



2 December 2015

## NOTICE OF SPECIAL MEETING OF SHAREHOLDERS OF SEADRAGON LIMITED

Notice is hereby given to all Shareholders that a Special Meeting of Shareholders (**Meeting**) of SeaDragon Limited (**SeaDragon** or **Company**) will be held in Nelson at Heaphy Room, Rutherford Hotel, 27 Nile Street East, Nelson on 17 December 2015 at 12:00pm.

### Business

#### A. Chairman's introduction

#### B. Ordinary resolution

As previously announced on 28 September 2015, Comvita Limited (**Comvita**) invested \$3,287,902.64 via the shortfall bookbuild for SeaDragon's 3 for 5 renounceable rights offer (**Rights Offer**) and was issued 410,987,830 shares (**Rights Shares**) and 410,987,830 options to purchase shares (**Rights Options**).

SeaDragon also agreed to grant Comvita an option to subscribe for a further NZ\$3.00 million of ordinary shares in the Company at \$0.008 per share (**Additional Option**).

The shareholders of the Company are requested to consider and, if thought fit, pass the following ordinary resolutions:

### Resolutions – Rights Options and Additional Option

*"That:*

1. for the purpose of Listing Rule 7.3.10(b)(ii):
  - (a) *the Company may grant the Additional Option to Comvita; and*
  - (b) *the Company may issue up to a maximum of 375,000,000 ordinary shares to Comvita in connection with the exercise of the Additional Option (the **AO Shares**); and*
2. *for the purposes of Listing Rule 7.5 and Rule 7(d) of the Takeovers Code:*
  - (a) *subject to resolution 1 being passed, the Company may issue the AO Shares to Comvita; and*
  - (b) *the Company may issue up to a maximum of 410,987,830 ordinary shares to Comvita in connection with the exercise of the Rights Options."*

Please refer to the explanatory notes that accompany this Notice of Meeting.



**By Order of the Board**

**ENDS**

**Contact:**

Colin Groves

Chairman

Telephone +64 21 928 003

*This notice of meeting is an important document and requires your immediate attention. It should be read in its entirety. It has been prepared to advise you of the forthcoming Special Meeting and assist you in understanding the Resolutions to be put to Shareholders for consideration at the Special Meeting. The Directors encourage you to read this notice of meeting and exercise your right to vote.*

*If you do not understand any part of this document or are in doubt as to how to deal with it, you should consult your broker or other professional adviser as soon as possible.*

*Please call Colin Groves at SeaDragon Limited on +64 21 928 003 if you have any queries about the Resolutions or this notice of meeting.*

## EXPLANATORY NOTES

1. These explanatory notes set out the details of the transactions which are the subject of the resolutions and the approvals required by the shareholders of the Company under the Listing Rules and the Takeovers Code.
2. If the resolutions set out in the Notice of Meeting are passed, the issue of the shares referred to in the resolutions will be approved in terms of:
  - (a) Listing Rule 7.3.10(b)(ii); and
  - (b) subject to approval of the resolution in relation to Listing Rule 7.3.10(b)(ii), Listing Rule 7.5 and Rule 7(d) of the Takeovers Code as an exception to Rule 6 of the Takeovers Code.

### *Background*

3. SeaDragon raised \$10.009 million under a 3 for 5 pro-rata renounceable rights offer and related placement that were completed on 2 October 2015 (the **Rights Offer**).
4. Comvita Limited (**Comvita**) invested an aggregate amount of \$3,287,902.64 as part of the Rights Offer (the **Comvita Investment**) and was issued 410,987,830 ordinary shares, being 13.14% of the issued and outstanding ordinary shares of SeaDragon, together with 410,987,830 options to acquire ordinary shares in SeaDragon (the **RO Options**).
5. The RO Options are exercisable at any time during the period from 1 October 2015 to 5:00pm on 29 September 2018 for an exercise price of \$0.015 per share on the terms and conditions set out in the Offer Document, which is available at [www.nzx.com](http://www.nzx.com) under stock code SEA.
6. In addition to the Comvita Investment, SeaDragon also agreed to grant Comvita an option to subscribe for a further NZ\$3 million of ordinary shares in the Company for \$0.008 per share (the **Additional Option**).

The Additional Option will be exercisable at any time prior to 1 October 2017 for an exercise price of \$0.008 per share and otherwise in accordance with the terms set out in an option deed between Comvita and SeaDragon (the **Option Agreement**).

SeaDragon may require Comvita to exercise the Additional Option if certain milestones are achieved. All of those milestones must be met before SeaDragon can require Comvita to exercise the Additional Option. These milestones include:

- (a) a positive operating cash flow target;

- (b) SeaDragon honouring in good faith the terms of a supply agreement to be entered into between Comvita and SeaDragon;
  - (c) commissioning of the fractionation plant;
  - (d) confirmation of finished product quality and sustainability; and
  - (e) raw material supply milestones.
7. Approval of the shareholders is being sought for:
- (a) the issue of up to a maximum of 410,987,830 ordinary shares to Comvita on the exercise of the RO Options (the **RO Shares**); and
  - (b) the grant of the Additional Option and the issue of 375,000,000 ordinary shares to Comvita on the exercise of the Additional Option (the **AO Shares**).

All RO Shares and AO Shares will rank equally with all other shares on issue.

*Purpose and consideration for each issue of shares*

8. The funds received for each of the issues of shares to be made pursuant to the resolutions set out in this notice of meeting will be used to meet SeaDragon's investment requirements at the time the funds are received, as considered appropriate by the board and depending on the requirements of SeaDragon at that time. This is likely to include repayment of existing debt and additional capital expenditure such as the installation of concentration facilities and / or encapsulation facilities at the new Omega-3 facility. For an overview of operations and strategy, please see the market update released on 28 July 2015 and the latest interim report to 30 September 2015 – these are available on [www.nzx.com](http://www.nzx.com) under stock code SEA.
9. The consideration for the issue of shares in respect of the Resolutions are as follows:
- (a) in respect of the RO Shares, an exercise price of NZ\$0.015 per share, payable on the exercise; and
  - (b) in respect of the AO Shares, an exercise price of NZ\$0.008 per share, payable on the exercise.

*Consequences if resolutions not approved*

10. The Company's three largest shareholders, being:

- (a) One Funds Management Pty Limited, the Company's largest shareholder which holds 23.51% of the total shares on issue;
- (b) SDMO Trustee Limited, the Company's second largest shareholder which holds 14.09% of the total shares on issue; and
- (c) Merinova Limited, the Company's fourth largest shareholder which holds 11.46% of the total shares on issue,

have each advised that it intends to vote in favour of the Resolutions. One Funds Management Pty Limited, SDMO Trustee Limited and Merinova Limited collectively hold 1,539,530,261 shares representing 49.06% of the total shares on issue, and 56.48% of the total voting securities able to be cast on the Resolutions.

It is therefore highly likely that the Resolutions will be approved. Please also refer section 2.8 of the Independent Adviser's Report (enclosed with this notice of meeting) for details.

11. In the unlikely event that the Resolutions are not approved:

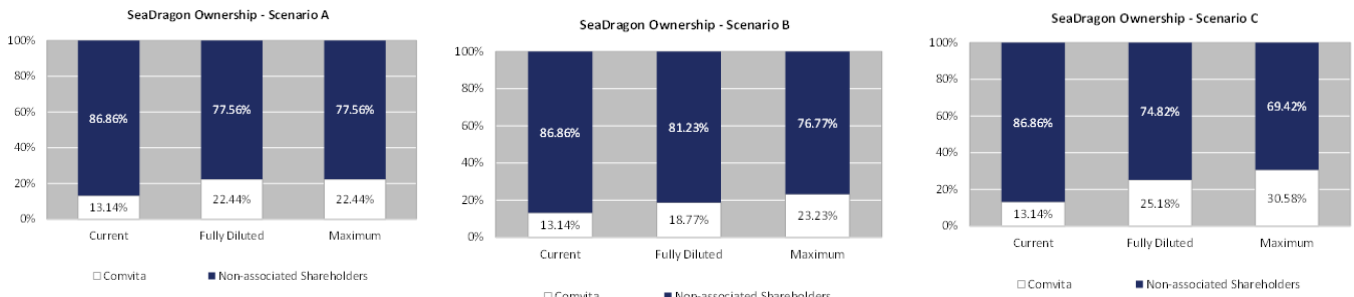
- (a) Comvita will not be able to exercise RO Options to acquire additional shares to the extent that any such exercises would result in Comvita increasing its voting rights to 20% or more in breach of the Takeovers Code; and
- (b) Comvita will not be able to exercise the Additional Option.

If Comvita is not able to exercise the RO Options and the Additional Option, SeaDragon would not have access to the additional capital that it would have received if Comvita had exercised those options. As noted above, that additional capital would likely be used to repay existing debt and invest in capital expenditure and may also be used to grow the business or to take advantage of any new strategic initiatives (as considered appropriate by the board at the time). Without that additional capital, SeaDragon may look to seek additional funding from its shareholders.

*Takeovers Code*

12. Under Rule 6 of the Takeovers Code, a person who holds or controls:
  - (a) no voting rights, or less than 20% of the voting rights, in a code company may not become the holder or controller of an increased percentage of the voting rights in the code company unless, after that event, that person and the person's associates hold or control in total not more than 20% of the voting rights in the code company; or
  - (b) 20% or more of the voting rights in a code company may not become a holder or controller of an increased percentage of the voting rights in the code company.
13. There are a number of exceptions to this rule. These include where a person becomes the holder or controller of voting rights in a code company by allotment of shares that have been approved by an ordinary resolution pursuant to Rule 7(d) of the Takeovers Code.
14. SeaDragon is a code company as it is a listed issuer that has financial products that confer voting rights quoted on a licensed market (being NZX).
15. As a result of the issue of shares to Comvita under the Rights Offer, Comvita holds 410,987,830 ordinary shares in the Company comprising 13.14% of the voting rights in SeaDragon.
16. If, on the exercise of the RO Options and / or the Additional Option, Comvita acquires additional shares in SeaDragon, it is possible that Comvita will increase its voting rights in the Company to 20% or more.
17. The total percentage of the Company held by Comvita after the issue of those shares will vary depending on the number of options exercised by the other shareholders of

the Company under the Rights Offer and the number of RO Options and / or the Additional Option exercised by Comvita.



*\*The maximum in Scenario B*

*and Scenario C assumes Comvita is the only shareholder to exercise the options granted under the Company's 3 for 5 pro-rata renounceable rights offer*

<b>Scenario A</b>	Exercise of the Additional Option only
<b>Scenario B</b>	Exercise of the RO Options only
<b>Scenario C</b>	Exercise of the RO Options and the Additional Option

18. Under the Takeovers Code, Comvita may increase its percentage of the voting rights in the Company by the allotment of the RO Shares and the AO Shares referred to in the Resolutions if the allotment is approved by an ordinary resolution of shareholders.
19. If shareholders approve the resolutions, then they are approving the issue of the shares to Comvita under the Resolutions for the purposes of Rule 7(d) of the Takeovers Code and Listing Rules 7.3.10(b)(ii) and 7.5.
20. The information required under Rule 16 of the Takeovers Code is set out in Appendix 1 of this notice of meeting.

#### *Independent Adviser's Report/Appraisal Report*

21. As required by Rule 18 of the Takeovers Code, the Company has commissioned an Independent Adviser's Report on the issue of the RO Shares and AO Shares referred to in the resolutions.
22. The Independent Adviser's Report is required by the Takeovers Code because Comvita currently holds 13.14% of the voting rights in the Company and, as a result of the issue of the RO Shares and AO Shares, Comvita is likely become the holder and controller of a percentage of the voting rights in the Company in excess of 20%. The Takeovers Code requires that, where shareholders are being asked to give their

approval under Rule 7(d) of the Takeovers Code, the directors must obtain a report from an independent adviser on the merits of the proposed allotment having regard to the interests of those persons who may vote to approve the allotment.

23. The Independent Adviser's Report is also an Appraisal Report for the purposes of Listing Rule 6.2.2 in relation to the resolutions required by Listing Rule 7.5 (Resolution (b)).
24. Campbell MacPherson has prepared the Independent Adviser's Report and Appraisal Report and a copy of that report is enclosed with this notice of meeting. Section 3.2 of the Appraisal Report contains a summary of Campbell MacPherson's findings and opinion, including that, in its opinion, the consideration and the terms and conditions of the proposed allotment of the RO Shares and AO Shares to Comvita are fair to shareholders who are not interested in the transaction (at page 21 of the report).

#### *Listing Rule 7.5*

25. The issue of RO Shares and AO Shares to Comvita requires approval by ordinary resolution of the Company's shareholders in accordance with Listing Rule 7.5 as:
  - (a) it is likely that the issue of such shares will result in Comvita materially increasing its ability to exercise, or direct the exercise of, effective control of the Company (see Appendix 2); and
  - (b) Comvita currently holds more than 1% of the Company's ordinary shares.

#### *Excluded shareholders*

26. Neither Comvita, nor any of their associated persons, are entitled to vote or exercise discretionary proxies in respect of the Resolutions, in accordance with Listing Rule 9.3.1 and Rule 17(2) of the Takeovers Code.

#### *Lock-up arrangements*

27. Comvita is not subject to any lock-up arrangements in respect of any shares to be issued to Comvita pursuant to the transactions contemplated by the resolutions set out in this notice of meeting. Accordingly, following the issue of any such shares, Comvita will be able to trade such shares (subject to compliance with relevant legislation and the NZX Main Board Listing Rules).

#### *Board recommendation*

28. The directors of the Company unanimously recommend that shareholders vote in favour of the Resolutions.





**SEADRAGON**  
SUSTAINABLY PURE



## **IMPORTANT INFORMATION**

### **Proxies**

Any shareholder who is entitled to attend and vote at the Meeting may appoint a proxy to attend and vote instead of him or her. A proxy does not need to be a shareholder. If you appoint a proxy you may either direct your proxy how to vote for you or you may give your proxy discretion to vote as he sees fit. If you wish to give your proxy discretion then you must mark the appropriate boxes on the form to grant your proxy that discretion. If you do not tick any box for a particular resolution, then your instruction will be to abstain.

The Chairman of the Meeting is willing to act as proxy for any shareholder who wishes to appoint him. To appoint the Chairman simply tick the box allocated next to "The Chairman of the Meeting" on your proxy form.

If the Chairman is appointed as a proxy and you have given your proxy discretion to vote as he sees fit, the Chairman will vote in favour of all Resolutions.

If you wish to mail the Proxy Form then please send it to our Share Registrar, Link Market Services Limited, using the reply-paid envelope provided. Alternatively New Zealand based shareholders may fax the form to (09) 375 5990 and overseas shareholders may fax it to +64 9 375 5990 or post it to Link Market Services Limited, PO Box 91976, Auckland 1142, New Zealand.

The completed Proxy Form must be received by our Share Registrar no later than 12:00pm (New Zealand time) on 15 December 2015. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Shareholders can elect to vote their proxies online. To appoint your proxy and vote online, please visit the Link Market Services Investor Centre at <http://investorcentre.linkmarketservices.co.nz/voting/SEA>. You will require your CSN/Holder number and FIN to securely access the website. Follow the prompts to complete your proxy appointment and vote.

### **Ordinary Resolution**

The business for the meeting is to pass the ordinary resolutions set out in the preceding pages. An ordinary resolution is a resolution passed by a simple majority of the votes of those shareholders entitled to vote and voting on the resolutions.



## **Voting**

Voting entitlements for the Meeting will be determined as at 5:00pm (New Zealand time) on 16 December 2015. Registered shareholders at that time will be the only persons entitled to vote at the Meeting and only the shares registered in those shareholders' names at that time may be voted at the Meeting.

## **More information**

If you have any questions, or for more information, please contact Colin Groves, SeaDragon Limited on +64 21 928 003 or [colin.groves@seadragon.co.nz](mailto:colin.groves@seadragon.co.nz).

## Appendix 1 – Information required by Rule 16 of the Takeovers Code

Pursuant to Rule 16 of the Takeovers Code (with the sub-paragraphs below corresponding to the sub-paragraphs in Rule 16), the Company advises as follows:

- (a) Comvita Limited (**Comvita**) is the proposed allottee of the shares;
- (b) the particulars of the voting securities to be allotted are as set out in Appendix 2;
- (c) not applicable (as the voting securities to be allotted are not securities of a body corporate other than the Company);
- (d) the issue price for the voting securities to be allotted and when it is payable is set out in the explanatory notes of this notice of meeting;
- (e) the reason for the allotments is to raise funds which will be used to meet SeaDragon's investment requirements for the immediate future, assist with the Company's ongoing working capital requirements including as considered appropriate by the board. This is likely to include repayment of existing debt and investment in new strategic initiatives;
- (f) the allotments under the resolutions, if approved, will be permitted under Rule 7(d) of the Takeovers Code as an exception to Rule 6 of the Takeovers Code;
- (g) Comvita has confirmed that there is no agreement or arrangement (whether legally enforceable or not) that has been, or is intended to be, entered into between Comvita and any other person (other than between Comvita and the Company in terms of the issue of the shares) relating to the allotments, holding, or control of the shares to be allotted, or to the exercise of voting rights in the Company; and
- (h) attached to this notice is a report from an independent adviser in compliance with Rule 18 of the Takeovers Code; and
- (i) the directors of the Company make the following statement for the purposes of Rule 19 of the Takeovers Code:

*The directors of the Company recommend that the shareholders approve the proposed allotment of shares to Comvita on the exercise of the RO Options and the Additional Option. The grounds for this recommendation is that these allotments should significantly strengthen the Company's financial position and raise capital for the reasons set out in (e) above.*

## Appendix 2 – Particulars of voting securities to be allotted

**Note:** The particulars below are based on an assumption that Comvita exercises all RO Options and Additional Options, and no other shareholder of the Company exercises the options granted under the Company’s 3 for 5 pro-rata renounceable rights offer. See further assumptions at (g) below.

(a) The maximum number of voting securities that could be allotted (the <b>approved maximum number</b> ) to Comvita	<p>If the Resolutions are approved, the maximum number of voting securities that could be allotted to Comvita is 785,987,830 ordinary shares, which consists of:</p> <ul style="list-style-type: none"> <li>• up to 410,987,830 ordinary shares to be allotted to Comvita on the exercise of the RO Options; and</li> <li>• the 375,000,000 ordinary shares to be allotted to Comvita on the exercise of the Additional Option.</li> </ul>
(b) the percentage of the aggregate of all existing voting securities and all voting securities that could be allotted that the approved maximum number represents	20.08%
(c) the maximum percentage of all voting securities that could be held or controlled by Comvita after completion of the allotments	30.58%
(d) the maximum aggregate of the percentages of all voting securities that could be held or controlled by Comvita and its associates after completion of the allotments (not including voting securities of any of Comvita’s associates who are also relying on rule 7(d) in relation to the allotments (the <b>relying associates</b> )*)	<p>Same as (c) above.</p> <p><i>*Note that no associate of Comvita holds any shares in the Company nor are any such associates relying on rule 7(d). Accordingly, there are no “relying associates”</i></p>
(e) if there are relying associates, the maximum aggregate of the percentages of all voting securities that could be held or controlled by Comvita and its associates after completion of the allotments	There are no “relying associates”.
(f) the date used to determine the information referred to in this Appendix (the <b>calculation date</b> )	30 November 2015
(g) the assumptions on which the particulars in paragraphs (a) to (f) are calculated	<ul style="list-style-type: none"> <li>• That the number of voting securities is the number of voting securities on issue on the calculation date.</li> <li>• That there is no change in the total number of voting securities on issue between the calculation date and the end of the allotment period (other than as a result of the allotments).</li> <li>• That, in relation to paragraphs (a) to (c), Comvita is allotted the approved maximum number on the exercise of all RO Options and Additional Options and no other shareholder of the Company exercises the options granted under the Company’s 3 for 5 pro-rata renounceable rights offer.</li> <li>• That, in relation to paragraph (d), Comvita and each of its associates (not including the relying associates) are allotted the maximum number of voting securities.</li> </ul>

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|  | <ul style="list-style-type: none"><li>• That Comvita and Comvita's associates do not acquire or dispose of any additional ordinary shares prior to the allotment date.</li></ul> |
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