



SEADRAGON  
THE WORLD'S BEST BRAIN FOOD

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AUDITED  
FINANCIAL  
STATEMENTS

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2021



# FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

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## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders of SeaDragon Limited

#### Report on the Audit of the Consolidated Financial Statements

##### Qualified Opinion

We have audited the consolidated financial statements of SeaDragon Limited and its subsidiaries ('the Group') on pages 7 to 30, which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including significant accounting policies.

In our opinion, except for the effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Our report is made solely to the Shareholders of the Group. Our audit work has been undertaken so that we might state to the Shareholders of the Group those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Shareholders of the Group as a body, for our audit work, for our report or for the opinions we have formed.

##### **Bases for Qualified Opinion**

###### *Opening balances*

We were appointed as auditors of the Group on 27 August 2020. A disclaimer of opinion was issued on the 31 March 2020 financial statements by the predecessor auditors due to the fact that they were unable to obtain sufficient appropriate audit evidence to form an opinion as to whether the going concern assumption was appropriate or to support the assumptions made by the Directors on the carrying values of Property, Plant and Equipment ('PPE'), Right of Use assets ('RoU') and impairment recognised of \$2.1 million for the year ended 31 March 2020. Therefore, we were unable to rely on, or satisfy ourselves by alternative means, the comparative figures and opening balances for the 31 March 2021 financial year. Since opening balances, such as the carrying values of PPE, RoU and inventories enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect to the profit or

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loss for the year reported in the consolidated statement of profit or loss and other comprehensive income and the net cash flows from operating activities reported in the consolidated statement of cash flows.

***Impairment of Property, Plant and Equipment ('PPE') and Right of Use assets ('RoU')***

In addition, the Group has reported PPE and RoU, with carrying values of \$5.96 million and \$3.69 million respectively, in the consolidated statement of financial position as at 31 March 2021. We refer to note 7 of the financial statements that discloses the Director's assessment of the recoverable value of the PPE and RoU assets. In assessing the recoverable value, the Directors have performed a value in use calculation which includes key assumptions over expected future revenues and expenses. We were unable to obtain sufficient appropriate audit evidence to support the reported carrying amount of the PPE and RoU and, consequently, determine whether any adjustments to the carrying value of the specified assets was necessary as at 31 March 2021.

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, SeaDragon Limited and its subsidiaries.

**Other Matter – disclaimer of opinion issued on prior year financial statements**

The financial statements of SeaDragon Limited for the year ended 31 March 2020 were audited by another auditor who expressed a disclaimer of opinion on those statements on 29 June 2020.

**Material Uncertainty Related to Going Concern**

We draw attention to Note 2e) in the consolidated financial statements, which indicates that the Group incurred a net loss of \$3.13 million during the year ended 31 March 2021 and the statement of financial position which indicates that the Group has accumulated losses as at 31 March 2021 of \$52.47 million. As stated in Note 2e), these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Other than the matters described in the *Basis for Qualified Opinion* and *Material Uncertainty Related to Going Concern* sections, we have determined no further matters to be the key audit matters to be communicated in our report.

## Responsibilities of the Directors for the Consolidated Financial Statements

The Directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent fairly the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Philip Pinckney.



**BAKER TILLY STAPLES RODWAY AUDIT LIMITED**

**Hastings, New Zealand**

2 July 2021



# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2021

	Note	2021 \$'000	2020 \$'000
Revenue	1	4,505	6,625
Cost of sales		(5,438)	(9,448)
Impairment of property, plant and equipment and right of use assets	7,13	-	(2,115)
<b>Gross loss</b>		<b>(933)</b>	<b>(4,938)</b>
Other (losses) / gains from foreign exchange		(35)	(151)
Administration expenses	1	(1,633)	(2,121)
Selling and distribution expenses	1	(13)	(192)
Impairment of property, plant and equipment and right of use assets	7,13	-	(7)
<b>Operating loss</b>		<b>(2,614)</b>	<b>(7,409)</b>
Finance income - interest income		2	9
Finance expense - interest on borrowings		(133)	(7)
Finance expense - interest on lease liability	13	(389)	(278)
Gain / (loss) on extinguishment of loan	4	-	647
<b>Total financing costs</b>		<b>(520)</b>	<b>371</b>
<b>Loss before income tax</b>		<b>(3,134)</b>	<b>(7,038)</b>
Income tax expense	2	-	-
<b>Total comprehensive loss for the year attributable to the owners of the Company</b>		<b>(3,134)</b>	<b>(7,038)</b>
<b>Loss per share</b>	3		
Basic loss per share (cents per share)		(2.31)	(14.53)
Diluted loss per share (cents per share)		(2.31)	(14.53)

The notes on the attached pages form part of and are to be read in conjunction with these statements.



# Consolidated Statement of Changes in Equity

For the year ended 31 March 2021

	Note	Share capital \$'000	Convertible Loans \$'000	Accumulated loss \$'000	Share options reserve \$'000	Total Equity \$'000
<b>Balance at 1 April 2019</b>		<b>51,110</b>	<b>-</b>	<b>(45,694)</b>	<b>3,396</b>	<b>8,812</b>
<b>Total comprehensive loss for the year</b>						
Total comprehensive loss for the year attributable to the owners of the Company		-	-	(7,038)	-	(7,038)
<b>Total comprehensive loss for the year</b>		<b>-</b>	<b>-</b>	<b>(7,038)</b>	<b>-</b>	<b>(7,038)</b>
<b>Transactions with owners</b>						
Issue of share capital	5	9,000	-	-	-	9,000
Equity portion of convertible loan note	5	(7,750)	-	-	-	(7,750)
Mandatory convertible loan notes		-	4,000	-	-	4,000
Transaction costs		(145)	-	-	-	(145)
Lapse of share options		-	-	3,396	(3,396)	-
Recognition of share-based payments	11	-	-	-	44	44
<b>Balance at 31 March 2020</b>		<b>52,215</b>	<b>4,000</b>	<b>(49,336)</b>	<b>44</b>	<b>6,923</b>
<b>Balance at 1 April 2020</b>		<b>52,215</b>	<b>4,000</b>	<b>(49,336)</b>	<b>44</b>	<b>6,923</b>
<b>Total comprehensive loss for the year</b>						
Total comprehensive loss for the year attributable to the owners of the Company		-	-	(3,134)	-	(3,134)
<b>Total comprehensive loss for the year</b>		<b>-</b>	<b>-</b>	<b>(3,134)</b>	<b>-</b>	<b>(3,134)</b>
<b>Transactions with owners</b>						
Issue of share capital	5	4,084	-	-	-	4,084
Mandatory convertible loan notes	4,5	4,000	(4,000)	-	-	-
Transaction costs	5	(167)	-	-	-	(167)
Recognition of share-based payments	11	-	-	-	43	43
<b>Balance at 31 March 2021</b>		<b>60,132</b>	<b>-</b>	<b>(52,470)</b>	<b>87</b>	<b>7,749</b>

The notes on the attached pages form part of and are to be read in conjunction with these statements.





# Consolidated Statement of Financial Position

As at 31 March 2021

	Note	2021 \$'000	2020 \$'000
<b>Assets</b>			
Property, plant and equipment	7	5,959	6,377
Right of use assets	13	3,691	1,536
Other receivable		-	75
<b>Total non-current assets</b>		<b>9,650</b>	<b>7,988</b>
<b>Current assets</b>			
Cash and cash equivalents	6	1,631	204
Trade and other receivables	8	84	204
Inventories	9	2,299	2,272
<b>Total current assets</b>		<b>4,014</b>	<b>2,680</b>
<b>Total assets</b>		<b>13,664</b>	<b>10,668</b>
<b>Equity</b>			
Share capital	5	60,132	52,215
Mandatory convertible loans	4	-	4,000
Accumulated loss		(52,470)	(49,336)
Share options reserve	11	87	44
<b>Total equity attributable to holders</b>		<b>7,749</b>	<b>6,923</b>
<b>Current liabilities</b>			
Trade and other payables	12	761	1,478
Lease liabilities	13	242	363
Interest-bearing loan	15	559	-
<b>Total current liabilities</b>		<b>1,562</b>	<b>1,841</b>
<b>Non-current liabilities</b>			
Asset retirement obligations	13	336	336
Lease liabilities	13	4,017	1,568
<b>Total non-current liabilities</b>		<b>4,353</b>	<b>1,904</b>
<b>Total liabilities</b>		<b>5,915</b>	<b>3,745</b>
<b>Total equity and liabilities</b>		<b>13,664</b>	<b>10,668</b>

For and on behalf of the Board of Directors:

**Bryan Mogridge**  
Executive Chairman

**Mark Sadd**  
Director

The notes on the attached pages form part of and are to be read in conjunction with these statements.



# Consolidated Statement of Cash Flows

For the year ended 31 March 2021

	2021 \$'000	2020 \$'000
<b>Operating activities</b>		
Receipts from customers	4,559	6,728
Payments to suppliers and employees	(6,800)	(10,833)
Interest received	2	6
Interest paid	(22)	(7)
Interest paid on leases	(390)	(278)
<b>Net cash flows used in operating activities</b>	<b>(2,651)</b>	<b>(4,384)</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(121)	(787)
<b>Net cash flows used in investing activities</b>	<b>(121)</b>	<b>(787)</b>
<b>Financing activities</b>		
Proceeds from issue of share capital	4,084	-
Proceeds from issue of convertible notes	-	4,625
Proceeds from borrowings	2,000	-
Repayment of borrowings	(1,500)	-
Transaction costs of issue of shares	(167)	(145)
Payments of lease liabilities	(218)	(319)
<b>Net cash flows from financing activities</b>	<b>4,199</b>	<b>4,161</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>1,427</b>	<b>(1,010)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>204</b>	<b>1,214</b>
<b>Cash and cash equivalents at end of period</b>	<b>1,631</b>	<b>204</b>
<b>Made up as follows:</b>		
Cash and cash equivalents	1,631	204
<b>Total cash and cash equivalents at end of period</b>	<b>1,631</b>	<b>204</b>

The notes on the attached pages form part of and are to be read in conjunction with these statements.



# Consolidated Statement of Cash Flows (continued)

For the year ended 31 March 2021

<b>Reconciliation of net deficit with cash flows used in operating activities</b>	<b>2021 \$'000</b>	<b>2020 \$'000</b>
<b>Total loss for the year</b>	<b>(3,134)</b>	<b>(7,038)</b>
<b>Adjustments for:</b>		
Depreciation (including on right-of-use assets)	903	1,112
Non-cash movement on asset retirement obligation	-	74
Impairment of property, plant and equipment and right of use assets	-	2,122
Loss on disposal of property, plant and equipment	-	14
Non-cash interest income	-	(2)
Non-cash interest expense	111	-
Lease modification	27	-
(Gain) / loss on extinguishment of loan	-	(647)
Bad debt provision	-	(1)
Share-based payment expense	43	44
<b>Impact of changes in working capital items:</b>		
(Increase) / decrease in trade and other receivables	195	255
(Increase) / decrease in inventories	(27)	(601)
Increase / (decrease) in trade and other payables	(769)	284
<b>Net cash flows used in operating activities</b>	<b>(2,651)</b>	<b>(4,384)</b>

The notes on the attached pages form part of and are to be read in conjunction with these statements.



# Statement of Accounting Policies

For the year ended 31 March 2021

## 1. Reporting entity

SeaDragon Limited is a company registered and domiciled in New Zealand. The address of the Company's registered office is 12 Nayland Road, Stoke, Nelson 7011. The consolidated financial statements of the Company for the year ended 31 March 2021 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The Company is registered under the Companies Act 1993. The Company delisted from the New Zealand Stock Exchange ("NZX") on 29 June 2020.

The consolidated financial statements for the Group have been prepared in accordance with the Companies Act 1993.

The Group is primarily involved in omega-3 oil refining and processing.

## 2. Basis of preparation

### a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). The Group is a Tier 1 for-profit entity. The consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The consolidated financial statements also comply with International Financial Reporting Standards (IFRS). The consolidated financial statements were approved by the Board of Directors on 2 July 2021.

### b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets and liabilities as identified in specific accounting policies below. The methods used to measure fair values are discussed further in subsection 3 of the statement of accounting policies.

### c) Functional and presentation currency

These consolidated financial statements are presented in New Zealand Dollars (NZD), which is the Group's functional currency, rounded and presented to the nearest thousand dollars.

### d) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, and any future periods affected.

## e) Going concern

The consolidated financial statements have been prepared on a going concern basis. This assumes that the Group has the intention and ability to continue its business for the foreseeable future, without the need to significantly curtail activity.

As at 31 March 2021, the Group has cash of \$1,631k (2020: \$204k) and operating cash outflows of \$2,651k (2020: \$4,384k). The Group incurred a loss for the year of \$3,134k (2020: \$7,038k loss).

In June 2021, the company obtained additional funding to the value of \$500k in a Mandatory Convertible Loan Note (MCLN) from the majority shareholder, Pescado Holdings Limited (Pescado), along with a deferral of the maturity of the existing shareholder loan. The MCLN and the loan will finance the short term general corporate and working capital needs. The maturity date of the MCLN is 2 years following the note issue date (i.e. June 2021) and the interest rate is 10% per annum. The shareholder loan is now repayable on 31 December 2022 and the interest rate is 12% per annum. The loan facility is secured by a general security deed over all assets of the Group.

## Achievement of forecast sales and margins

In assessing the ability of the Group to fund its operations, management has made estimates of future sales volumes, sales prices, and margins. These estimates are based on management's assessment of the probability of reaching agreement with known and potential customers. As at 31 March 2021, the Group has confirmed purchase orders with existing customers. In addition, management has assessed the level of sales and margin to be made from new customers. If the Group is unsuccessful in achieving the forecast sales levels and margins, it will need to raise capital. At the date of authorisation of the consolidated financial statements, formal capital raising activities have not commenced.

Due to the future nature of forecasts the achievement of these estimates cannot be assured. In preparing these consolidated financial statements, the Directors have considered the above material uncertainties. They believe that the plans they have implemented to address the uncertainties are feasible.

In reaching this assessment, the Directors have considered;

- the likelihood of achieving the forecast sales and margins with customers, and the presence of alternative customers if required;
- the operational costs of the business and the impact of a delay in the timing of reaching agreement with potential customers; and
- the working capital requirements and forecast cash cycle to fund the initial orders from new customers.



## Statement of Accounting Policies (continued)

For the year ended 31 March 2021

On this basis, the Directors believe that the Group has the ability to generate sufficient operational cash flow, combined with the additional funding and future capital raising initiatives, to continue operations for at least 12 months from the date of authorising the financial statements. Hence, they consider the use of the going concern basis as appropriate. These consolidated financial statements do not include any adjustments that may be made to reflect that situation should the Group be unable to continue as a going concern. In such a situation the Group may not be able to realise its assets or settle its liabilities in the normal course of business. Such adjustments may include realising assets, such as inventory and refining assets, at amounts other than those recorded in the consolidated financial statements.

### 3. Significant accounting policies

The accounting policies applied in these financial statements are the same as those applied in the Group's financial statements as at and for the year ended 31 March 2020.

#### a) Basis of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intercompany balances and any unrealised income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

#### b) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency of the Group entities at the exchange rate at that date. Foreign currency differences arising on translation are recognised in profit or loss.

#### c) Share capital ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are recognised as a deduction from equity.

#### d) Financial assets

##### i. Trade receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. They are generally due for settlement within a month of invoicing and therefore are all classified as current.

Trade receivables are initially recognised at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less allowance for doubtful debts. Details of the Group's impairment policies and the calculation of the loss allowance are provided in (iii) below.

##### ii. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the Consolidated Statement of Financial Position.

##### iii. Impairment of financial assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst other factors, the failure of a debtor to engage in a repayment plan with the Group or a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9 the identified impairment loss was immaterial. Subsequent recoveries of amounts previously written off are credited against the same line item. Impairment losses are reversed through profit or loss, where there is a change in the estimates used to determine the recoverable amount.

#### e) Property, plant, and equipment

##### i. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributed to the acquisition of the asset. This includes capitalisation of decommissioning and restoration costs associated with provisions for asset retirement. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant,



## Statement of Accounting Policies (continued)

For the year ended 31 March 2021

and equipment. Any gain or loss on disposal of an item of property, plant, and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss as incurred.

### ii. Subsequent costs

Subsequent costs are included in the carrying amount of the item or recognised as a separate asset if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

### iii. Depreciation

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each major component of an item of property, plant, and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- Computer equipment: 3-5 years
- Office furniture and equipment: 2-6 years
- Plant and equipment: 1-28 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

### f) Inventories

Inventories are initially recognised at cost, and subsequently stated at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

Raw materials: Purchase cost on a first in, first out basis and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Finished goods and work in progress: Cost of direct materials and a proportion of manufacturing and labour overheads based on the normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### g) Leases

Rental contracts are typically made for fixed periods of 6 to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability. Each lease payment is allocated between the lease liability and the finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments and known fixed lease increases, less any lease incentives receivable and an assessment of the likelihood to renew for a further lease term.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability or right-of-use asset until they take effect.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability and any restoration costs. These assets are subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less.

### h) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated being the higher of an asset's fair value less costs to sell and the asset's value in use. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised whenever the carrying amount of an asset or the Group's cash-generating unit (CGU) exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses are allocated first to reduce the carrying amount of any goodwill and then to reduce the carrying amount of the other assets in the CGU. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessment of the



## Statement of Accounting Policies (continued)

For the year ended 31 March 2021

time value of money and the risks specific to the asset. An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### **i) Trade and other payables**

These amounts represent unsecured liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. As trade and other payables are usually paid within 30 days, face value approximates fair value.

### **j) Loans and borrowings**

Loans and borrowings are recognised initially at fair value, net of transactions costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction cost) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Mandatory convertible loan notes are non-interest bearing and the mandatory conversion feature results in fixed consideration for a fixed number of shares which means these convertible loan notes have been treated as equity.

### **k) Employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### **l) Share based payments**

The Group issues equity-settled options to employees, directors, and other parties as consideration for services rendered. Options entitle the holders to subscribe for ordinary shares at a fixed exercise price. The options vest immediately on the date of issue and are measured at fair value at the grant date using the Black Scholes model. The classification of the fair value of the options is based upon the nature of the services rendered.

### **m) Goods and Services Tax (GST)**

The Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Cash Flows and Consolidated Statement of Changes in Equity have been prepared so that all components are stated exclusive of GST. All items in the Consolidated Statement of Financial Position are stated net of GST, with the exception of trade receivables and payables, which include GST invoiced. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

### **n) Revenue**

Revenue from the sale of goods is measured at the price specified in the contract, net of estimated returns and allowances, trade discounts, volume rebates and GST. The Group does not enter into any agreements that include variable consideration.

The Group has assessed that it has one performance obligation in respect to sales where it arranges shipment on behalf of the customer. This conclusion was reached as control passes after shipment has occurred. For these sales, revenue is recognised once the product reaches the customer's port of destination.

When a customer arranges their own logistic arrangements control transfers at the point the product is loaded onto the carrier.

Revenue is recognised when a customer obtains control of the good and has the ability to direct the use and obtain the benefits from the good.

Revenue is also generated from toll processing, a service offering rental of the processing plant to customers, for the processing of goods at an ad hoc basis. The processing spans over a short term, usually one week. The customer retains ownership and control of the product throughout the processing period.

Revenue is recognised once the batch has been processed. Payment of the transaction price is typically received within two months of invoicing.

### **o) Finance income and finance costs**

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss,





## Statement of Accounting Policies (continued)

For the year ended 31 March 2021

using the effective interest method.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed as finance costs in the period in which they are incurred.

### **p) Tax**

Tax expense comprises current and deferred tax. Current tax expense is recognised in profit or loss, except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxation authority and the same taxable entity, or different taxable entities which intend to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### **q) Earnings per share**

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable

to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise of share options granted and mandatory convertible loans.

### **r) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the SeaDragon Limited Board of Directors. Based on the nature of the operating results reviewed by the chief operating decision maker, the Board has determined that the Group itself forms a single operating segment. Two external customers account for more than 10% of total revenues being \$2,712k and \$478k respectively (2020: two customers being \$1,276k and \$3,558k respectively).

### **s) New standards, amendments, and interpretations**

There are various standards, amendments and interpretations which were assessed as having an immaterial impact on the Group. There are no IFRS, IFRIC interpretations or other applicable IFRS that are effective for the first time for the financial year beginning on 1 April 2020 that had a material impact on the consolidated financial statements.

### **t) Changes in accounting policies**

There have been no changes in accounting policies.

### **u) Significant accounting estimates and judgments**

The Group makes estimates and assumptions concerning the future that affects the amounts reported in the consolidated financial statements. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year are:

#### **i. Going concern**

Management has assessed the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Therefore, the consolidated financial statements continue to be prepared on the going concern basis. Refer to accounting policy 2e.

#### **ii. Inventory**

Inventories are stated at the lower of cost or net realisable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Management's assessment includes the estimate of selling price, among other factors. With the limited





## Statement of Accounting Policies (continued)

For the year ended 31 March 2021

historic sales data of Omega-3 products available and in the absence of confirmed sales contracts for some inventory, these estimates include significant management judgement and inherent uncertainties.

In determining the cost of inventories management allocate overheads and other indirect costs based on the current normal operating capacity of the factory. To do this management use an estimate of production hours based on the estimated production weeks and operating hours.

### **iii. Impairment of property, plant, and equipment (PP&E) and right-of-use asset (ROU)**

Management has assessed the carrying value of the Group's PP&E and ROU using discounted post-tax cash flows on a Fair Value Less Cost of Disposal (FVLCD) basis. This has required management to exercise significant judgement in considering the forecasted performance of the Group over the 5-year period considered. Refer to note 7.



# Notes to the Financial Statements

For the year ended 31 March 2021

## 1. REVENUE AND EXPENDITURE

	Note	2021 \$'000	2020 \$'000
<b>Revenue includes:</b>			
Sale of goods		4,419	6,535
Rendering of services		86	90
<b>Total revenue</b>		<b>4,505</b>	<b>6,625</b>

<b>Cost of sales and other expenses include:</b>			
Auditors' remuneration (see below)		94	113
Impairment of trade receivables		-	(1)
Depreciation expense (including right-of-use asset) <sup>1</sup>	7, 13	903	1,112
Directors' fees	15	118	211
Rent and low value lease expense <sup>2</sup>	13	(71)	50
Personnel expense <sup>3</sup>		1,624	2,318
Contributions to defined contribution plans		18	38
Share option expense	11	43	99

### AUDITORS' REMUNERATION

The auditor for SeaDragon Limited is Baker Tilly Staples Rodway Audit Limited (2020: PricewaterhouseCoopers)

#### Fees to auditors for:

Audit of financial statements plus disbursements		94	106
Tax compliance and advisory services		-	7
<b>Total auditors remuneration</b>		<b>94</b>	<b>113</b>

<sup>1</sup> Of the depreciation expense (including right-of-use asset), \$898k (2020: \$1,107k) has been recognised as part of cost of sales in profit or loss.

<sup>2</sup> Rent includes lease modification adjustments due to right to renew dates and rent relief received due to COVID-19. Management has applied the practical expedient to all rent concessions.

<sup>3</sup> Personnel expense of \$1,007k has been recognised as part of costs of sale in profit or loss (2020: \$1,604k).



# Notes to the Financial Statements

For the year ended 31 March 2021

## 2. INCOME TAX

	2021 \$'000	2020 \$'000
<b>Reconciliation of effective tax rate:</b>		
Total loss for the year	(3,134)	(7,038)
Current domestic tax rate (cents in the dollar)	0.28	0.28
Income tax benefit using the domestic tax rate	878	1,971
Temporary differences	32	-
Permanent differences	-	601
Prior period adjustment	-	833
Current losses where no deferred tax asset was recognised	(910)	(3,405)
<b>Total income tax benefit / (expense)</b>	<b>-</b>	<b>-</b>

The Company has imputation credits at 31 March 2021 of \$1k (2020: \$2k).

### Deferred tax assets

The Group has unrecognised tax losses of \$35,360,218 (2020: \$33,799,281) to be carried forward and available for offset against future assessable income. The carry forward of tax losses is contingent upon satisfying the requirements of the Income Tax Act 2007 in future periods. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.



# Notes to the Financial Statements

For the year ended 31 March 2021

## 3. LOSS PER SHARE

	2021	2020
<b>Basic loss per share</b>		
Number of issued ordinary shares	231,836,888	75,705,826
Numerator – loss attributable to shareholders (\$'000)	(3,134)	(7,038)
Denominator – weighted average ordinary shares	135,874,461	48,433,047
<b>Basic loss per share (cents per share)</b>	<b>(2.31)</b>	<b>(14.53)</b>

As the Group is loss making, the impact of options not yet exercised is anti-dilutive. Consequently the diluted and basic EPS are the same.

## 4. MANDATORY CONVERTIBLE LOANS

The Group has issued mandatory convertible loan notes (MCLN) to its cornerstone shareholder. This note explains the terms and conditions attached to these MCLNs.

On 17 May 2019 the Group entered into an agreement with Pescado Holdings Limited (Pescado) for a \$4.0 million mandatory convertible loan note facility. The key terms of this facility are:

- Non-interest bearing.
- Conversion price of \$0.002 (20 cents post share consolidation).
- Maturity date of 31 March 2021.
- Mandatory conversion to ordinary shares at maturity date, unless an event of default subsists, or the Group is insolvent at maturity.
- The Group had the opportunity to repay the loan notes prior to maturity.
- Pescado had the opportunity to convert the loan notes prior to maturity.

Given SeaDragon's financial position at the time of the agreement, and the short-term nature of the convertible loan note facility, it was unlikely that the Group could, or would wish to, repay the loan notes. These MCLNs were treated as equity due to the nil interest rate and the mandatory conversion feature resulting in fixed consideration for a fixed number of shares.

At 31 March 2020, the total \$4.0 million of the MCLNs on issue were treated as equity. At 31 March 2021, and in accordance with the terms of the MCLNs, the total \$4.0 million of the MCLNs on issue mandatorily converted into shares and, as such, continued to be treated as equity.



# Notes to the Financial Statements

For the year ended 31 March 2021

## 5. SHARE CAPITAL

	Number of ordinary shares	Issue price (cents)	\$'000
<b>Balance at 31 March 2019</b>	<b>4,843,304,727</b>		<b>51,110</b>
Balance prior to share consolidation 12 March 2020	4,843,304,727		51,110
Share consolidation 12 March 2020 - 1 per 100 shares	(4,794,871,628)		-
27,272,727 shares issued	27,272,727	33	9,000
Equity portion of convertible loan note exercised	-		(7,750)
Transaction costs of convertible loan note	-		(145)
<b>Balance at 31 March 2020</b>	<b>75,705,826</b>		<b>52,215</b>
136,131,062 shares issued	136,131,062	3	4,084
Convertible loan note exercised	20,000,000	20	4,000
Transaction costs	-		(167)
<b>Balance at 31 March 2021</b>	<b>231,836,888</b>		<b>60,132</b>

At 31 March 2021, \$4.0 million of mandatory convertible loans converted into 20,000,000 shares at an exercise price of 20 cents per share.

All authorised and issued shares are fully paid and have no par value. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Group. All shares are rank equally on the winding up of the Group.

## 6. CASH AND CASH EQUIVALENTS

	2021 \$'000	2020 \$'000
Cash at banks and on hand	1,631	204
<b>Total</b>	<b>1,631</b>	<b>204</b>

Cash at banks earns interest at floating rates based on daily bank deposit rates. BNZ holds security over the deposits in the name of SeaDragon Marine Oils Limited.

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 31 March:

	2021 \$'000	2020 \$'000
Cash at banks and on hand	1,631	204
<b>Cash and cash equivalents</b>	<b>1,631</b>	<b>204</b>



# Notes to the Financial Statements

For the year ended 31 March 2021

## 7. PROPERTY, PLANT AND EQUIPMENT

	Computer, office, plant and equipment \$'000	Work in progress \$'000	Total \$'000
<b>Cost</b>			
<b>Balance at 1 April 2019</b>	<b>15,360</b>	<b>187</b>	<b>15,547</b>
Additions	103	681	784
Disposals	(71)	-	(71)
Transfers to (from) work in progress	329	(329)	-
Transfers to right of use assets	(179)	-	(179)
<b>Balance at 31 March 2020</b>	<b>15,542</b>	<b>539</b>	<b>16,081</b>
Additions	103	18	121
Disposals	-	-	-
Transfers to right of use asset	(55)	-	(55)
Transfers to (from) work in progress	539	(539)	-
<b>Balance at 31 March 2021</b>	<b>16,129</b>	<b>18</b>	<b>16,147</b>
<b>Depreciation</b>			
<b>Balance at 1 April 2019</b>	<b>7,423</b>	<b>-</b>	<b>7,423</b>
Depreciation for the year	663	-	663
Impairment of property, plant and equipment	1,710	-	1,710
Transfers to right of use assets	(32)	-	(32)
Disposals	(60)	-	(60)
<b>Balance at 31 March 2020</b>	<b>9,704</b>	<b>-</b>	<b>9,704</b>
Depreciation for the year	572	-	572
Transfers to right of use assets	(88)	-	(88)
Disposals	-	-	-
<b>Balance at 31 March 2021</b>	<b>10,188</b>	<b>-</b>	<b>10,188</b>
<b>Carrying amounts</b>			
Balance at 1 April 2019	7,937	187	8,124
Balance at 31 March 2020	5,838	539	6,377
<b>Balance at 31 March 2021</b>	<b>5,941</b>	<b>18</b>	<b>5,959</b>



# Notes to the Financial Statements

For the year ended 31 March 2021

## 7. PROPERTY, PLANT AND EQUIPMENT (continued)

Property, plant, and equipment (PP&E) and Right of Use Assets (ROU) have been tested for impairment as at 31 March 2021 using discounted post-tax cash flows on a Fair Value Less Cost of Disposal (FVLCD) basis. These post-tax cash flows represent management's probability weighted forecast for a five-year period with a single Cash Generating Unit (CGU) representing the total business operations. The forecast period assumes 47% sales growth per annum on average over an initial five-year period reflecting increased sales to key customers and future sales orders from new Omega-3 value add products. Beyond this period a terminal cash flow has been applied reflecting management and Director's view of sustainable earnings at this point. A terminal growth rate of 2% per annum has been applied.

Management has needed to exercise significant judgement in particular making the following assumptions;

- the Company has staffed the refinery to operate on a single shift to fulfil current customer demand, whilst developing new Omega-3 value add products into the product range and higher value sales can be secured;
- with limited historic sales data of Omega-3 value add products, sales have been forecast based on predicted customer demand and negotiations with other potential customers and suppliers;
- gross margins have been increased by 2% each year over the forecast period to reflect inflationary increases in sales prices and the cost of supplies;
- operating costs are anticipated to increase by 2% to 3% each year depending on the cost;
- the forecasted capital expenditure program will enable production performance and efficiencies to be achieved and to mitigate potential issues. It is anticipated that the capital expenditure and maintenance expense modelled are sufficient to generate the forecast earnings;
- a post-tax discount rate of 15.5% is reasonable considering the risk profile of the Group.

Based on this FVLCD calculation and underlying assumptions made, management and the Directors believed the carrying value of the CGU totalling \$7.5m was below the ongoing economic benefit to the Group, determined to be \$8.6m, and was not impaired.

## 8. TRADE AND OTHER RECEIVABLES

	2021 \$'000	2020 \$'000
Trade receivables	21	28
Sundry receivables	3	2
GST receivable	34	143
Prepayments	26	31
<b>Total</b>	<b>84</b>	<b>204</b>



# Notes to the Financial Statements

For the year ended 31 March 2021

## 9. INVENTORIES

	2021 \$'000	2020 \$'000
Raw materials and consumables	277	775
Work in progress	999	623
Finished goods	1,023	874
<b>Total</b>	<b>2,299</b>	<b>2,272</b>

During the year \$2,617k of inventory was expensed (2020: \$8,769k).

During the year no inventory was impaired (2020: impairment of \$16k).

At 31 March 2021, \$40k of inventory was carried at net realisable value (2020: \$40k).

## 10. INVESTMENT IN SUBSIDIARIES

The principal subsidiaries of SeaDragon Limited, all of which have been included in these consolidated financial statements, are as follows:

	Country of Incorporation	Principal Activities	Interests held by Company	
			31 March 2021	31 March 2020
Omega 3 New Zealand Limited	New Zealand	Non Trading	100.0%	100.0%
SeaDragon Marine Oils Limited	New Zealand	Omega-3 Oil Refining & Processing	100.0%	100.0%

## 11. SHARE OPTIONS

The Group has an established share option plan that entitles selected directors and employees to purchase shares in the Group. The exercise price of the granted options is the average share price over the five trading days prior to the grant date and have a contractual life of four or less years. Options can be exercised at any time after vesting and unexercised options lapse within 60 days of an employee leaving the Group. In accordance with the terms of issue of the options, holders are entitled to acquire shares at the price determined at the time the options were issued. The Group has no legal or constructive obligation to repurchase or settle the options for cash.

At 31 March 2021, terms and conditions of options to acquire shares granted by the Group are as follows:

Options Date of issue	Person Entitled	Number of Shares on Exercise of options	Vesting Conditions	Exercise Period	Exercise Price	Share Price
13/09/2019	Bryan Mogridge	2,959,972	Vesting on date of issue	13/09/19 to 30/09/23	\$0.03	\$0.05
		<b>2,959,972</b>				

The share option granted to Bryan Mogridge was approved at a shareholders meeting on 13 September 2019. The share options were measured using a Black Scholes model. The calculation assumes a risk free rate of 0.85% and volatility of 50%.

On 2 September 2020 the Group agreed to amend the exercise price of the existing options to \$0.03. Using the Black Scholes model, the options were revalued at \$87k (2020: \$44k). The increase of \$43k has been included in expenses.





# Notes to the Financial Statements

For the year ended 31 March 2021

## 11. SHARE OPTIONS (continued)

Movements in the number of share options outstanding and their related average exercise prices are as follows:

	Number of Options		Weighted Average exercise price	
	2021	2020	2021	2020
Options outstanding at 1 April	2,959,972	998,090,909	50 cents	4 cents
Issued during the period	-	2,959,972	-	50 cents
Lapsed during the period	-	(998,090,909)	-	4 cents
Change in exercise price	(2,959,972)	-	50 cents	-
Change in exercise price	2,959,972	-	3 cents	-
Exercised during the period	-	-	-	-
Expired during the period	-	-	-	-
<b>Outstanding at end of period</b>	<b>2,959,972</b>	<b>2,959,972</b>	<b>3 cents</b>	<b>50 cents</b>

Options outstanding at 31 March 2021 have a weighted average exercise price of 3 cents (2020: 50 cents) and a weighted average contractual life of 2.5 years (2020: 3.5 years).

The share options are exercisable at any time up to the end of the exercise period by the holder.

## 12. TRADE AND OTHER PAYABLES

	2021 \$'000	2020 \$'000
Trade creditors	276	1,067
Accrued expenses	252	154
Employee entitlements	176	202
Other payables	57	55
<b>Total</b>	<b>761</b>	<b>1,478</b>

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value. Refer to Note 14 on foreign currency risk.



# Notes to the Financial Statements

For the year ended 31 March 2021

## 13. LEASES AND COMMITMENTS

### Right of use assets

The Group has entered into commercial leases on premises. The asset retirement obligation represents the present value of the estimated costs for the restoration of the leased refinery property at the termination of the lease in 2037 (2020: 2025).

There are no restrictions placed upon the Group by entering into these leases.

	Land and buildings \$'000	Asset retirement obligation \$'000	Total \$'000
<b>Cost</b>			
Balance at 1 April 2019	2,250	179	2,429
Balance at 31 March 2020	2,250	179	2,429
Lease modifications <sup>1</sup>	2,416	-	2,416
Transfers from property, plant and equipment	-	55	55
Additions	10	-	10
<b>Balance at 31 March 2021</b>	<b>4,676</b>	<b>234</b>	<b>4,910</b>
<b>Depreciation and impairment</b>			
Balance at 1 April 2019	-	32	32
Depreciation for the year	438	11	449
Impairment of right of use assets	412	-	412
Balance at 31 March 2020	850	43	893
Lease modifications <sup>1</sup>	(92)	-	(92)
Depreciation for the year	327	3	330
Transfers from property, plant and equipment	-	88	88
<b>Balance at 31 March 2021</b>	<b>1,085</b>	<b>134</b>	<b>1,219</b>
<b>Carrying amounts</b>			
Balance at 31 March 2020	1,400	136	1,536
<b>Balance at 31 March 2021</b>	<b>3,591</b>	<b>100</b>	<b>3,691</b>

The right of use assets include an asset of \$100k (2020: \$136k) representing the present value of the estimated costs for the restoration of the leased refinery property, being \$336k (2020: \$336k), at the termination of the lease in 2037 (2020: 2025).

There has been no addition, utilisation or release of the asset retirement provision (2020: nil).

<sup>1</sup> The right of use values were adjusted during the year, due to lease modifications for right to renew dates.

	2021 \$'000	2020 \$'000
<b>Lease liabilities</b>		
Current	242	363
Non-current	4,017	1,568
<b>Total</b>	<b>4,259</b>	<b>1,931</b>



# Notes to the Financial Statements

For the year ended 31 March 2021

## 13. LEASES AND COMMITMENTS (continued)

	2021 \$'000	2020 \$'000
<b>Amounts recognised in profit and loss</b>		
Depreciation expense on right of use assets	330	449
Interest expense on lease liabilities	389	278
Impairment of right of use assets	-	412

Future minimum rental payable for leases of low value items as at 31 March are as follows:

	2021 \$'000	2020 \$'000
Within one year	2	4
After one year but not more than five years	-	2
More than 5 years	-	-
<b>Total</b>	<b>2</b>	<b>6</b>

The Group has entered into raw material purchase commitments. Future purchases payable under non-cancellable purchase commitments as at 31 March are as follows:

	2021 \$'000	2020 \$'000
<b>Raw material purchase commitments</b>		
Within one year	-	2,078
More than one year	-	-
<b>Total</b>	<b>-</b>	<b>2,078</b>

## 14. FINANCIAL INSTRUMENTS

The carrying values of the Group's financial instruments approximate their fair value.

	2021 \$'000	2020 \$'000
<b>Financial assets at amortised cost</b>		
Cash and cash equivalents	1,631	204
Trade receivables	21	28
Sundry debtors	3	2
<b>Total financial assets at amortised cost</b>	<b>1,655</b>	<b>234</b>
<b>Total financial assets</b>	<b>1,655</b>	<b>234</b>
<b>Financial liabilities at amortised cost</b>		
Trade creditors	(276)	(1,067)
Accrued expenses	(252)	(154)
Other payables	(57)	(55)
Interest-bearing loan	(559)	-
<b>Total financial liabilities at amortised cost</b>	<b>(1,144)</b>	<b>(1,276)</b>
<b>Total financial liabilities</b>	<b>(1,144)</b>	<b>(1,276)</b>



# Notes to the Financial Statements

For the year ended 31 March 2021

## 14. FINANCIAL INSTRUMENTS (continued)

### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control the market risk exposures within acceptable parameters. The market risks the Group is exposed to are interest rate and foreign currency risk.

### Foreign currency risk

The Group's functional and presentation currency is the New Zealand Dollar (NZD).

The Group considers that foreign currency risk is minimal as there are sales and purchases in United States Dollars (USD) and Euros (EUR) creating a natural hedge for currency risk. These risks are economically hedged via the use of foreign currency forward contracts as required. The Group does not apply hedge accounting.

### Denominated in foreign currency

The Group's exposure to foreign currency at 31 March 2021 is detailed below :

	2021 USD'000	2020 USD'000
Trade and Other Receivables	-	14
Trade and Other Payables	(9)	(272)

### Interest rate risk

The Group manages its interest rate risk by maintaining minimal variable rate cash balances. Excess cash resources are placed into fixed rate term deposits where appropriate.

The Group considers that there is an immaterial interest rate risk in existence at 31 March 2021. Interest rate exposures of the Group are shown in Note 4.

### Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost, at fair value through profit or loss and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. The Group's maximum credit risk is represented by the carrying value of these financial assets. The credit risk associated with cash transactions and deposits is managed through the Group's policies that limit the use of counterparties to high credit quality financial institutions.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics based on the type and location of the Customer.

### Liquidity risk

Liquidity risk represents the Group's ability to meet its contractual obligations as they fall due. The Group evaluates its liquidity requirements on an ongoing basis to make the most effective use of its banking facilities.

As at 31 March 2021 the Group is dependent on the securing of additional funding to meet its obligations. Refer to Note 17 for further information.



# Notes to the Financial Statements

For the year ended 31 March 2021

## 14. FINANCIAL INSTRUMENTS (continued)

The following table sets out the undiscounted contractual cash flows for all financial liabilities settled on a gross cash flow basis.

2021	Statement of Financial Position \$'000	Contractual Cash flows \$'000	3 months or less \$'000	4 months to 12 months \$'000	Greater than 12 months \$'000
Trade creditors	276	276	276	-	-
Accrued expenses	252	252	252	-	-
Lease liabilities	4,259	7,884	153	459	7,272
<b>Total non-derivative liabilities</b>	<b>4,787</b>	<b>8,412</b>	<b>681</b>	<b>459</b>	<b>7,272</b>

2020	Statement of Financial Position \$'000	Contractual Cash flows \$'000	3 months or less \$'000	4 months to 12 months \$'000	Greater than 12 months \$'000
Trade creditors	1,067	1,067	1,067	-	-
Accrued expenses	154	154	154	-	-
Lease liabilities	1,931	2,643	148	445	2,050
<b>Total non-derivative liabilities</b>	<b>3,152</b>	<b>3,864</b>	<b>1,369</b>	<b>445</b>	<b>2,050</b>

### Capital Management

The Group's strategy in respect of capital management is reviewed regularly by the Board of Directors.

The Group's capital includes share capital, reserves and accumulated losses. As part of the Board's regular review of capital requirements they assess the current and forecasted cash flow position of the Group and then consider the need for additional funding. Refer to Note 2e) in the Statement of Accounting Policies for further information.



# Notes to the Financial Statements

For the year ended 31 March 2021

## 15. RELATED PARTY INFORMATION

### General

All members of the Group are considered to be related parties of SeaDragon Limited.

### Key management personnel and members of the Board of Directors

Each Company within the Group maintains an interest register in which members of its Board record all parties and transactions in which they may have a potential or actual self-interest. The Group undertook the following transactions with Directors and associates / close family members of Directors.

	2021 \$'000	2020 \$'000
<b>Key management compensation</b>		
Short term benefits to directors (Directors fees)	118	211
Consulting fees to directors	-	28
Short term benefits to senior management	852	839
Fair value of share options granted to directors	43	44
<b>Total</b>	<b>1,013</b>	<b>1,122</b>

### Interest-bearing loan

The interest-bearing loan is a secured loan agreement with cornerstone shareholder, Pescado Holdings Limited (Pescado). SeaDragon Director Mark Stewart is the majority owner and a director of Pescado. The balance of the loan at 31 March 2021 was \$559k. The interest rate of the loan is 12% per annum. The repayment date is 31 December 2021 as at the year end. Refer to note 17.

## 16. CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 March 2021 (2020: \$Nil).

## 17. POST BALANCE DATE EVENTS

On 18 June 2021, the Group reached agreement with its majority shareholder, Pescado, to issue a \$500k mandatory convertible loan note that, unless previously repaid or converted, matures in two years from the date of issue. On maturity, the outstanding amount under the convertible loan note agreement will automatically convert into ordinary shares in SeaDragon at a conversion price of 4.5 cents per share. The convertible loan note has an interest rate of 10% per annum, which the Group may elect to capitalise.

On the same date, 18 June 2021, Pescado agreed to extend the repayment date of the existing loan facility with Pescado of \$559k from 31 December 2021 to 31 December 2022.

Each of the above was conditional on SeaDragon ceasing to be a "Code Company" for the purposes of the Takeovers Code, which was confirmed on 18 June 2021, and effective from 30 June 2021.



**SEADRAGON LIMITED**

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12 Nayland Road, Stoke, Nelson 7011, New Zealand

Phone: +64 3 547 0336 Email: [info@seadragon.co.nz](mailto:info@seadragon.co.nz)

[seadragon.co.nz](http://seadragon.co.nz)