



Chairman's and CEO's addresses for SeaDragon - ASM - 24th September 2020

Chairman – Bryan Mogridge:

Well as I said earlier, I trust you are all keeping well and looking after yourselves in these strange and continuing Covid-19 times.

At the outset I should mention that SeaDragon has been considered an essential service under Covid-19 and continued its operations as normal. Importantly it has received no government support, and so all our results and comments are not caveated by outside assistance. Our results are a direct consequence of our business activities.

Over the past year and particularly in the last 6 months we have made significant and positive changes to your Company SeaDragon Ltd.

Our goal is laser focussed on making this company profitable so that the past 5 years of losses can be erased from our memories.

Over the past 12 months we have reviewed all our operational and strategic options in order to build a well-run long run profitable business. We don't expect SeaDragon's turnaround to be an explosive rocket but rather a very steady performer proving that it can be a real company, attaining regular solid and growing profits upon which we can build a sustainable future, becoming a real business that is self-supporting and rewarding patient shareholders with regular dividends.

Specifically during the last 6 months we have downsized the team to a focussed unit who are performing very well in the current environment and showing they are able to meet our ongoing global demand for product and very importantly they have improved the operational efficiencies of SeaDragon's plant enhancing margins.

There has also been significant progress on new product development which your CEO Nevin will cover in his address.

From a corporate perspective we have made a number of significant changes

1. We consolidated the shares 100 to 1 in order to correctly reflect the true market value of the business.
2. We have delisted from the NZX and are now listed on the USX, a move that should save us around \$250,000 pa
3. We have changed auditors from PwC to Blake Tilley Staples Rodway in an effort to reduce costs and right size the activities for a company not listed on the NZX.
4. We received a loan of \$2m from our major and very supportive shareholder Pescado to provide a bridge to our self-sustaining stage.

We strongly believe we are very close to that self-sustaining stage and would like to think that this current capital raise proves to be our last. To that end senior management and directors have provided \$450,000 already and Pescado is prepared to invest another \$1million, plus capitalise \$1.5million of its \$2m loan subject to shareholder approval at a Special Shareholders' Meeting in early October.

Besides those funds we are offering all SeaDragon shareholders the opportunity to participate in a \$1.25 million raise via a crowd funding mechanism with Snowball Effect.

The reason we are using crowd funding is that it avoids the significant cost and time of a full-blown prospectus. Also, this offer will allow those shareholders with less than \$1000 worth of shares the opportunity to top up so that they can remain as shareholders of SeaDragon should they wish. To other shareholders this may be the final opportunity to buy shares in SeaDragon at these price levels.

I realise that if you have been a long term shareholder of SeaDragon that is hasn't been a pleasant experience, however I firmly believe that we now have our business in the right shape to grow into a sustainable and profitable future. This would not have happened without your patience, the teams recent focus and determination to succeed plus of course the solid support of the main shareholders, in particular Pescado who have invested around \$18million over the past 4 years. Naturally a huge thank you to Pescado for their belief, determination and patience - something I am determined to reward by ensuring the success of SeaDragon.

Being a shareholder in a business who doesn't sit close to the action it is hard to get a decent read on how things are travelling within your firm. Naturally we are committed to providing up to date information to keep you informed, we wont provide forecasts as usually they prove incorrect and especially within the current global Covid-19 environment- however, one solid signal is that the senior team and non- major associated directors have collectively contributed \$450,000 to this round of capital raising. I have become a reasonable sized shareholder personally and I look forward to helping grow this proudly New Zealand business into a world leading food ingredient supplier of

"The World's Best Brain Food".

Thank you and I now hand over to our CEO Dr Nevin Amos

CEO - Dr Nevin Amos:

Thank you Bryan, and good afternoon everyone.

First, I would like to cover the impacts of Covid-19 on our operations. Although Covid-19 has been a major disruptor to all our lives, SeaDragon was considered an essential service under Covid-19 due to our oil being used by major infant formula brands, including brands that are sold in New Zealand. As such we were able to continue to run our operations with some modified staffing procedures. Demand for our fully refined tuna oil since the onset of Covid-19 has been largely unchanged. We have also seen little interruption to our supply of raw tuna oil or to our ability to deliver oil to our customers in Europe and elsewhere.

Over the course of the last year we reviewed all aspects of our operations, with a focus on bringing the business to a break-even cash position as soon as possible. Following that review, we have exited the company from low margin sub-component supply of tuna oils, have completed our exit from shark liver oils, and have focused our operations on higher value fully refined oils, from which we can bring the company to a break-even position more quickly. This has meant for the last six months we have been producing less oil through our refinery than in the past but at higher margins.

Pivoting to this higher margin and lower throughput strategy dictated a review and restructuring of our team and other costs in the business as announced to shareholders in April this year and as mentioned by Bryan. That process has been completed with team numbers in the business reduced by half. We have also made other substantial operational cost savings throughout the business.

These expense reductions have now been bedded down and have resulted in monthly cash use now being close to a break-even position.

We have an agile business with an engaged team who have built deep understanding of how to refine oils to the most exacting standards required for infant formula. In the past, changing quality specifications from our key customers had caused us, and most others in the industry, supply issues and hampered our sales. Whilst we have again been faced with a recent tightening of specifications, we have been able to rapidly respond to those changes and develop appropriate refinery processes as a result of our refocussed team.

SeaDragon is making progress on pivoting to the key strategic areas outlined during our 2019 ASM, which were:

1. To move from being a sub-component supplier of omega-3 oil, where we sell to others who further process, to a trusted component supplier, where we sell fully refined omega-3 oils which are deemed an essential part of our customers supply chains.
2. To develop specialised products of our own, which will allow us to move closer to the consumer.
3. To reposition the business to being a high-quality food ingredient supplier.

Our refining operations have made some major gains in efficiency through the last six months and we are seeing those flow through in both better refined oil quality, improved yields, and improved product throughputs. Our operations are now functioning such that we have been routinely producing and delivering in-specification fully refined tuna oil to our infant formula customers. These improvements have moved us towards becoming a trusted component supplier to the supply chains for the market leading infant formula companies we supply.

We have continued to develop our raw oil sources over the last year with a strong focus on sustainable sourcing. We have developed supply chains for Marine Stewardship Council (MSC) tuna oil alongside the Friends of the Sea (FOS) tuna oil supply that we have had previously. These supply sources allow SeaDragon to meet our own and our customer's sustainable sourcing requirements.

Provided we do not suffer supply disruption for raw tuna oil, which we do not anticipate, we expect to see a gradual increase in both supply and demand for this sustainably sourced tuna oil.

Our world-class refined oil quality is an enabler to making progress on achieving the second and third strategic objectives of: developing specialised products to allow us to move closer to the consumer; and transitioning to become a high-quality food ingredient company.

During the year we have developed novel delivery mechanisms for oil that are aimed at the consumer market. We have had encouraging discussions with both consumer facing and pet food companies about launching these products. Consumer testing of these products is currently underway with a New Zealand organisation.

Progress has also been made on transitioning the business to be a high value food ingredient supplier. We have developed ingredient offerings that can be used by the food and pet food industries both within New Zealand and elsewhere. These are currently undergoing stability testing, which is a prerequisite to achieving sales. We have had excellent feedback from food and pet food companies we have approached within New Zealand with samples of these products.

We expect to generate sales of both the consumer facing and food ingredient offerings over the next year with further gradual year-on-year growth following that. We expect these to generate higher margins than our sales of fully refined oils.

Moving to these higher margin products will assist SeaDragon to better leverage New Zealand provenance oils, such as Hoki, in a more natural "nature knows best" form than competing products that are most usually concentrated anchovy oil.

SeaDragon identified that having plant-based omega-3 oils within our portfolio is important with the growing trends in many markets towards plant derived nutrition. Over the last twelve months we have formed a supply relationship with a major producer of algal omega-3 oils. We now offer high quality algal omega-3 oils with DHA levels greater than 40% alongside our marine based omega-3 oils.

In summary, we have made good progress on pivoting the business to a focus on higher margin fully refined oils, more specialised close to consumer and food ingredient offerings. We have reduced operational cost from the business both from OPEX and team realignment, which has delivered substantial reductions in operating expenditure. We are now routinely producing and shipping high quality refined tuna oils to our infant formula customers. We expect SeaDragon to achieve a break-even position sometime within the next 12 months.