outstanding options and no further shares and options are issued by SeaDragon. Please see the Independent Advisers Report released to the NZX on 16 August 2016.

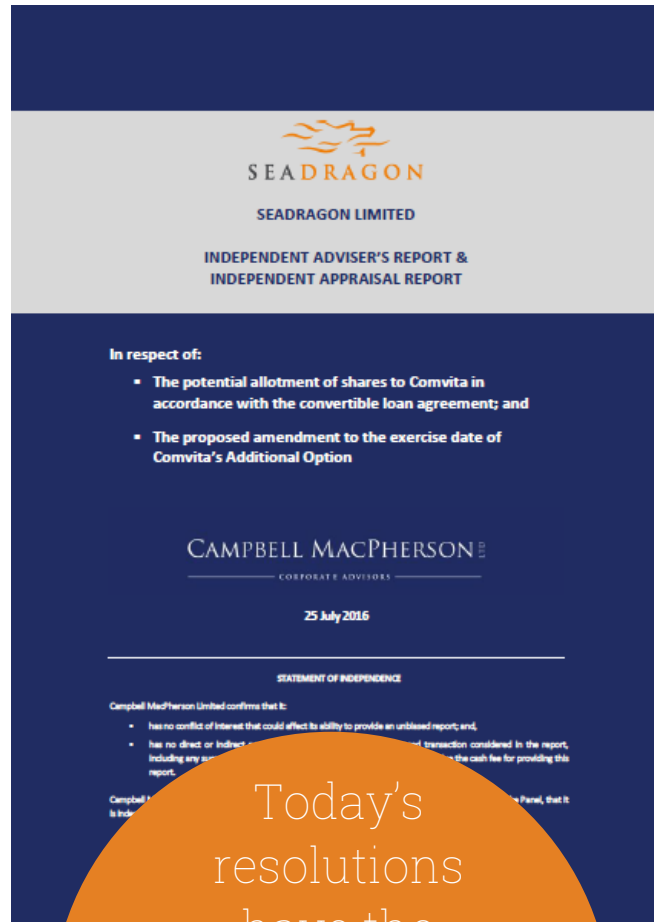


Independent appraisal of the Comvita transaction

- Two separate matters considered today:
 - The terms of the convertible loan notes issued by Comvita
 - The extension of the expiry date of option issued to Comvita in 2015 for 375 million shares at \$0.008 per share to 30 September 2018
- The new expiry date matches date of the convertible loan notes and the expiry date of other options issued to shareholders as part of the 2015 rights offer



www.comvita.com



Today's resolutions have the unanimous support of the Independent Directors and the SeaDragon Board

Independent appraisal of the Comvita transaction

- Transaction Fairness: *"It is our opinion that the consideration and the terms and conditions of the Proposed Transaction are Not Fair to the Non-Associated Shareholders. However, we are of the view 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."*
- Transaction Merits: *"In our opinion, taking into account all of the relevant factors, the positive aspects of the Proposed Transaction outweigh the negative aspects."*

Planned rights offer at the price per share made available to Comvita

- Planned offer to shareholders of one-for-two rights to acquire new shares in the company at \$0.008 per share
- The intended use for the additional capital includes facilitating growth and meeting the company's working capital needs,
- Full details of the offer to be released soon:, but key terms (as previously announced):
 - One right to acquire a new share for every two shares held
 - Renounceable rights to be quoted on the NZX

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Offers
shareholders
opportunity to buy
new shares at the
same price as
Comvita

Questions and Answers





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