



**SEADRAGON ANNUAL SHAREHOLDERS' MEETING 2015**  
**ORAMS CAPTAIN'S LOUNGE**  
**AUCKLAND**  
**17 SEPTEMBER 2015, 2:00PM**

**SeaDragon Chairman Colin Groves:**

Good afternoon ladies and gentlemen. My name is Colin Groves and as your Chairman it is my pleasure to welcome you here this afternoon to what is a very important meeting in the life of your company.

The items of business and the resolutions to be considered by shareholders at this meeting are contained in the Notice of the Meeting, which was lodged with the New Zealand Stock Exchange and mailed to shareholders on 26 August this year. I am pleased to confirm that a quorum is present and therefore declare the 2015 Annual Shareholder Meeting of SeaDragon Limited open.

I have received apologies from the directors who are retiring today and are unable to be with us; Ross Keeley, Tim Preston and Jeremy Curnock Cook.

I would like to introduce my fellow directors and members of the SeaDragon team who are present today:

- Patrick Geals, Independent Director,
- Matt McNamara, Non-executive Director
- Stuart Macintosh, Non-executive Director and
- Richard Alderton SeaDragon's Interim CEO and a Director

In the audience we also have the following members of the management team:

- Stephen Bayley, SeaDragon's Chief Financial Officer.
- Administration Manager Jo Singer

I would also like to acknowledge the presence of our new audit firm PwC whose appointment you will be asked to confirm later in the meeting and our current audit firm Staples Rodway; our solicitors Minter Ellison Rudd Watts and our share registrar Link Market Services.

During the year your former chairman Doug Wilson and Independent Director Sean Joyce resigned from the board of directors.

Meanwhile, Tim Preston, Ross Keeley and Jeremy Curnock Cook retire at the end of today's AGM. Jeremy will remain as an alternate Non-executive Director to Matthew McNamara.

I would like to take this opportunity to thank all of these directors for their dedicated and diligent service to SeaDragon.

In the case of Sean Joyce, who was a non-executive director, I would like to stress that Sean resigned entirely of his own choice from the Board in June, contrary to what has been reported in parts of the media.

Furthermore, and again to correct inaccurate media reporting, I wish to be clear that, as far as I am aware, Sean was not personally involved in any statements to investors of SeaDragon over the last 3 years.

The running order for today will commence with my address to you, followed by a review and business update from Richard Alderton our interim CEO. I will then review the terms of the capital raising.

Following this there will be an opportunity for questions relating to the Annual Report and financial statements. We will then move to the formal resolutions outlined in the Notice of Meeting and finally there will be an opportunity to discuss items of General Business.

Immediately following today's meeting, the Board and Management look forward to hosting those of you who can stay for refreshments and afternoon tea.

I mentioned at the start of this presentation that this meeting is an important one for the company and I chose those words purposefully.

Our vision is to be recognised by consumers as a global leader in the production of sustainably harvested fish oils for use in supporting healthy lifestyles.

We believe we have a unique opportunity to capitalise on the deep blue waters of New Zealand and the South Pacific to be the only large-scale food-grade Omega-3 fish oil producer in Australasia and South East Asia.

As you are aware, we released a detailed update to the market and to yourselves on July 28 this year. I would like to focus on a few highlights of that update to discuss with you today.

The capital raising you are being asked to approve today will enable us to realise a strategic plan put in place two years ago. It will allow us to complete our new Omega-3 plant, add a fractionation facility to that plant and fund additional working capital.

Since we launched the capital raising in August, I have been gratified by the words of support and encouragement we have received from shareholders and the New Zealand fishing industry. Meanwhile, as we announced last week, a number of potential strategic investors have indicated interest in participating in the shortfall book build following the completion of the rights offer.

The Board hopes that you will voice your support by voting in favour of the resolutions we have put before you.

SeaDragon is in a state of transition. Today we have the capacity to produce between 300 and 400 tonnes of Omega-2. Once the new refinery is complete, SeaDragon will have the capacity to produce up to 5000 tonnes of Omega-3 fish oils from multiple species, most of which can be sourced from New Zealand waters.

The production of Omega-3 fish oil is more attractive to SeaDragon than Omega-2. A focus only on Omega-2 markets, as the financial results this year show, subjects the company to long lead times and a highly variable supply chain.

In contrast, once the new factory is operational, SeaDragon will participate in the Omega-3 market where demand is strong, supply of raw material is more certain and lead times to



source that raw material are shorter. The working capital requirements per unit of production are also expected to be lower.

We are looking forward to this new future.

Make no mistake; the Omega-2 market has served the company well. Demand, particularly from the cosmetic and pharmaceutical markets, remains very strong and continues to grow. Indeed, the global Omega-2 market is forecast to grow at a compound annual growth rate of 10.3% and is forecast to be worth approximately 177 million US dollars by 2019.

To date, we have been able to sell all we have been able to produce and this business has helped fund SeaDragon's proposed transition to Omega-3 markets.

The market for Omega-3 fish oils is more attractive.

Omega-3s are long-chain polyunsaturated fatty acids with potential health benefits.

The body of work that is supportive of supplementing diets with these Omega-3 oils is vast and compelling. The compounds are among the most researched in the world, with as many as 3000 related articles appearing in peer-reviewed journals each year.

Meanwhile, demand is very strong. As you can see from this slide, the market is expected to nearly double between 2013 and 2020, when it is forecast to reach 4.9 billion US dollars. Importantly, growth in total revenue is expected to exceed growth in volume, suggesting customers are also expected to pay more for the product.

SeaDragon is well positioned to sell into Asian and Australasian markets. As this slide shows, we are close to our target customers. Meanwhile, our Nelson location, at the heart of the New Zealand fishing industry, puts us in a strong position to access raw materials.

We also believe we offer a unique proposition.

We will be able to position ourselves at the premium end of the market. International markets value New Zealand marine products because they are synonymous with clean, pure, fresh and cool blue oceans.

We are focused on using sustainably-sourced New Zealand and South Pacific fish. We will make a clear declaration of the fish species we use. We will also be able to differentiate ourselves on the basis of the different oils we produce from these distinct species.

All of our products will benefit from the reputation New Zealand's food safety regime enjoys in international markets.

Finally SeaDragon can leverage its reputation and strong customer relationships with international food supplement manufacturers.

I would now like to introduce you to Richard Alderton our new interim CEO, who will give you an update on progress with the new factory that will make it all possible.

Richard has extensive international supply chain and leadership experience.

He was previously CEO at DeLaval Oceania, the New Zealand and Australian division of the world's largest developer of dairy farming solutions. He has extensive experience in managing highly complex projects such as SeaDragon's new factory as well as keeping such facilities well supplied.



Richard is staying on as interim CEO until the plant is commissioned and operating. The company will then recruit a new CEO experienced in international ingredients markets. At that point, the board expects Richard to become a non-executive director.

**SeaDragon Interim Chief Executive Richard Alderton:**

Thank you Colin and thank you for that introduction.

Firstly, I would like to say that it is a pleasure to be addressing you for the first time as your Interim Chief Executive. I believe SeaDragon has a truly unique opportunity to become a leader in the manufacture of premium Omega-3 fish oils. It is a real privilege to be at the helm of the company just as it makes the transition.

I joined the company in the middle of July and since then I - like the rest of the SeaDragon team - have had my head down. Our task has been to finish the plant and put in place the team and the contracts necessary to keep the new factory running once it has been commissioned.

As you can see the factory is proceeding very well. Building is on track to be completed within the next few months and we expect to produce 37 tonnes of finished product by the end of December 2015.

This image shows me alongside part of the vacuum system that maintains the low pressure needed to produce the Omega-3 oils. As I mentioned this state-of-the-art factory will meet SeaDragon's needs for the foreseeable future.

The factory has cost more than we originally anticipated. As foreshadowed in March, SeaDragon expects to spend around \$9.2 million, compared to the \$6 million originally forecast.

The company has also decided to spend an additional \$3 million on a fractionation plant which will significantly improve the product by preventing crystals forming in finished Omega-3 fish oils. This plant will take the total cost of the new facility to \$12.2 million.

We are confident we will complete the project for this price. The factory is near to completion and we have had our forecasts independently reviewed by PwC.

Meanwhile, at 80% capacity we estimate the Omega-3 facility could produce wholesale sales of approximately \$30 million and generate a gross margin of approximately \$10 million per annum. So the expected return on investment remains strong.

Long-time followers of the company will know that securing raw materials is critical to the company's success.

The supply for the Omega-3 facility is expected to be more predictable and involve shorter lead times than the supply for the Omega-2 facility.

I will not dwell on the detail of this slide. However, the key takeaway is that raw materials for Omega-3 are on our doorstep and can be delivered within several weeks rather than several months.

Supply remains a core focus of the company ahead of the commissioning of the plant. Although no deals are signed yet, we are making good progress establishing the relationships that will keep our facilities supplied with raw materials sufficient to meet our growth plans. We have traversed the results in detail in the annual report, so again I will not dwell on the detail. However, total revenue for the twelve months to 31 March 2015 more than doubled to \$6.3 million from \$3.1 million in the prior year.

The group benefited from improved Omega-2 raw material supply during the latter part of the year. However, margins suffered as we did not secure as much raw Omega-2 oil as we expected and we were required to source finished product to meet our volume commitments. EBITDA losses for the year were lower, but still reflected the investment in people necessary to make the most of the Omega-3 fish oil opportunity.

The company recorded a loss for the year of \$2.8 million against a profit - excluding reserve adjustments - of \$431,000 in the prior year. This result also reflected a one-off non-cash inventory write-down of \$905,000.

Looking ahead - and assuming the success of the capital raising and the extension of our working capital facilities - we are forecasting EBITDA of \$144,000 for the 2016 financial year as capacity utilisation of the Omega-2 plant improves and we benefit from the contribution of the Omega-3 plant.

Turning to the balance sheet; you can see a ramp up in fixed assets as we invest in the plant. Meanwhile, the 2015 figures reflect losses in the business and the investment in the plant.

We are really excited about starting up the factory in the coming months. The SeaDragon team has done a great job and the company is grateful for their dedication and commitment.

I will now hand you back to Colin to take you through the particulars of the capital raising.

**SeaDragon Chairman Colin Groves:**

Thanks Richard. I would also like to echo your comments on the commitment of the SeaDragon team. We thank them on behalf of the Seadragon Board.

The details of the capital raising have been well covered in the notice of meeting and the Campbell MacPherson independent appraisal report. However, I'd like to cover a few key points.

We are in the middle of a 3 for 5 pro rata Rights Offer at 0.8 cents per share. Rights are now trading on the NZX under the code SEARA. The offer is aimed at raising a maximum of just over \$9 million, but we are seeking a minimum of \$5.0 million.

BioScience Managers, our 21.8% shareholder has committed to subscribe for \$2.5 million via conversion of their convertible loan in the shortfall book build process that will take place after the rights offer closes.

Mersea Holdings, our 42.3% shareholder, is committed to exercising rights to subscribe for \$100,000 of new shares and options. Myself and senior management have also committed to acquire and exercise rights to subscribe for up to \$300,000 of shares and options.



There is also an oversubscription facility for shareholders to acquire more shares than their entitlement. Each new share has a stapled option with an exercise price of 1.5 cents per share and it can be exercised at any time prior to 29 September 2018.

This slide covers the use of the proceeds of the offer. As you can see we need to invest an additional \$3.5 million taking the total to \$9.2 million in the new facility. We also plan to invest an additional \$3 million to bolt on a fractionation plant and upgrade the existing Omega 2 facility. We also require a further \$1 million for working capital and to cover the costs of the rights offer.

As I mentioned at the start of the meeting the response to the capital raising has been favourable, with a number of prospective new strategic investors expressing an interest in participating in the shortfall bookbuild. To allow these talks to take place we extended the rights offer by two weeks.

These discussions are ongoing and you should note there is no guarantee that these discussions will result in a commitment to support the company.

Rights trading continues until next Monday, while the book build closes later in the week. We expect shares to be allocated on 2 October 2015.

As you are no doubt aware we have spent the last few weeks talking to investors about the offer and during those briefings we have faced a number of recurring questions, so we thought we should take the opportunity to share those questions and our answers with you.

Firstly, how can the Board and management be confident that the capital raising will be sufficient to complete the plant and meet the company's funding needs?

Well, we have done a lot of work to arrive at these figures and built in contingencies and we believe the process has been robust. Additionally the plant is now almost complete so we have greater visibility of the costs.

The SeaDragon board understands shareholders are disappointed by the expansion in factory costs. We do not want to look back other than to say we are doing all that we can going forward to ensure the company meets investors' expectations.

Secondly, what happens if we do not meet the minimum \$5 million capital raising threshold? We are confident that a minimum of \$5 million will be raised via the Rights Offer and Shortfall Bookbuild. But in the worst case SeaDragon will have to delay the upgrade of the existing Omega-2 facilities and the planned fractionation plant for the Omega-3 facilities if the rights offer is unsuccessful.

Finally, are you confident you can secure supplies for the Omega-3 factory and will it produce the fish oils you are seeking?

We are doing all we can to lock-in the supply agreements. And, as Richard mentioned earlier, the Omega-3 supply chain relies on a variety of different sources and does not suffer the same variability and long-lead times we face with Omega-2 supply.

I am also confident that the quality of the facility we are creating, with state of the art plant sourced from a world leading design and manufacturing firm will give us an excellent



foundation to produce a top quality product in the volumes that we expect. We are confident we can deliver.

To conclude SeaDragon operates in an industry with strong growth prospects. We aim to produce a product with researched health benefits.

We believe we have a unique proposition to leverage New Zealand's clean, green and sustainable image. The soon-to-be-commissioned, state-of-the-art Omega-3 plant will allow us to take advantage of the significant opportunities we see and deliver earnings to the business.

We believe SeaDragon has a bright future and the board and management thank you for your continued support.

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