NZX / MEDIA RELEASE 29 June 2020

# SeaDragon releases audited financial statements

Please find attached the audited financial statements the year ended 31 March 2020

The revenue for SeaDragon of $6.6 million was an improvement on the prior year but was below the target set due to delays and challenges in securing higher margin sales. Low margins impacted our operational performance and were insufficient to cover the necessary investment made over the year in our refinery on processes and people.

The normalised EBITDA[1] loss this year of $4.7 million excludes the necessary non-cash financial adjustments to recognise our future lease obligations and assets under NZ IFRS 16 Leases which was implemented in April 2019. This normalised EBITDA is only marginally better than last year's loss of $5.2 million. The after-tax loss for this year of $7.0 million compares to last year's loss after tax of $9.6 million.

In March 2020 the first $9.0 million of our convertible loans with Comvita, Pescado, and BioScience were converted to equity and we would like to formally thank our cornerstone shareholders for the interest free loan facility provided over the last year. A further $4.0 million in convertible loan notes with Pescado will be converted in March 2021.

SeaDragon continues to be supported by its cornerstone shareholder Pescado and was pleased to announce on the 22nd of May this year that shareholders approved a $2.0 million loan facility with Pescado. This loan facility should provide the Company with sufficient cover to fund operating costs and invest in the initial working capital required over the next quarter with the goal of achieving a positive operating cashflow over the following year. $1.5 million of the loan has been drawn down after year end.

The delisting of the company from the NZX Main Board, approved in conjunction with this loan facility and effective from 29 June, removes some of the compliance complexity and costs inherent in being an NZX listed Company.

The SeaDragon team is committed to an ongoing concerted effort to get the business to a positive operating cashflow as soon as possible. Some quality sales have been secured for this coming year and in April the Company commenced a cost reduction strategy to reduce operational, compliance and other costs. The Management team will continue to seek higher value sales and reduce costs that do not provide value or align with future business.

On behalf of the Board I thank you for your ongoing support of SeaDragon

For further information, contact:

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**About SeaDragon:** www.seadragon.co.nz
SeaDragon Limited (NZX:SEA) is New Zealand's largest refiner and blender of high-quality, internationally certified concentrated fish oils and fractions, including Omega-3 oils. Our oils are sourced from fish caught in the clean and pure waters around New Zealand, in the Southern Ocean, and elsewhere. We have more than 20 years' experience processing fish oils and we are recognised for the quality and purity of our products. We supply health supplement manufacturers around the world to meet the burgeoning demand for pure, high-quality fish oils, which are scientifically proven to deliver significant human health benefits such as lowering the risk of heart disease, improving brain function and joint health. The majority of our supply is exported.

[1] The reconciliation of normalised EBITDA to the net loss after tax presented in our financial statements can be found on the following page

## Non-GAAP Financial Information

SeaDragon's standard profit measure prepared under NZ GAAP is net profit after tax (NPAT). SeaDragon has used Normalised EBITDA, a non- GAAP profit measure of earnings (or losses), when discussing financial performance in this document, and intends to do so in the future allowing investors to compare periods.

Normalised EBITDA is the earnings (or losses) before financing costs (including interest and the gain or loss on the extinguishment of convertible loan notes), tax, depreciation, impairment of property, plant and equipment and right of use assets, share options and other non-cash adjustments required under NZ IFRS16 Leases.

The Directors and Management believe this measure provides useful information to readers to assist in understanding the Company's financial performance and position. This measure is also used internally to evaluate performance of the business to establish operational goals and to allocate resources.

Non-GAAP profit measures are not prepared in accordance with NZ GAAP (and therefore do not comply with International Financial Reporting Standards) and are not uniformly defined. Therefore, the non-GAAP profit measures reported in this document may not be comparable with those that other companies report.

| **GAAP TO NON-GAAP RECONCILIATION** | **12 months 31 March 2020 $'000** | 12 months 31 March 2019 *$'000* |
|---|---|---|
| **SALES** | **6,625** | **4,887** |
| **Reported net profit (loss) after tax** | **(7,038)** | **(9,576)** |
| Add back: | | |
| Total financing costs | **(371)** | 524 |
| Depreciation (including on right-of-use asset) | **1,112** | 902 |
| Lease associated with right of use asset | **(597)** | - |
| Impairment of property, plant and equipment and right of use assets | **2,122** | 2,973 |
| Share option expense | **99** | - |
| **Normalised EBITDA** | **(4,673)** | **(5,177)** |