



## **OFFER DOCUMENT**

### **3 FOR 5 RENOUNCEABLE RIGHTS OFFER OF ORDINARY SHARES AND OPTIONS TO BUY ORDINARY SHARES IN SEADRAGON LIMITED**

*The Offer opens on 20 August 2015*

A copy of the Offer Document is available at [www.nzx.com](http://www.nzx.com) under stock code SEA. Eligible shareholders will be sent a copy of the Offer Document together with a Letter of Entitlement and Acceptance on 21 August 2015. Your entitlement will be set out in your personalised Letter of Entitlement and Acceptance.

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This Offer Document is an important document. It explains SeaDragon Limited's plans to raise new capital of approximately \$7.5 million and up to a maximum of approximately \$9 million through a pro-rata 3 for 5 renounceable rights offer of ordinary shares and options, together with a shortfall bookbuild and your opportunity to participate. The rights offer detailed in this Offer Document will give all eligible shareholders the right to acquire (i) one new share and (ii) one option to acquire a new share. Eligible shareholders will be granted 3 rights for every 5 existing shares they hold on the rights offer record date (5:00pm, 20 August 2015). The price for exercising the rights will be \$0.008 per right. Please take the time to read this Offer Document carefully, and if necessary seek financial advice from a qualified Authorised Financial Advisor.

# IMPORTANT INFORMATION

## General Information

This Offer Document has been prepared by SeaDragon Limited (“**SEA**” or “**SeaDragon**”) in connection with:

- a pro rata 3 for 5 renounceable rights offer of:
  - New Shares; and
  - options to acquire additional New Shares for every New Share subscribed (each an “**Option**”),

together being the “**SEA Securities**”, and the offer of SEA Securities being the “**Rights Offer**”; and

- a shortfall bookbuild of SEA Securities attributable to Rights not taken up under the Rights Offer (the “**Shortfall Bookbuild**”).

The Rights Offer and the Shortfall Bookbuild are referred to together as the “**Offer**”.

The Rights Offer is made to Eligible Shareholders under the exclusion in clause 19 of Schedule 1 of the Financial Markets Conduct Act 2013 (New Zealand). Eligible Shareholders who subscribe for their full entitlement of SEA Securities may also apply for additional SEA Securities through an Oversubscription Facility.

This Offer Document is not a product disclosure statement for the purposes of the Financial Markets Conduct Act 2013 (New Zealand) and does not contain all of the information that an investor would find in a product disclosure statement or which may be required in order to make an informed investment decision or about the Offer or SEA.

## Additional Information Available

SEA is subject to continuous disclosure obligations under the Listing Rules. Market releases by SEA including its most recent financial statements and a market update are available at [www.nzx.com](http://www.nzx.com) under stock code SEA. Further information about SEA can be found on its website ([www.seadragon.co.nz](http://www.seadragon.co.nz)) and on the public

register of the Companies Office ([www.business.govt.nz/companies](http://www.business.govt.nz/companies)).

## Offering Restrictions

The Rights Offer is open only to Shareholders of SEA as at the Record Date who are resident in New Zealand (“**Eligible Shareholders**”). The Shortfall Bookbuild is only available to Eligible Bookbuild Investors.

By applying for SEA Securities under the Rights Offer you will be deemed to represent that you are a resident of New Zealand and you are not acting for the account or benefit of any other person. None of SEA nor any of its directors, officers, employees, consultants, agents or advisers accepts any liability or responsibility to determine whether a person is able to participate in the Rights Offer.

No action has been taken to permit a public offering of the SEA Securities in any jurisdiction outside New Zealand. The distribution of this document in a jurisdiction outside New Zealand may be restricted by law and persons who come into possession of it (including nominees, trustees or custodians) should seek advice on and observe any such restrictions.

No person may subscribe for, purchase, offer, sell, distribute or deliver SEA Securities, or be in possession of, or distribute to any other person, any offering material or any documents in connection with the SEA Securities, in any jurisdiction other than in compliance with all applicable laws and regulations. Without limiting the foregoing, this document may not be sent into or distributed in the United States of America.

## No Guarantee

No guarantee is provided by any person in relation to the SEA Securities to be issued pursuant to the Offer. No warranty is provided with regard to the future performance of SEA or any return on any investments made pursuant to this Offer Document.

### **Forward Looking Statements**

This Offer Document may contain forward-looking statements and projections. These reflect SeaDragon's current expectations, based on what it thinks are reasonable assumptions. SeaDragon gives no warranty or representation as to its future financial performance or any future matter. Except as required by law or the Listing Rules, SeaDragon is not obliged to update this Offer Document after its release, even if things change materially. This Offer Document does not constitute financial advice.

You should not place undue reliance on any forward looking statements or projections contained in this Offer Document. Under no circumstances should you regard the inclusion of forward looking statements or projections as a representation or warranty by SEA or its respective officers or directors or any other person with respect to the achievement of the results set out in any such statement or projection, or that underlying assumptions used will in fact be realised.

SEA has no responsibility to announce the results of any changes to any of the forward-looking statements or projections contained in this Offer Document, except to the extent required by the Financial Markets Conduct Act 2013, the Listing Rules or the Financial Reporting Act 2013.

### **Dividend Policy**

The payment of dividends is at the discretion of the Board. The Board has taken a position having regard to the current financial position of SeaDragon that any cash surpluses or profits shall be retained by SeaDragon and consequently no dividends are planned to be paid during the next financial year or in the immediate future. The Board will review their dividend policy regularly after taking into consideration the capital requirements, operating performance, financial position and cashflow of SeaDragon. New Shares allotted under the Offer, and any New Shares issued upon exercise of an Option allotted under the Offer, will participate alongside existing Shares for any dividends declared by SeaDragon subsequent to their allotment.

### **Use of Funds**

The funds raised will be used to assist with the completion of SeaDragon's new Omega-3 plant in Nelson, add a fractionation plant to that facility (leading to a higher value, higher quality product), upgrade the existing Omega-2 plant, pay the costs of this Offer and meet the company's working capital requirements as it transitions to the commercial production of Omega-3 fish oils. SeaDragon intends to apply \$3.5 million of the funds raised under the Rights Offer to the completion of the new Omega-3 plant. SeaDragon has also earmarked \$3 million of the funds raised to add a fractionation plant to that facility and to upgrade the existing Omega-2 plant.

### **Decision to Participate in the Offer**

The information in this Offer Document does not constitute a recommendation to acquire SEA Securities. It also does not amount to financial product advice. This Offer Document has been prepared without taking into account the particular needs or circumstances of any Applicant or investor, including their investment objectives, financial and/or tax position.

### **Privacy**

Any personal information provided by Eligible Shareholders on the Entitlement and Acceptance Form will be held by SEA and/or the Registrar at the addresses set out in the Directory. This information will be used for the purposes of administering your investment in SEA. This information will only be disclosed to third parties with your consent or if otherwise required by law. Under the Privacy Act 1993 (New Zealand), you have the right to access and correct any personal information held about you.

### **Enquiries**

Enquiries about the Offer can be directed to an NZX Primary Market Participant, an Authorised Financial Adviser ("**AF**A"), or your solicitor, accountant or other professional adviser. If you have any questions about the number of SEA Securities to which you are entitled, or how to complete the Entitlement and Acceptance Form, please contact the Registrar.

# CHAIRMAN'S LETTER

Dear Shareholders

## SEADRAGON RENOUNCEABLE RIGHTS OFFER

SeaDragon is pleased to announce a pro rata 3 for 5 renounceable rights offer of ordinary shares and options to acquire ordinary shares together with a shortfall bookbuild, to collectively raise approximately \$7.5 million.

As set out in our Market Update released on 28 July 2015, the funds will be used to assist with the completion of SeaDragon's new Omega-3 plant in Nelson, add a fractionation plant to that facility (leading to a higher value, higher quality product), upgrade the existing Omega-2 plant, pay the costs of this offer and meet the company's working capital requirements as it transitions to the commercial production of Omega-3 fish oils. On successful completion of the offer, and completion of the Omega-3 plant, SeaDragon will be in a strong position to grow the profitability of the business, aligned with our Vision to be recognised by consumers as the global leader in the production of unique and sustainably harvested fish oils for use in supporting healthy lifestyles.

The rights offer is an offer to Eligible Shareholders of the right to acquire (i) one new share and (ii) one option to acquire a new share. Eligible Shareholders will be granted 3 rights for every 5 existing shares held on the rights offer record date, 5:00pm, 20 August 2015 (the **Record Date**). The rights offer is only open to shareholders of SeaDragon with registered addresses in New Zealand as at the Record Date, or other persons that SeaDragon is satisfied can participate in the rights offer in compliance with all applicable laws (**Eligible Shareholders**).

The rights will be issued at no charge. Entitlements will be scaled up to a minimum holding of 2,000 rights with fractional entitlements rounded up to the nearest whole number. The price for exercising the rights will be \$0.008 per right. New shares will be issued on the same terms as the existing ordinary shares.

The option will be exercisable at any time during the period from 1 October 2015 until 5:00pm on 29 September 2018 for an exercise price of \$0.015 per option. These options will not be listed for trading on the NZX Main Board.

The rights offer will open to Eligible Shareholders on 20 August 2015. The rights will trade under the code SEARA on the NZX Main Board from 18 August 2015 until 7 September 2015, and the close date for applications is 5:00pm on 11 September 2015 with the allotment and issue of new shares and options to occur by 18 September 2015.

At the completion of rights trading, an auction process (shortfall bookbuild) will be conducted to sell those rights that have not (or cannot) be exercised by existing shareholders, with the proceeds (net of costs) (if any) being returned to those shareholders on a pro rata basis.

Please read the accompanying offer documentation carefully, and seek financial advice if you require it in considering the offer. The Entitlement and Acceptance Form will be posted to you on 21 August 2015.

I thank you for your continued support of SeaDragon.

Yours sincerely

Colin Groves  
Chairman, SeaDragon Limited

## KEY INFORMATION ABOUT THE OFFER

<b>Issuer</b>	SeaDragon Limited.
<b>The Rights Offer</b>	A pro-rata renounceable rights offer to Eligible Shareholders of the right to acquire (i) 3 New Shares and (ii) 3 options to acquire New Shares, in each case, for every 5 Existing Shares held on the Record Date.
<b>Issue Price</b>	\$0.008 per Right (rounded to the nearest whole cent).
<b>Offer Size</b>	A minimum raise of \$2,500,000 up to a maximum of \$9,009,140.
<b>SEA Securities</b>	<p>There are two parts to each Right – a New Share and an Option.</p> <p>Each Eligible Shareholder will be granted 3 renounceable rights for every 5 Existing Shares held on the Record Date as part of the Rights Offer.</p> <p><b>New Shares</b></p> <p>The New Shares are ordinary shares in SEA and are the same class as, and rank equally in all respects with, SEA’s quoted Existing Shares at the time of allotment of the New Shares. The New Shares will be quoted on the NZX Main Board following allotment.</p> <p><b>Options</b></p> <p>The Option is 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 Option (the exercise price will be \$0.30 per Option following the 20 to 1 consolidation referred to below). Options will be exercisable by the holder lodging with the Registrar an exercise notice (a copy of which will be sent to you on request to the Registrar) in writing together with payment of the exercise price.</p> <p>These Options will not be listed on the NZX Main Board or any other exchange.</p>
<b>Eligible Shareholder</b>	Shareholders with registered addresses in New Zealand as at the Record Date and other Shareholders that SEA is satisfied can participate in the Offer in compliance with all applicable laws.
<b>Rights</b>	Each Right entitles an Eligible Shareholder to subscribe for 1 New Share and 1 Option at the Issue Price, provided that Entitlements will be scaled up to a minimum aggregate holding of 2,000 Rights per Eligible Shareholder (“ <b>Minimum Entitlement</b> ”).
<b>Acceptance of Rights</b>	<p>Eligible Shareholders will be issued their Rights at no charge. On the exercise of any Right you must pay the Issue Price for each Right exercised. You will receive one New Share and one Option for every Right exercised. Your Entitlement to Rights is set out in the Entitlement and Acceptance Form. Fractional entitlements are rounded up to the nearest whole number.</p> <p>You are not required to exercise all of the Rights to which you are entitled under the Offer. You may subscribe for a proportion of the SEA Securities, sell / renounce your Rights (see the section headed “<b>Rights Trading</b>”).</p>

	<p>below) or not take any action (in which case your Rights will lapse at 5:00pm on the Closing Date). If SEA receives both a renunciation and an acceptance in respect of the same Rights on or before 5:00pm on the Closing Date, the renunciation will be given effect in priority to the acceptance.</p> <p>See “<b>Actions to be taken by Eligible Shareholders</b>” later in this Offer Document.</p>
<b>Oversubscription Facility</b>	<p>Eligible Shareholders may apply for an additional number of SEA Securities in excess of their Entitlement.</p> <p>If the applications for additional SEA Securities exceed the number of SEA Securities available (being those SEA Securities which have not been validly subscribed for by Rights holders by 5:00pm on the Closing Date (“<b>Unsubscribed Securities</b>”)), then such applications will be satisfied on a pro-rata basis (calculated on the relevant Rights holder’s Entitlement) up to the total number of Unsubscribed Securities, or on such other basis as SEA may determine.</p> <p>Applications for additional SEA Securities under this Oversubscription Facility will be accepted (in full or in part) or rejected at the Board’s discretion, including in order to enable existing shareholder Bioscience Managers to participate in the Shortfall Bookbuild as described in the “<b>Shortfall Bookbuild</b>” section. Subject to that Board discretion, all SEA Securities applied for by holders of Existing Shares will be accepted ahead of those that are applied for by external parties via private placement.</p>
<b>Rights trading</b>	<p>Application has been made to NZX for permission to quote the Rights on the NZX Main Board between the dates set out in the “<b>Important Dates</b>” section below and all of the requirements of NZX relating thereto that can be complied with on or before the date of this Offer Document have been duly complied with. However, NZX accepts no responsibility for any statement in this Offer Document.</p> <p>You may trade Rights in accordance with normal trading practice for securities quoted on the NZX Main Board. The sale or purchase of Rights may incur brokerage fees.</p>
<b>Shares currently on issue</b>	<p>SEA (as at the date of this Offer Document) has 1,876,904,194 shares quoted on the NZX Main Board. Following the issue of the SEA Securities, SEA will have up to 3,003,046,711 ordinary shares on issue and up to 1,126,142,517 options to acquire ordinary shares outstanding.</p>
<b>Shortfall Bookbuild</b>	<p>Any SEA Securities attributable to Rights not taken up by the closing date (5:00pm, 11 September 2015), including those of persons who are not Eligible Shareholders (“<b>Unexercised Rights</b>”), will be offered to Eligible Bookbuild Investors via a bookbuild process (the “<b>Shortfall Bookbuild</b>”).</p> <p>The Shortfall Bookbuild will be completed by 15 September 2015. Eligible Bookbuild Investors participating in the Shortfall Bookbuild will be able to bid for SEA Securities that are attributable to Unexercised Rights. If the proceeds from the issue of SEA Securities under the Shortfall Bookbuild on a per share basis (“<b>Bookbuild Price</b>”) exceeds the Issue Price (\$0.008 per New Share), such excess less transaction costs will be paid to the holders of the Unexercised Rights on a pro rata basis.</p> <p>Although existing shareholder BioScience Managers will not participate in the Rights Offer, they have agreed to participate in the Shortfall Bookbuild</p>

	through the convertible note they have already invested in (being a principal amount of \$2,500,000), subject to approval of shareholders to the convertible note at the AGM (see SeaDragon's notice of meeting for the 17 September 2015 AGM for additional information).
<b>Eligible Bookbuild Investor</b>	<p>Persons who:</p> <ul style="list-style-type: none"> <li>• if resident in New Zealand: <ul style="list-style-type: none"> <li>(a) are persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money; and / or</li> <li>(b) apply to participate in the Shortfall Bookbuild through a NZX Primary Market Participant; or</li> </ul> </li> <li>• if resident outside of New Zealand, are persons to whom an offer of SEA Securities can be made under all applicable laws, without the need for any registration, lodgement or similar formality.</li> </ul>
<b>Maximum number of New Shares being offered</b>	1,126,142,517
<b>Maximum Shares on completion of the Offer</b>	3,003,046,711
<b>Maximum number of Options being offered</b>	1,126,142,517
<b>Consolidation</b>	<p>SEA's board has approved a 20 to 1 consolidation (rounded up to the nearest whole Share) of all Shares to take place the business day immediately after the allotment of SEA Securities.</p> <p>The exercise price of the Options after the consolidation will be \$0.30 per Option.</p>
<b>Maximum number of Shares outstanding after Consolidation</b>	150,152,336
<b>Maximum number of Options outstanding after Consolidation</b>	56,307,125



## IMPORTANT DATES

Offer Document released	20 August 2015
Rights trading commences and Rights quoted on the NZX Main Board	18 August 2015
Record Date	20 August 2015
Offer opens	20 August 2015
Expected date of dispatch of Offer Document and Letter of Entitlement and Acceptance	21 August 2015
Rights trading ends	7 September 2015
Offer closes	11 September 2015
New Shares and Options allotted	18 September 2015
Expected date of quotation of New Shares	18 September 2015
Shareholder statements dispatched to successful applicants no later than	24 September 2015

These dates are indicative only. Applicants are encouraged to submit their applications as early as possible. SeaDragon reserves the right to vary any of the dates at its sole discretion.

# RISKS

As with any equity investment there are risks in investing in SeaDragon. Key risks specifically associated with an investment in SeaDragon include the risks detailed below. This is not an exhaustive list.

## Investor Risks

The principal risk for investors in SeaDragon is that they could be unable to recoup their original investment. This could occur for a number of reasons including:

- the price at which investors are able to sell their shares is less than the price they have paid due to market volatility or for other reasons; or
- they are unable to sell their shares at all; or
- SeaDragon is placed in receivership or liquidation.

Investors could receive none of, or less than, the potential returns discussed elsewhere in this Offer Document if SeaDragon becomes insolvent for any reason.

If SeaDragon's operational and financial performance is worse than investors expect, the future market price of Shares may be less than the price paid for them and the returns on Shares may be less than anticipated.

The performance of the NZX Main Board and international securities markets generally may also negatively impact SeaDragon's financial performance and in turn its share price.

## Dilution

If you do not take up or you sell your full entitlement under this Rights Offer, then you will not be able to subscribe for any of the New Shares or Options that are attributable to your entitlement. As a result, your existing shareholding in SeaDragon will be diluted by the New Shares issued under the Rights Offer and new shares issued on the exercise of Options.

## Production Risks

SeaDragon must successfully commission the Omega-3 plant, initiate processing and oversee growth of production and the business.

## Funding risk

SeaDragon will require funding raised under this Rights Offer to proceed with its current business plan. SeaDragon has secured \$1 million in debt funding from its lender as well as \$2.5 million provided by its second largest shareholder, BioScience Managers, by way of a convertible note (which will convert in the Shortfall Bookbuild as part of this Rights Offer, please see page 13 for more details). If SeaDragon does not raise sufficient funding under this Rights Offer and further debt facilities are not available, then this would have a negative impact on the Company's ability to complete the construction of the Omega-3 plant and cover other working capital requirements.

Further information around the rationale for the \$2.5 million funding from BioScience Managers is at section 2.2 of the Independent Advisers Report in the notice of meeting for the 17 September 2015 AGM.

## Supply of raw materials

SeaDragon is reliant on raw materials that are sourced from the ocean. Climatic conditions and natural stock numbers of fish can naturally vary and as such can impact on the availability of raw materials for processing and therefore on SeaDragon's profitability.

## Access to key markets

SeaDragon is dependent upon importing regulations and standards remaining favourable for its products in key export markets. Any restrictive change could affect our ability to supply products to that market, or affect the price at which products are sold.

## Foreign exchange

A significant proportion of SeaDragon's sales are earned in export markets and the majority of raw materials are purchased in foreign currency. SeaDragon attempts to manage foreign currency risks through a hedging policy and offsetting costs in-

market. However, depending on the product mix, a weaker New Zealand dollar could negatively impact SeaDragon's profitability. That is, the increase in raw material import costs may not be able to be passed on to domestic customers.

#### **Fixed cost base**

SeaDragon has invested in establishing a business base that it considers can sustain a significantly higher level of revenue without material cost increases - i.e. it provides good operating leverage. Earnings therefore are sensitive to changes in revenue (both up and down). If sales are unexpectedly lower, SeaDragon may not have sufficient time to adjust its fixed cost base, and profitability may be negatively impacted.

#### **Other risks**

There are further business risks, common to the industry, which may impact SeaDragon's market position, financial performance and share price. These risks include loss of key suppliers or customers, significant disruption to supply or distribution channels, seasonal variation in order patterns, legislation, acquisition and investment risk, intellectual property risk, negative publicity, competitive activity, loss of key personnel, employee relations, interest rates, and general economic conditions.

# TERMS OF THE OFFER

## 1. The Offer

The Rights Offer is a pro-rata renounceable rights offer to Eligible Shareholders of the right to acquire: (i) one New Share; and (ii) one Option to acquire a New Share. Eligible Shareholders will be granted 3 Rights for every 5 Existing Shares held on the Record Date. Entitlements will be scaled up to a minimum holding of 2,000 Rights ("**Minimum Entitlement**"). Subject to the Minimum Entitlement, any fractional Entitlements will be rounded up to the nearest Right.

The New Shares are of the same class as, and rank equally in all respects with, SEA's quoted Existing Shares. The New Shares will be quoted on the NZX Main Board following allotment.

The maximum number of New Shares and the maximum number of Options being offered under the Offer is, in each case, 1,126,142,517.

## 2. Issue Price

The Issue Price is \$0.008 per Right. The Issue Price (rounded to the nearest whole cent) must be paid in full on application with a completed Entitlement and Acceptance Form delivered to the Registrar in accordance with the instructions set out in the Entitlement and Acceptance Form. SEA may (in its discretion) accept late applications and Application Monies, but has no obligation to do so. SEA may accept or reject (at its discretion) any Entitlement and Acceptance Form which it considers is not completed correctly, and may correct any errors or omissions on any Entitlement and Acceptance Form.

If an Eligible Shareholder fails to accept any SEA Securities and pay the associated Application Monies by the Closing Date (5:00pm, 11 September 2015), their Rights will lapse.

Application Monies received will be held in a trust account with the Registrar until the corresponding New Shares are allotted and Options granted or the Application Monies

are refunded. Interest earned on the Application Monies will be for the benefit, and remain the property, of SEA and will be retained by SEA whether or not the issue and allotment of New Shares and grant of Options takes place. Any refunds of Application Monies will be made within 5 Business Days of allotment, or, if a decision is made not to proceed with the Offer, within 5 Business Days of the date of that decision.

## 3. Eligibility

The Rights Offer is only open to Eligible Shareholders, being those Shareholders of SEA with registered addresses in New Zealand as at the Record Date, or other persons that SEA is satisfied can participate in the Rights Offer in compliance with all applicable laws.

SEA considers that the legal requirements of other jurisdictions in which Shareholders have a registered address (including Australia, the United States and the United Kingdom) are such that it would be unduly onerous for SEA to make the Rights Offer in those jurisdictions. This decision was made having regard to the small number of Shareholders in the overseas jurisdictions; the likelihood of those Shareholders electing to participate in the Rights Offer if offered to them; and the financial resources of SEA and the costs of complying with overseas legal requirements. However, the entitlements of all Shareholders who are not Eligible Shareholders under this Offer will be issued to a nominee ("**Nominee**") who will endeavour to sell those entitlements and the net proceeds less costs will be paid to those Shareholders – see "Shortfall Bookbuild" below.

## 4. Shortfall Bookbuild

SEA Securities attributable to Unexercised Rights will be offered to Eligible Bookbuild Investors under the Shortfall Bookbuild. If you do not take up your Rights under the Rights Offer, or are not able to because you are not an Eligible Shareholder and your Entitlements have not otherwise been sold

by the Nominee, the SEA Securities attributable to your Unexercised Rights will be offered for sale in the Shortfall Bookbuild.

The Shortfall Bookbuild is only open to Eligible Bookbuild Investors. The Lead Manager for the Shortfall Bookbuild will be Beale Capital Consultants Limited and will be completed by 15 September 2015.

Eligible Bookbuild Investors participating in the Shortfall Bookbuild will bid for the SEA Securities attributable to the Unexercised Rights. The minimum bid that an Eligible Bookbuild Investor may submit for SEA Securities under the Shortfall Bookbuild is the Issue Price of \$0.008 per New Share and Option and this amount is payable to SEA. If the Bookbuild Price exceeds the Issue Price, the excess (i.e. the premium) will be paid to the holders of the relevant Unexercised Rights less transaction costs, provided that any premium amount (after deduction of transaction costs) less than \$10.00 will not be payable to the holders of Unexercised Rights and shall be retained by SEA. The Bookbuild Price will be determined by the Board and the Lead Manager and is expected to be set at the highest price above (or equal to) the Issue Price that will clear the book of SEA Securities available under the Shortfall Bookbuild. The proceeds from each SEA Security issued under the Shortfall Bookbuild (if any) will be paid by the Registrar as follows:

- The Issue Price to SeaDragon; and
- Any premium achieved in excess of the Issue Price, less transaction costs, to the holders of the Unexercised Rights in proportion to their holdings of Unexercised Rights.

*Example*

This example assumes that there is a demand for all of the SEA Securities available under the Shortfall Bookbuild, that the Bookbuild Price exceeds the Issue Price and that there are transaction costs of 0.25% of the Bookbuild Price.

Per New Share Issue Price	\$0.008
Bookbuild Price	\$0.009
Premium	\$0.001

Transaction costs \$0.00025

In this example, a Shareholder who holds 1,000,000 Existing Shares at 5.00pm on the Record Date and is either not an Eligible Shareholder (whose Rights were unable to be sold by the Nominee) or is an Eligible Shareholder but chooses not to take up or sell his or her Rights will have 600,000 Unexercised Rights.

That Shareholder would receive \$586.50 in aggregate for his or her Unexercised Rights in the Shortfall Bookbuild, being the Premium of \$0.001 multiplied by the number of Unexercised Rights held by him or her, less transaction costs, i.e.  $(600,000 \times \$0.001) - (0.0025 \times 0.009 \times 600,000) = \$586.50$ .

If the Bookbuild Price is equal to the Issue Price, there will be no premium payable to the holders of Unexercised Rights. Any premium amount (after deduction of transaction costs) which is less than \$10.00 shall not be payable to the holders of Unexercised Rights and shall be retained by SEA.

*Bookbuild Allocation Policy*

Allocation and any necessary scaling of applications under the Shortfall Bookbuild will be determined by the Board and the Lead Manager and are subject, in each case, to SEA's right to limit the allotment of SEA Securities to any person when that allotment may result, or be likely to result, in that person materially increasing their ability to exercise, or direct the exercise of, effective control of SEA (causing Listing Rule 7.5.1 to be triggered); when Listing Rule 9.2.1 would be triggered by such allotment; or where such allotment would breach the requirements of the Listing Rules generally or the requirements of the Takeovers Code. In determining allocations and any necessary scaling of applications under the Shortfall Bookbuild, the Board and the Lead Manager will take into consideration the shareholdings as at 5.00pm on the Record Date of the Eligible Bookbuild Investors participating in the Shortfall Bookbuild who are also Shareholders on the Record Date.

### *Participation*

Eligible Bookbuild Investors who wish to participate in the Shortfall Bookbuild should contact the Lead Manager or, if an Eligible Shareholder or other retail investor, their NZX Primary Market Participant, who will provide details as to the process to be undertaken.

### *Payment to Holders*

The premium, if any, will be paid by the Registrar in New Zealand dollars to holders of Unexercised Rights as follows:

- In accordance with the direct credit payment instructions provided by the Shareholder to SEA for the purposes of SEA dividends; and
- otherwise, by cheque sent by ordinary post to their address as recorded in SEA's share register.

Direct credit payments are expected to be made, and cheques are expected to be sent, by 25 September 2015.

### *Cancellation of Shortfall Bookbuild*

SEA reserves the right to cancel the Shortfall Bookbuild (other than with respect to the conversion of the convertible note held by BioScience Managers) at anytime prior to allotment of SEA Securities under the Shortfall Bookbuild.

### *Important Information*

The ability to sell SEA Securities in the Shortfall Bookbuild and the price obtained for them are dependent on various factors, including market conditions. There is no guarantee that the Bookbuild Price will be greater than the Issue Price, or that the holders of Unexercised Rights will receive any value for those Rights.

SEA, the Lead Manager and their respective agents and affiliates will not be liable to any person for any failure to sell SEA Securities or to procure a premium under the Shortfall Bookbuild.

### *Bioscience participation*

Although existing shareholder BioScience Managers will not participate in the Rights Offer, they have agreed to participate in the Shortfall Bookbuild through the convertible note they have already invested in (being a principal amount of \$2,500,000), subject to shareholder approval of the convertible note at the AGM (see SeaDragon's notice of meeting for the 17 September 2015 AGM for additional information).

The convertible notes were issued in two tranches, with the first tranche for \$1,250,000 issued on 26 June 2015 and the second tranche for a further \$1,250,000 issued on 17 July 2015. Interest will accrue on outstanding notes at 18% per annum, reducing to 13% per annum once the shareholder approval has been obtained.

The notes will convert on the closing of the Rights Offer at the same price as the Issue Price (i.e. \$0.008 per share) if SeaDragon raises at least \$5 million under the Rights Offer and any related capital raising (excluding the convertible notes). If SeaDragon raises less than \$5 million, then the notes will convert at a 20% discount to the Issue Price (i.e. \$0.0064). BioScience may also elect to convert the amount accrued in interest.

## **5. Options**

Each Eligible Shareholder will be offered an Option for every New Share subscribed for under the Rights Offer. The exercise price is \$0.015 per Option. The Options are exercisable at any time during the period from 1 October 2015 until 5:00pm on 29 September 2018. Options will be exercisable by the holder lodging with the Registrar an exercise notice (a copy of which will be available from the Registrar on request) in writing together with payment of the exercise price. SEA does not intend to list the Options on the NZX Main Board or any other exchange.

## **6. Rights Trading**

The Rights will trade under the code SEARA on the NZX Main Board from 18 August 2015 until 7 September 2015.

## 7. **Opening and Closing Dates**

The Offer will open for receipt of acceptances on 20 August 2015 (the “**Opening Date**”). The last day for receipt of the completed Letter of Acceptance and Entitlement with payment is 5:00pm, 11 September 2015 (the “**Closing Date**”), subject to SEA varying those dates in accordance with the Listing Rules.

## 8. **Oversubscription Facility**

Eligible Shareholders may apply for an additional number of SEA Securities in excess of their Entitlement pursuant to the Rights held.

If the applications for additional SEA Securities exceed the number of SEA Securities available (being those SEA Securities which have not been validly subscribed for by Rights holders by 5:00pm on the Closing Date) (“**Unsubscribed Securities**”), then such applications will be satisfied on a pro-rata basis (calculated on the relevant Rights holder’s entitlement to acquire SEA Securities) up to the total number of Unsubscribed Securities, or on such other basis as SEA may determine. Applications for additional SEA Securities under this Oversubscription Facility will be accepted (in full or in part) or rejected at the Board’s discretion including in order to enable existing shareholder Bioscience Managers to participate in the Shortfall Bookbuild as described in the “Shortfall Bookbuild” section. Subject to that Board discretion, all SEA Securities applied for by holders of Existing Shares will be accepted ahead of those that are applied for by external parties via private placement.

## 9. **Allotment and Issue of New Shares and Options**

New Shares and Options are expected to be allotted and issued by 18 September 2015. Transaction Statements confirming the allotment of your New Shares and Options will be issued and mailed in accordance with the Listing Rules.

## 10. **Terms and Ranking of New Shares**

New Shares allotted under the Offer, and any New Shares allotted upon exercise of Options, will be of the same class as, and ranking equally in all respects with, SEA’s quoted Existing Shares at the time of allotment of the New Shares. Each New Share will give the holder the right to one vote on a resolution at a meeting of shareholders (subject to any restrictions in SEA’s constitution or the Listing Rules), the rights to dividends authorised by the Board and the right to a proportionate share in any distribution of surplus assets of SEA on any liquidation.

## 11. **Rights**

If you are an Eligible Shareholder, you are not required to subscribe for all of the SEA Securities to which you are entitled under the Offer. You may subscribe for a proportion of such SEA Securities, sell/renounce your Entitlement or not take any action. See further details in the section “**Actions to be taken by Eligible Shareholders**”.

## 12. **Stamping Fee**

A stamping fee of 2% will be payable in respect of applications for New Shares and Options under the Offer which are accepted, bearing a valid stamp from an NZX Advisor of an NZX Participant Firm.

## 13. **Minimum Amount to Be Raised**

A minimum of \$5,000,000 (including conversion of the convertible loan held by BioScience Managers) must be raised for the Offer to proceed.

## 14. **NZX Main Board Quotation**

Application has been made to NZX for the Rights to be quoted on the NZX Main Board between the dates set out in the “Important Dates” section below and all of the requirements of NZX relating thereto that can be complied with on or before the date of this Offer Document have been duly complied with. However, NZX accepts no responsibility for any statement in this Offer Document.

NZX Main Board is a licensed exchange operated by NZX, which is a licensed market operator under the Financial Markets Conduct Act 2013.



# ACTIONS TO BE TAKEN BY ELIGIBLE SHAREHOLDERS

## Available Actions

If you are an Eligible Shareholder, accompanying this document is a Entitlement and Acceptance Form showing the number of Rights you have to subscribe for SEA Securities under the Offer. You may take one of the following actions in respect of your Rights:

- **accept all** or **part of** your Rights;
- **sell all** or **part of** your Rights;
- **accept part** of your Rights and **sell all** or **part of the** balance; or
- **do nothing** with **all** or **part** of your Rights.

If you are an Eligible Bookbuild Investor you may choose to participate in the Shortfall Bookbuild or do nothing. You cannot use the Entitlement and Acceptance Form to elect to participate in the Shortfall Bookbuild.

## Important:

- If you do nothing with your Rights before the Closing Date, they will lapse and you will not be able to subscribe for any SEA Securities under the Rights Offer or realise any other value for your Rights, except as provided for in relation to the Shortfall Bookbuild.
- You will receive nothing for your Unexercised Rights if the SEA Securities attributed to your Unexercised Rights fail to sell or are sold for no more than the Issue Price under the Shortfall Bookbuild.
- The Rights Offer is pro-rata. If you take up all of your Rights your percentage shareholding in SEA will not reduce but if you do not take up all your Rights, your percentage shareholding will reduce following completion of the Offer. For example, if you hold 10,000,000 Shares on the Record Date, you will have 6,000,000 Rights. If you decide not to take up any of your Rights, and all other shareholders do take up their Rights, your percentage interest in SEA will reduce by 0.2% from 0.53% to 0.33%.

## Accepting Your Entitlement

Eligible Shareholders who wish to accept all or part of their Rights should return their completed Letter Entitlement and Acceptance and deliver it to the Registrar, along with payment of the Issue Price in full by no later than the Closing Date in accordance with the instructions set out in the Entitlement and Acceptance Form.

The minimum number of SEA Securities which you must subscribe for under the Rights Offer is 2,000. Applicants will not be treated as having offered to purchase a greater number of New Shares other than the number for which payment is made.

## Selling Your Entitlement

The Rights are renounceable. This enables Eligible Shareholders who do not wish to accept all or part of their Entitlement to sell those Rights not accepted.

If you wish to sell all or part of your Rights, this can be effected on the NZX Main Board by instructing an NZX Primary Market Participant to sell all or part of the number of Rights specified in the Entitlement and Acceptance Form. You will need to provide your Authorisation Code (FIN) and your Common Shareholder Number (CSN) to the NZX Primary Market Participant who you wish to sell your Rights through. You will be required to pay brokerage in respect of that sale.

Trading of Rights will commence on the NZX Main Board under the code SEARA on 18 August 2015 and will cease at 5:00pm on 7 September 2015. Your Rights may be sold on the NZX Main Board between these dates, should you choose not to accept your full Entitlement. If you wish to sell your Rights using this method you must do so before close of trading on the NZX Main Board. Renunciations must be lodged with the Registrar, Link Market Services, not later than the Closing Date, 5:00pm, 11 September 2015. Link's details for the return of your Entitlement and Acceptance Form are enclosed with the Entitlement and Acceptance Form.

## Accepting Part of Your Entitlement and Selling the Balance

The minimum number of SEA Securities which you must subscribe for under the Rights Offer is 2,000. If you wish to accept part of your Rights and sell the balance, you should:

- instruct an NZX Primary Market Participant to sell the number of Rights you wish to renounce; and
- indicate the number of SEA Securities you wish to accept in the Entitlement and Acceptance Form and send your completed Entitlement and Acceptance Form, together with the Application Monies for the number of SEA Securities applied for, directly to the NZX Primary Market Participant through whom you sold your Rights.

If SEA receives, on or before the Closing Date (5:00pm, 11 September 2015) both an acceptance and a renunciation by an Eligible Shareholder in respect of the same Rights, effect will be given to the renunciation in priority to the acceptance.

### Payment instructions

Payment instructions are provided in the Instructions on the Entitlement and Acceptance Form. Payment can only be made by Direct Debit, Cheque or Bank Draft. Please choose only one payment option.

#### Option 1:

If you choose the direct debit option you must tick the box authorising the Registrar to direct debit the bank account nominated on the Entitlement and Acceptance Form, on the day the Entitlement and Acceptance Form is received by the Registrar, for the amount applied for on the Entitlement and Acceptance Form. The bank account must be with a New Zealand registered bank. You cannot specify a direct debit date and you must ensure that:

- the bank account details supplied are correct;
- the application funds in the bank account for direct debit are available on the day

the Registrar receives the Entitlement and Acceptance Form;

- the person(s) giving the direct debit instruction has/have the authority to operate the account solely/jointly; and
- the bank account you nominated is a transactional account eligible for direct debit transactions. If you are uncertain you should contact your bank.

*You must sign the Entitlement and Acceptance Form as this is required as authorisation by the banks for Link to process the direct debit.*

*Should your direct debit fail, your Acceptance will be rejected. If requested, a direct debit authority form will be provided to you by the Registrar. Refer to the contact details on the Entitlement and Acceptance Form.*

#### Option 2:

By bank draft in New Zealand dollars or a cheque drawn from a New Zealand registered bank and made out in New Zealand dollars. Cheques must be made payable to "SeaDragon Rights Offer" crossed "Not Transferable" and must not be post-dated as cheques will be banked on day of receipt. If your cheque is dishonoured SEA may cancel your allotment of Shares and pursue any other remedies available to it at law.

### Enquiries

If you have any queries about the number of Rights shown on the Entitlement and Acceptance Form which accompanies this Offer Document, or how to complete the Entitlement and Acceptance Form, please contact the Registrar at:

Link Market Services Limited  
Level 7, Zurich House  
21 Queen Street  
Auckland 1010  
PO Box 91976  
Auckland 1142  
Telephone: +64 9 375 5998  
Fax +64 9 375 5990  
Email:

[applications@linkmarketservices.co.nz](mailto:applications@linkmarketservices.co.nz)

## GLOSSARY

“**Applicant**” means an investor whose application for SEA Securities has been received by the Registrar prior to the Closing Date.

“**Application Monies**” means money received by SEA from Eligible Shareholders who have applied for SEA Securities under the Rights Offer.

“**Board**” means the board of directors of SEA.

“**Bookbuild Price**” means the proceeds from the issue of SEA Securities under the Shortfall Bookbuild on a per Share basis.

“**Business Day**” has the meaning given to that term in the Listing Rules.

“**Closing Date**” means 5:00pm, 11 September 2015.

“**Eligible Bookbuild Investors**” means persons who:

- (a) If resident in New Zealand:
  - (i) are persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money; and/or
  - (ii) apply to participate in the Shortfall Bookbuild through a NZX Primary Market Participant.
- (b) If resident outside of New Zealand are persons to whom an offer of SEA Securities can be made under all applicable laws, without the need for any registration, lodgement or similar formality.

“**Eligible Shareholders**” means Shareholders of SEA with registered addresses in New Zealand as at the Record Date and other Shareholders that SEA is satisfied can participate in the Rights Offer in compliance with all applicable laws.

“**Entitlement**” means the number of Rights to which Eligible Shareholders are entitled.

“**Entitlement and Acceptance Form**” means the personalised entitlement and acceptance form enclosed in this Offer Document for Eligible Shareholders.

“**Existing Shares**” means a fully paid ordinary share in SEA on issue on the Record Date.

“**Issue Price**” means \$0.008 per New Share.

“**Lead Manager**” means Beale Capital Consultants Limited.

“**Listing Rules**” means the listing rules of the NZX Main Board, as amended from time to time and for so long as SEA is listed by NZX.

“**New Share**” means a new Share offered under the Offer of the same class as, and ranking equally in all respects with, SEA’s quoted Existing Shares at the time of allotment of the New Shares.

“**NZX**” means the NZX Limited.

“**NZX Main Board**” means the main board equity security market operated by NZX.

**“NZX Primary Market Participant”** means any company, firm, organisation, or corporation designated or approved by as a Primary Market Participant from time to time by NZX.

**“Option”** means the option to acquire an additional New Share for every New Share subscribed for under the Rights Offer.

**“Offer”** means the Rights Offer and the Shortfall Bookbuild.

**“Offer Document”** means this document dated 20 August 2015.

**“Opening Date”** means 20 August 2015.

**“Oversubscription Facility”** means the facility that enables an Eligible Shareholder who accepts their Rights in full to apply for additional SEA Securities at the Issue Price (details of which are set out in the “Terms of the Offer” section of this Offer Document).

**“Record Date”** means 5:00pm, 20 August 2015.

**“Registrar”** means Link Market Services Limited.

**“Right”** means the renounceable right of each Eligible Shareholder under the Rights Offer.

**“Rights Offer”** means the offer to acquire SEA Securities.

**“SEA”** means SeaDragon Limited (New Zealand Business Number 9429039717122).

**“Share”** means one ordinary fully paid share in SEA.

**“Shareholder”** means a registered holder of Shares on issue.

**“Shortfall Bookbuild”** means a shortfall bookbuild of SEA Securities attributable to Unexercised Rights.

**“Unexercised Rights”** means any SEA Securities attributable to Rights not taken up by the Closing Date, including those of shareholders who are not Eligible Shareholders.

**“Unsubscribed Securities”** means those SEA Securities which have not been validly subscribed for by Rights holders by the Closing Date.

NOTE:

- All references to time are to New Zealand time.
- All references to currency are to New Zealand dollars.
- All references to legislation are references to New Zealand legislation unless stated or defined otherwise.

## DIRECTORY

<b>Enquiries</b>	Enquiries about this Offer should be directed to an NZX Firm or your financial or legal adviser.
<b>Registered Office</b>	12 Nayland Road, Stoke Nelson 7011 New Zealand
<b>Directors</b>	Colin Groves (Independent Chairman) Tim Preston (Independent Director) Richard Alderton (Director) Jeremy Curnock Cook (Director) Stuart Macintosh (Director) Matthew McNamara (Director) Patrick Geals (Independent Director)
<b>Lead Manager</b>	Beale Capital Consultants Limited 33 Lee Street Mount Maunganui Telephone: +29 5774712
<b>The Share Register</b>	Link Market Services Limited Level 7, Zurich House 21 Queen Street Auckland 1010 New Zealand  PO Box 91976 Auckland 1142 New Zealand  Telephone: +6493755998 Fax: +64 9 375 5990 Email: applications@linkmarketservices.co.nz
<b>Solicitors</b>	Minter Ellison Rudd Watts Level 20, Lumley Centre 88 Shortland Street Auckland 1010  Telephone: +64 9 353 9700 Fax: +64 9 353 9701