

20 July 2018

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS OF SEADRAGON LIMITED**

Notice is hereby given to all Shareholders that the Annual Meeting of Shareholders (**Meeting**) of SeaDragon Limited (**SeaDragon** or **Company**) will be held in Auckland at the Centenary Lounge, Eden Park on Wednesday, 8 August 2018, at 10:30am.

**Business**

**A. Apologies and Chairman's Introduction**

**B. Chief Executive's Review and Trading Update**

**C. Financial Statements**

To receive and consider the financial statements and the auditors' report for the year ended 31 March 2018 as contained in the Company's 2018 annual report.

**D. Resolutions – Director Election**

To consider, and if thought fit, to pass, the following ordinary resolutions:

**Resolution 1 – Re-election of Mr. Colin Groves as a Director of the Company**

Mr. Groves retires in accordance with Rule 3.3.11 of the NZX Main Board Listing Rules and the Constitution of the Company, and, being eligible, offers himself for re-election. Accordingly, the Company's Shareholders are requested to consider and, if thought fit, pass the following resolution as an ordinary resolution:

*"That Mr. Groves be re-elected as a Director of the Company."*

Please see the Explanatory Notes in respect of Resolution 1 below.

**Resolution 2 – Election of Mr. Mark Stewart as a Director of the Company**

Mr. Stewart retires in accordance with Rule 3.3.6 of the NZX Main Board Listing Rules and the Constitution of the Company, and, being eligible, offers himself for election. Accordingly, the Company's Shareholders are requested to consider and, if thought fit, pass the following resolution as an ordinary resolution:

*"That Mr. Stewart be elected as a Director of the Company."*

Please see the Explanatory Notes in respect of Resolution 2 below.

### **Resolution 3 – Election of Mr. Mark Sadd as a Director of the Company**

Mr. Sadd retires in accordance with Rule 3.3.6 of the NZX Main Board Listing Rules and the Constitution of the Company, and, being eligible, offers himself for election. Accordingly, the Company's Shareholders are requested to consider and, if thought fit, pass the following resolution as an ordinary resolution:

*"That Mr. Sadd be elected as a Director of the Company."*

Please see the Explanatory Notes in respect of Resolution 3 below.

### **E. Resolution – Re-appointment of Auditor**

To consider, and if thought fit, to pass, the following ordinary resolutions:

#### **Resolution 4 – Re-appointment of Auditor**

*"That PwC, having indicated their willingness to continue in office, be re-appointed as auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next annual meeting and to audit the financial statements of the Company for the current accounting period, and that the Board of Directors of the Company be authorised to fix the auditor's remuneration for the forthcoming year."*

Please see the Explanatory Notes in respect of Resolution 4 below.

### **F. Resolutions – New Loans and Related Matters**

The Company's Shareholders are requested to consider and, if thought fit, pass the following ordinary resolutions:

#### **Resolution 5 – Amendments to Comvita Loan**

*"That, the proposed amendments to the Comvita Loan are approved and consequently, for the purposes of Listing Rule 7.3.10(b)(ii), the Company may issue such number of ordinary shares to Comvita as may be required upon conversion of the amended Comvita Loan, being up to a maximum of 909,090,909 ordinary shares."*

#### **Resolution 6 – Issue of ordinary shares on conversion of New Loans**

*"That, subject to Resolution 5 being passed, for the purposes of Listing Rule 7.3.10(b)(ii), the Company may issue such number of ordinary shares to each of Pescado and BioScience as may be required on the conversion of the New Loans, being up to a maximum of 909,090,909 ordinary shares to each of Pescado and BioScience in respect of conversion of the respective New Loans."*

### **Resolution 7 – Amendments to Comvita Option**

*“That, subject to Resolution 6 being passed, the proposed amendments to the Comvita Option are approved and consequently, for the purposes of Listing Rule 7.3.10(b)(ii), the Company may issue such number of ordinary shares to Comvita as may be required upon exercising the amended Comvita Option, being up to a maximum of 909,090,909 ordinary shares.”*

### **Resolution 8 – Listing Rules and Takeovers Code**

*“That, subject to Resolution 7 being passed, for the purposes of Listing Rule 7.5 and Rule 7(d) of the Takeovers Code, the issue of the shares to each of Pescado, BioScience and Comvita, upon the conversion of the New Loans, the amended Comvita Loan and the exercise of the amended Comvita Option (as applicable) is approved.”*

### **Resolution 9 – Listing Rules**

*“That, subject to Resolution 8 being passed, for the purposes of Listing Rule 9.2.1, SeaDragon’s entry into the transactions relating to the New Loans, the amendments to the Comvita Loan and the Comvita Option, the issue of shares on conversion of those facilities, the issue of shares upon exercise of the amended Comvita Option, and SeaDragon’s and its subsidiaries entry into the associated security arrangements over all of SeaDragon’s and its subsidiaries assets, each as a Material Transaction with a Related Party (as those terms are defined in Listing Rule 9.2.2), is approved.”*

Each of Resolutions 5, 6, 7, 8 and 9 are conditional on all of those Resolutions being approved. In the event that any of Resolutions 5, 6, 7, 8 or 9 are not approved, then none of those Resolutions will have been approved. The transactions referred to in those Resolutions will only have been approved if all of those Resolutions are passed.

Please see the Explanatory Notes in respect of Resolutions 5, 6, 7, 8 and 9 below.

***The non-associated directors of the Company unanimously recommend that shareholders vote in favour of all Resolutions***

**G. General business**

**By Order of the Board**

**ENDS**

**Contact:**

Colin Groves

Chairman

Telephone +64 21 928 003

***This notice of meeting is an important document and requires your immediate attention. It should be read in its entirety. It has been prepared to advise you of the forthcoming Annual General Meeting and assist you in understanding the Resolutions to be put to Shareholders for consideration at the Annual General Meeting. The Directors encourage you to read this notice of meeting and exercise your right to vote.***

***If you do not understand any part of this document or are in doubt as to how to deal with it, you should consult your broker or other professional adviser as soon as possible.***

*Please call Colin Groves at SeaDragon Limited on +64 21 928 003 if you have any queries about the Resolutions or this notice of meeting.*

## EXPLANATORY NOTES

### **Resolutions 1, 2 and 3 – Directors**

#### **Resolution 1 – Re-election of Mr. Colin Groves as a Director of the Company**

Mr. Groves was appointed to the Board on 1 June 2015 as Independent Chairman and in accordance with Listing Rule 3.3.6 and the Constitution, retires and offers himself for election.

Mr. Groves spent 25 years as Director of Mergers and Acquisitions at Tetra Laval, the world's largest private company and maker of the renowned Tetra Pak packaging solutions and DeLaval milk processing machinery. He has also held roles at Informix Software and the US healthcare multinational Johnson & Johnson.

A chartered accountant and former English school boy and colts rugby international, Mr. Groves is currently Chair of the Agri Group of Companies (which includes dairy consumables business, Deosan), Oriens Capital and Waikato Rugby. He also sits on various other boards in New Zealand and the United Kingdom.

The Board notes that Mr. Groves is considered to be independent under the Listing Rules.

#### **Resolution 2 – Election of Mr. Mark Stewart as a Director of the Company**

Mr. Stewart was appointed to the Board on 22 November 2017 and in accordance with Listing Rule 3.3.6 and the Constitution, retires and offers himself for election.

Mr. Stewart is head of the Stewart family investment vehicle, Masthead Limited, an active corporate investor in New Zealand public and private equity markets and a cornerstone SeaDragon shareholder. He has been a Director of four publicly-listed companies and is currently a Director of the successful export pet nutrition business Zivi Limited. He has more than 34 years of commercial experience, primarily building successful export companies.

Mr. Stewart also plays an active role in the community and is Chair of the Antarctic Heritage Trust, is the Honorary Consul for Malaysia and is a Trustee of the Hororata Community Trust.

The Board notes that Mr. Stewart is not considered to be independent under the Listing Rules.

#### **Resolution 3 – Election of Mr. Mark Sadd as a Director of the Company**

Mr. Sadd was appointed to the Board on 22 November 2017 and in accordance with Listing Rule 3.3.6 and the Constitution, retires and offers himself for election.

Mr. Sadd is the Chief Commercial Officer of SeaDragon's cornerstone shareholder Comvita Limited (NZX:CVT), and joined Comvita in December 2013. In addition to serving as Chief Financial Officer for three years prior to his current role, he also holds a number of governance roles within the Comvita group and acts in the capacity of Deputy CEO.

Prior to his appointment at Comvita Mr. Sadd successfully ran a number of mid-sized businesses, playing an active role at management and governance level. Mr Sadd brings to the Board of SeaDragon, considerable experience in business turnarounds, profit optimisation, business development opportunities and acquisitions.

The Board notes that Mr. Sadd is not considered to be independent under the Listing Rules.

#### **Resolution 4 – Re-Appointment of Auditor**

##### **Resolution 4 – Re-Appointment of Auditor**

This resolution approves the re-appointment of PwC as auditor of the Company, to hold office from the conclusion of this annual meeting until the conclusion of the next annual meeting and to audit the financial statements of the Company. This resolution authorises the Board of the Company to fix the fees and expenses of PwC for the forthcoming year under section 207S of the Companies Act 1993.

#### **Resolutions 5, 6, 7, 8 and 9 – Comvita Loan, Comvita Option, New Loans and Related Matters**

1. These explanatory notes set out the details of the transactions the subject of resolutions 5, 6, 7, 8 and 9 and the approvals required by the shareholders of the Company under the Listing Rules and the Takeovers Code Approval Order 2000 (the **Takeovers Code**).
2. If the resolutions set out in the notice of meeting are passed:
  - (a) the issue of the shares referred to in the resolutions will be approved in terms of:
    - (i) Listing Rule 7.3.10(b)(ii);
    - (ii) Listing Rule 7.5; and
    - (iii) Rule 7(d) of the Takeovers Code as an exception to Rule 6 of the Takeovers Code; and
  - (b) the entry into the transactions referred to below by the Company will be approved in terms of Listing Rule 9.2.1,

as applicable and as set out in the particular resolution.

3. Based on management's current estimates, the funding available through the New Loans (defined below) if Resolutions 5, 6, 7, 8 and 9 are approved, is currently expected to provide the Company with sufficient capital to meet its working capital and capital and operational expenditure requirements through to December 2019 (including funding currently expected operating losses to December 2019). These estimates are subject to a number of assumptions and expectations as to future events. If shareholders do not approve Resolutions 5, 6, 7, 8 and 9, the New Loans (defined below) will be repayable on 15 August 2018 and it is highly likely that SeaDragon will be unable to repay its debts as they fall due and the directors will have no option but to place the Company into receivership or liquidation, as the Company does not currently have any means available to it to repay the New Loans or the Comvita Loan (as defined below).
4. The effect that passing of Resolutions 5, 6, 7, 8 and 9 may have on the number of shares held by each of Pescado, BioScience, Comvita (each as defined below) and the other shareholders of SeaDragon following the possible allotments of shares to Pescado, BioScience and Comvita is summarised at paragraph 35. Please refer to section 3.6 of the IAR (as defined below) for a detailed analysis of the impact on the ownership of SeaDragon.

***We encourage all shareholders to read the IAR that accompanies this Notice of Meeting in full.***

### ***Background***

#### *The Comvita Option*

5. On 17 December 2015, SeaDragon granted Comvita Limited (**Comvita**) an option to subscribe for 375,000,000 ordinary shares in SeaDragon at an exercise price of \$0.008 per share (for an aggregate exercise price of \$3.00 million), exercisable by 5:00pm on 30 September 2017 (the **Comvita Option**). The Comvita Option was approved by SeaDragon's shareholders in accordance with Listing Rules 7.3.10(b)(ii) and 7.5 and Rule 7(d) of the Takeovers Code at a special meeting of SeaDragon shareholders held on 17 December 2015.
6. On 31 August 2016, SeaDragon shareholders approved an extension of the final date to exercise the Comvita Option to 5:00pm on 28 September 2018.

#### *The Comvita Loan*

7. On 30 May 2016, Comvita provided a convertible loan note facility to SeaDragon of up to \$3.00 million (the **Comvita Loan**). These loan notes may be converted into ordinary shares in SeaDragon at \$0.008 per share. The Comvita Loan is secured by a first ranking general security interest over all of SeaDragon's assets in favour of Comvita. As at the date of this notice of meeting, the Comvita Loan is fully drawn to \$3.00 million and none of the convertible loan notes held by Comvita have been converted to shares in SeaDragon.
8. The amount outstanding under the Comvita Loan (\$3.00m) is due and payable on 28 September 2018. SeaDragon does not, under the current terms of the Comvita Loan, have the right to convert this debt into shares and therefore it will be repayable unless extended or converted at the election of Comvita (although

SeaDragon considers conversion by Comvita under the existing terms to be highly unlikely). If shareholders do not approve Resolutions 5, 6, 7, 8 and 9, SeaDragon will be unable to repay the Comvita Loan and the directors will have no option but to place the Company into receivership or liquidation, as the Company does not currently have any means available to it to repay the Loans (defined below).

#### *The Bridge Loan*

9. As previously announced to the market (see in particular the Company's announcements on 7 February 2018, 3 May 2018 and 4 May 2018), SeaDragon exhausted its existing sources of cash earlier this year and required additional cash to meet its immediate to medium term cash flow requirements, including to provide funds to cover both estimated working capital requirements and continuing operating losses. SeaDragon also advised that it was in discussions with its major shareholders – BioScience Managers (One Funds Management Limited) (**OFM**) and Pescado Holdings Limited (a member of the Masthead group of companies) (**Pescado**) – regarding the potential provision of additional funds.
10. The board of directors has explored various options for funding the Company's immediate to longer term cash flow requirements (including the repayment of the Comvita Loan).
11. On 15 May 2018, SeaDragon announced a \$1.00 million short-term bridge funding arrangement (the **Bridge Loan**) with OFM and Pescado to enable SeaDragon to meet its immediate cash requirements. The Bridge Loan was secured by a second ranking security interest over all of SeaDragon's assets, behind Comvita's existing security interest. The Bridge Loan was repaid by SeaDragon on 6 July 2018.

#### *The New Loans*

12. On 14 June 2018, SeaDragon announced it had entered into a term sheet with Comvita, Pescado, OFM and BioScience Managers Ventures Pty Ltd (together with OFM, **BioScience**) under which Pescado and BioScience agreed to provide convertible loan note facilities (the **New Loans**) to SeaDragon of up to \$3.00 million each (i.e. total funding of up to \$6.00 million). The New Loans and the Comvita Loan are collectively referred to as the **Loans**.
13. On 5 July 2018, SeaDragon announced that it had entered into an amendment and restatement deed (the **Deed**) with Pescado, BioScience and Comvita to give effect to the financing agreed in the term sheet. On 6 July 2018, BioScience and Pescado each advanced \$875,000 – for a total of \$1.75 million – to SeaDragon under the New Loans and SeaDragon issued 875,000 loan notes to each of Pescado and BioScience. These funds were applied to repay the Bridge Loan and provide additional funds for the company's operation pending the currently proposed shareholder vote.
14. The \$1.75 million advanced under the New Loans are due for repayment no later than 15 August 2018 unless the proposed shareholder resolutions are approved. If they are not approved, the New Loans will be due for repayment (and SeaDragon will be in default in respect of all of the Loans) and the security granted by SeaDragon to secure those Loans may be exercised by the lenders – being Comvita, BioScience and Pescado (the **Lenders**) (see in particular section

3.9 of the IAR). As previously noted, SeaDragon does not currently have any means available to it to repay those Loans if Resolutions 5, 6, 7, 8 and 9 are not approved.

15. The terms of the New Loans require SeaDragon to seek shareholder approval to the following terms:

- 15.1 The \$1.75 million loan notes that have been issued under the New Loans are to be reclassified as convertible loan notes, convertible at \$0.0033 per share – on that basis, if the New Loans are fully drawn from Pescado and BioScience to the maximum of \$3.00 million each, then those loan notes could be converted into a maximum of up to 909,090,909 ordinary shares in SeaDragon for each of BioScience and Pescado;
- 15.2 Interest will accrue quarterly in arrears on the New Loans at 12.00% per annum, reducing to 7.95% per annum on and from the date that various conditions are satisfied, including SeaDragon obtaining the requested shareholder approval. The interest accrued on the New Loans will be payable in cash quarterly in arrears;
- 15.3 The Lenders each have the option to convert all outstanding amounts advanced by them under the Loans (respectively) to ordinary shares in SeaDragon for so long as the notes remain unpaid by SeaDragon;
- 15.4 SeaDragon may repay its indebtedness under all of the Loans at any time in full;
- 15.5 Unless previously repaid or converted, the Loans will mature at 5:00pm on 31 March 2020. On maturity, unless SeaDragon is in default under the Loans or insolvent, the outstanding amount under the facilities will automatically convert into shares at \$0.0033 per share;
- 15.6 Shares issued on conversion of the Loans will be ordinary shares in SeaDragon and will rank equally with all other ordinary shares on issue;
- 15.7 The terms of the existing \$3.00 million Comvita Loan are to be amended so that the terms of all of the Loans are the same. That is:
  - a. the conversion price for the loan notes that have already been issued under the Comvita Loan is to be reduced from \$0.008 to \$0.0033 per share;
  - b. the maturity date of the Comvita Loan is to be extended from 28 September 2018 to 31 March 2020;
  - c. the \$3.00m already advanced under the Comvita Loan cannot be repaid unless all amounts advanced by BioScience and Pescado under the Loans – currently an additional \$1.75 million but up to a maximum of an additional \$6.00 million – are also repaid in full at the same time;
  - d. on maturity, unless SeaDragon is in default under the Loans or insolvent, the amount outstanding under the Loans (including, if

unpaid, the \$3.00m already advanced under the Comvita Loan), will automatically convert into shares at \$0.0033 per share;

- e. Comvita's existing first ranking security granted by SeaDragon over all its assets is to be shared by all of the three Lenders under the Loans; and
- f. SeaDragon's subsidiaries – being SeaDragon Marine Oils Limited (3684955) and Omega 3 New Zealand Limited (5141781) – are to guarantee the Loans (which includes the Comvita Loan) and grant security over all their assets in favour of the Lenders; and

15.8 The existing \$3.00 million Comvita Option is amended so that:

- a. the period in which the option can be exercised is extended from 5:00pm on 28 September 2018 to 5:00pm on 31 March 2020;
- b. the exercise price per share is reduced from NZ\$0.008 to NZ\$0.0033, meaning that upon exercise Comvita will be issued 909,090,909 shares instead of 375,000,000; and
- c. the mandatory exercise milestones which, if met would enable the Company to require Comvita to exercise the Comvita Option (**Mandatory Exercise Milestones**), are amended to remove the condition for a Fractionation Plant being commissioned, and remove references to "tuna and anchovy" in the condition to enter into tuna and anchovy supply contracts sufficient to cover certain overhead costs (see in particular section 2.2 of the IAR). This amendment reduces the conditions that must be satisfied before SeaDragon can require Comvita to invest a further \$3.00 million in SeaDragon (meaning that it is more likely that capital injection will occur).

16. ***Shareholders are encouraged to read the IAR that accompanies this Notice of Meeting in full, together with SeaDragon's most recent announcements, including the Annual Report released on 22 June 2018.***

17. The Board also wishes to draw shareholders' attention to the Company's announcement on 14 June 2018 that, if shareholders approve Resolutions 5, 6, 7, 8 and 9 presented in this notice of meeting, all current shareholders will be provided with an opportunity to participate in a 1-for-1 renounceable pro rata rights offer. The rights offer will give shareholders the opportunity to subscribe for new shares at NZ\$0.0033 per share. SeaDragon will announce further details once they have been finalised.

18. That rights offer will give shareholders an opportunity to subscribe for shares at the same price per share as the conversion price of the Loans, and each of Comvita, Pescado and BioScience have confirmed that, subject to shareholders approving the resolutions presented in this notice of meeting, they will not exercise rights issued under that rights offer in a manner that will increase their shareholding percentage.

***Purpose and consideration for each issue of shares***

19. In respect of Resolutions 5, 6, 7, 8 and 9, the consideration for the issue of shares in respect of:

- (a) the conversion of convertible loan notes under the Loans to ordinary shares in the Company by each of Comvita, Pescado and BioScience;
- (b) the exercise of the Comvita Option,

in each case, as amended by Resolutions 5, 6, 7, 8 and 9, is the payment of NZ\$0.0033 per share.

As set out in more detail in the IAR, the price for the issue of shares of NZ\$0.0033 represents a 17.5% discount to SeaDragon's closing price as at 13 June 2018 of NZ\$0.004 (see section 3.3 of the IAR).

20. The purpose for the shares to be issued pursuant to the resolutions set out in this notice of meeting is to assist the Company with meeting its immediate- to longer-term working capital, operational expenditure and capital expenditure requirements and to facilitate it meeting its projected sales targets to December 2019.

21. The following shareholders of the Company have advised that they intend to vote in favour of Resolutions 5, 6, 7, 8 and 9:

- (a) SDMO Trustee Limited (associated with director Stuart Macintosh), holding 9.65% of total voting securities;
- (b) Tamahere Limited (associated with director Colin Groves), holding 0.5% of total voting securities; and
- (c) ChangeQ Limited (associated with director Richard Alderton), holding 0.3% of total voting securities.

Together, these shareholders hold 18.79% of total number of voting securities able to be voted on Resolutions 5, 6, 7, 8 and 9 (given that each of Pescado, BioScience and Comvita are unable to vote on those Resolutions).

***Consequences if resolutions not approved***

22. If Resolutions 5, 6, 7, 8 and 9 are not approved, the aggregate \$1.75 million drawn down under the Loans with Pescado and BioScience will be repayable on 15 August 2018. The failure to obtain shareholder approval by 15 August 2018 will also constitute an event of default under the Loans and Comvita may also demand repayment of its Loan in full (being \$3.00 million) by SeaDragon together with all accrued and unpaid interest. Please see section 3.9 of the IAR for further details.

23. Each of Resolutions 5, 6, 7, 8 and 9 are conditional on all of those Resolutions being approved. In the event that any of Resolutions 5, 6, 7, 8 or 9 are not approved, then none of those Resolutions will have been approved. The

transactions referred to in those Resolutions will only have been approved if all of those Resolutions are passed.

24. If SeaDragon is required to repay the Loans, it will not be in a position to repay the Loans and to cover its working capital, operational expenditure and capital expenditure requirements. This would result in SeaDragon and its subsidiaries being placed into receivership or liquidation.

### ***Takeovers Code***

25. Under Rule 6 of the Takeovers Code, a person who holds or controls:
- (a) no voting rights, or less than 20% of the voting rights, in a code company may not become the holder or controller of an increased percentage of the voting rights in the code company unless, after that event, that person and the person's associates hold or control in total not more than 20% of the voting rights in the code company; or
  - (b) 20% or more of the voting rights in a code company may not become a holder or controller of an increased percentage of the voting rights in the code company.
26. There are a number of exceptions to this rule. These include where a person becomes the holder or controller of voting rights in a code company by allotment of shares that have been approved by an ordinary resolution pursuant to Rule 7(d) of the Takeovers Code.
27. SeaDragon is a code company as it is a listed issuer that has financial products that confer voting rights quoted on a licensed market (being NZX).
28. In 2015, SeaDragon undertook a 3 for 5 rights offer pursuant to which 1,251,142,517 options were granted to participating investors (**2015 Options**). These 2015 Options are exercisable by the holder in full or in part at any time before 29 September 2018 at an exercise price of \$0.015 per share (which is more than 3 x the share price of the Company as at 12 July 2018 (being \$0.004 per share) – meaning it is, in the Company's view, unlikely that these options will be exercised before they expire on 29 September 2018). The top ten 2015 Options holders are shown in the table below:

<b>SeaDragon - Top Ten Rights Offer Option holders (as at 17 May 2018)</b>		
<b>Option Holder</b>	<b>No. of Options</b>	<b>%</b>
Comvita Limited	410,987,830	33.12%
One Funds Management Limited	325,393,835	26.22%
Leveraged Equities Finance Limited	70,651,800	5.69%
Skylog Limited	27,601,000	2.22%
Tamahere Limited	18,750,000	1.51%
Forsyth Barr Custodians Limited	18,237,640	1.47%
Geoffrey Richard Brophy	13,642,500	1.10%
Yun Li	12,500,000	1.01%
Hotwater Nominees Limited	10,200,000	0.82%
ChangeQ Limited	9,375,000	0.76%
Other	323,535,246	26.07%
<b>Total</b>	<b>1,240,874,851</b>	<b>100.00%</b>

29. Pescado currently holds 855,433,823 ordinary shares in SeaDragon, comprising 18.95% of SeaDragon's voting rights.

30. BioScience currently holds:

- (a) 735,264,802 ordinary shares in SeaDragon, comprising 16.29% of SeaDragon's voting rights; and
- (b) 325,393,835 2015 Options.

31. Comvita currently holds:

- (a) 410,987,830 ordinary shares SeaDragon, comprising 9.11% of SeaDragon's voting rights;
- (b) 410,987,830 2015 Options; and
- (c) the Comvita Option.<sup>1</sup>

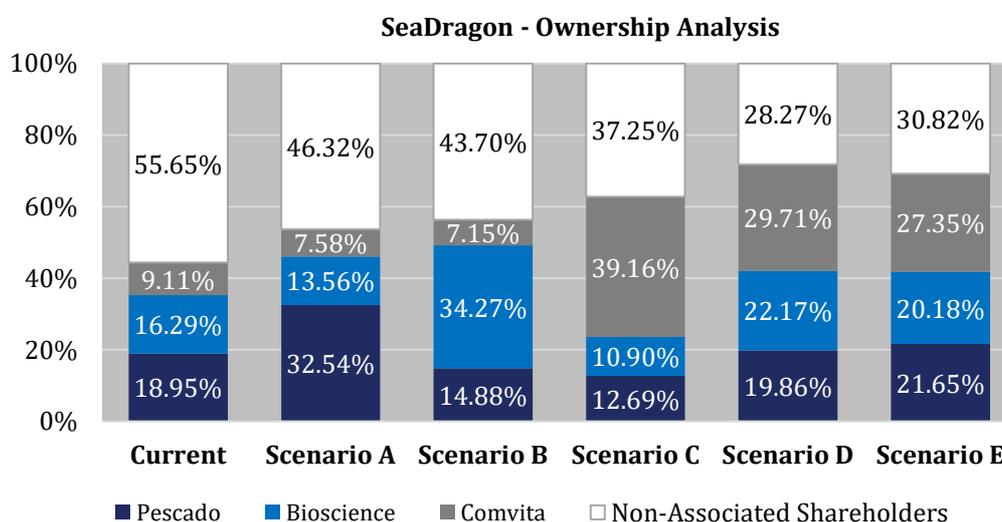
32. As a result of the proposed allotments of shares on the conversion of the New Loans and the Comvita Loan as referred to in Resolutions 5, 6, 7, 8 and 9, and allotments of shares on exercise of the Comvita Option, each of Pescado, BioScience and Comvita would become holders of an increased percentage of the voting rights in SeaDragon.

33. Further, if Resolutions 5 or 7 are approved, there is an increased likelihood that the Comvita Option will be exercised or that the Comvita Loan will be converted

<sup>1</sup> On 17 December 2015, SeaDragon granted Comvita an option to acquire 375,000,000 ordinary shares in SeaDragon at an exercise price of \$0.008 per share (for an aggregate exercise price of \$3.00 million), exercisable by 5:00pm on 30 September 2017. The granting of this option was approved by SeaDragon's shareholders in accordance with Listing Rules 7.3.10(b)(ii) and 7.5 at a special meeting of SeaDragon shareholders held on 17 December 2015. On 31 August 2016, SeaDragon shareholders approved an extension of the final date to exercise this option to 5:00pm on 28 September 2018.

as a result of the reduced price per share on exercise or conversion, and the extended maturity date, resulting in the dilution of existing ownership levels for the non-Comvita associated shareholders. For additional information with respect to the impact of Resolutions 5 and 7 being approved, please see section 3.3 of the IAR.

34. The total percentage of the Company held by each of Pescado, BioScience and Comvita after the allotments will vary depending on:
- the amount drawn down by SeaDragon under the Loans from each of Pescado and BioScience and whether those amounts are repaid prior to maturity;
  - the number of 2015 Options that BioScience or Comvita exercise (if any);
  - whether the Comvita Option is exercised; and
  - whether any of the 2015 Options that were issued to other shareholders are exercised by those other shareholders (it being noted that the 2015 Options expire on 29 September 2018 unless exercised prior to that date).
35. The tables below show the effect on the number of shares held by each of Pescado, BioScience, Comvita and other shareholders following the possible allotments of shares to Pescado, BioScience and Comvita upon conversion of the New Loans and the Comvita Option – please refer to the IAR for the complete analysis:



**SeaDragon - Ownership and Control Scenarios**

- |  |  |
|--|--|
| <b>Scenario A – Pescado Maximum</b>    | <ul style="list-style-type: none"> <li>➤ The Pescado Loan is converted into shares.</li> <li>➤ No other Loans to SeaDragon are converted into shares.</li> <li>➤ The Comvita Option, the 2015 Options and the ESOP Options (as defined in the IAR) are not exercised.</li> </ul>       |
| <b>Scenario B – Bioscience Maximum</b> | <ul style="list-style-type: none"> <li>➤ The Bioscience Loan is converted into shares.</li> <li>➤ No other Loans to SeaDragon are converted into shares.</li> <li>➤ Only the 2015 Options held by Bioscience are exercised (i.e. all other 2015 Options are not exercised).</li> </ul> |

	➤ The Comvita Option and the ESOP Options are not exercised.
<b>Scenario C – Comvita Maximum</b>	<ul style="list-style-type: none"> <li>➤ The Comvita Loan is converted into shares.</li> <li>➤ The Comvita Option is exercised.</li> <li>➤ No other Loans to SeaDragon are converted into shares.</li> <li>➤ Only the 2015 Options held by Comvita are exercised (i.e. all other 2015 Options are not exercised).</li> <li>➤ The ESOP Options are not exercised.</li> </ul>
<b>Scenario D – Non-Associated Shareholder Minimum</b>	<ul style="list-style-type: none"> <li>➤ All Loans are converted into shares.</li> <li>➤ The Comvita Option is exercised.</li> <li>➤ Only the 2015 Options held by Pescado, Bioscience and Comvita are exercised (i.e. all other 2015 Options are not exercised).</li> <li>➤ The ESOP Options are not exercised.</li> <li>➤ The current number of shares held by Non-Associated Shareholders remains unchanged.</li> </ul>
<b>Scenario E – Conversion of Loan &amp; Exercise of Comvita Option</b>	<ul style="list-style-type: none"> <li>➤ All Loans are converted into shares.</li> <li>➤ Only the Comvita Option is exercised (i.e. the 2015 Options and ESOP Options are not exercised).</li> </ul>

36. Campbell MacPherson has noted in the IAR that it considers Scenario E to be significantly more likely to occur than the other scenarios. Please refer to section 3.6 of the IAR for further information.
37. Scenario D has been provided to demonstrate the maximum level of dilution that shareholders of SeaDragon not associated with Pescado, BioScience or Comvita could suffer in the event that Resolutions 5, 6, 7, 8 and 9 are approved. Under Scenario D, the shareholders not associated with Pescado, BioScience or Comvita would decrease their collective holding from 55.65% to 28.27% of the shares on issue. However, Campbell MacPherson has advised at section 3.6 of the IAR that it considers that Scenario D is unlikely to occur given that it assumes both BioScience and Comvita would exercise their respective 2015 Options (at \$0.015 per share) but that no other shareholders would exercise their 2015 Options.
38. For the avoidance of doubt, the table and scenarios above do not reflect the 1-for-1 renounceable pro rata rights offer described at paragraph 17 above, and it may be that the dilutionary effect of the transactions described in this notice of meeting is reduced as a consequence of rights being exercised.
39. Under the Takeovers Code, each of Pescado, BioScience or Comvita may increase its percentage of the voting rights in SeaDragon by the allotment of shares referred to in the resolutions if the allotment is approved by an ordinary resolution of shareholders.
40. The information required under Rule 16 of the Takeovers Code is set out in Appendix 1 of this notice of meeting.

***Independent Adviser's Report/Appraisal Report***

41. As required by Rule 18 of the Takeovers Code, SeaDragon has commissioned an Independent Adviser's Report on the issues of the shares referred to in the resolutions.
42. The Takeovers Code requires that, where shareholders are being asked to give their approval under Rule 7(d) of the Takeovers Code, the directors must obtain a report from an independent adviser on the merits of the proposed allotment having regard to the interests of those persons who may vote to approve the allotment.
43. The Independent Adviser's Report is also an Appraisal Report for the purposes of Listing Rule 6.2.2 in relation to the resolutions required by Listing Rule 7.5 (Resolution 8).
44. Campbell MacPherson has prepared the Independent Adviser's Report and Appraisal Report and a copy of that report is attached to this notice of meeting.
45. Section 3.11 of the IAR contains the following summary of Campbell MacPherson's evaluation of merits of the transactions with Pescado, BioScience and Comvita under the Takeovers Code:

*"In our opinion, taking into account all of the relevant factors, the positive aspects of the Proposed Transactions outweigh the negative aspects."*

46. Section 4.2 of the IAR contains the following summary of Campbell MacPherson's evaluation of fairness of the transactions with Pescado, BioScience and Comvita under the Listing Rules:

*"Having given due consideration to all of the relevant factors, it is our opinion that the consideration and the terms and conditions of the Proposed Transactions are Not Fair to the Non-Associated Shareholders. However, we are of the view that, taking into account the wider benefits and risks relating the Proposed Transactions, the positive aspects of the Proposed Transactions outweigh the negative aspects."*

***We encourage all shareholders to read the IAR that accompanies this Notice of Meeting in full.***

**Listing Rule 7.3.10(b)(ii)**

47. Listing Rule 7.3.10(b)(ii) requires approval of the issue of shares:

- (a) to each of Comvita, Pescado and BioScience on the conversion of the Loans on the terms and conditions of the Loans (which are set out in paragraphs 12 to 15.7 of this Notice of Meeting);
- (b) to Comvita upon exercise of the Comvita Option on the terms and conditions of the Comvita Option (the amendments to which are described in paragraph 15.8 of this Notice of Meeting),

(together, the **Conversion Shares**), by an ordinary resolution of shareholders. If Resolutions 5, 6, 7, 8 and 9 set out in this notice of meeting are passed, the requirements of Listing Rule 7.3.10(b)(ii) will be met.

**Listing Rule 7.5**

48. The issue of the Conversion Shares to each of Pescado, BioScience and Comvita requires approval by ordinary resolution of SeaDragon's shareholders in accordance with Listing Rule 7.5 because:

- (a) it is possible that the issue of such shares will result in Pescado, BioScience and Comvita materially increasing their ability to exercise, or direct the exercise of, effective control of the Company (see Appendix Two); and
- (b) each of Pescado, BioScience and Comvita currently hold more than 1% of the Company's ordinary shares.

**Listing Rule 9.2.1**

49. Listing Rule 9.2.1 prohibits SeaDragon from entering into a Material Transaction (as defined in Listing Rule 9.2.2), which includes:

- (a) the issue of securities having a market value in excess of 10% of the Average Market Capitalisation\* of SeaDragon;
- (b) borrowing money or incurring an obligation of an amount in excess of 10% of the Average Market Capitalisation\* of SeaDragon; and
- (c) giving any security for or of obligations which could expose SeaDragon to liability in excess of 10% of the Average Market Capitalisation\* of SeaDragon,

if a Related Party is a party to at least one of a related series of transactions of which the Material Transaction forms part.

\* Average Market Capitalisation is defined in the Listing Rules as the volume weighted average market capitalisation of an issuer's equity securities carrying votes calculated from trades on the NZX over the 20 business days before the earlier of the day the transaction is entered into or is announced to the market. The Average Market Capitalisation of the Company as at 14 June 2018 was approximately \$18.65 million.

Each of Pescado, BioScience and Comvita are a Related Party of the Company because each holds a Relevant Interest (as that term is defined in the Financial Markets Conduct Act 2013) in more than 10% of the shares of the Company.

The entry into the Loans with each of Pescado, BioScience and Comvita, the issue of convertible loan notes under the New Loans, the proposed amendments to the terms of the Comvita Option and Comvita Loan, and the associated security arrangements over all of SeaDragon's and its subsidiaries assets may each be considered to be a Material Transaction which requires approval by ordinary resolution of SeaDragon's shareholders in accordance with Listing Rule 9.2.1.

### ***Lock-up arrangements***

50. None of Pescado, BioScience or Comvita are subject to any lock-up arrangements in respect of any shares to be issued to them pursuant to the transactions contemplated by the resolutions set out in this notice of meeting. Accordingly, following the issue of any such shares, each will be able to trade such shares (subject to compliance with relevant legislation and the NZX Listing Rules).

## IMPORTANT INFORMATION

### Proxies

Any shareholder who is entitled to attend and vote at the Meeting may appoint a proxy to attend and vote instead of him or her. A proxy does not need to be a shareholder. If you appoint a proxy you may either direct your proxy how to vote for you or you may give your proxy discretion to vote as he sees fit. If you wish to give your proxy discretion then you must mark the appropriate boxes on the form to grant your proxy that discretion. If you do not tick any box for a particular resolution, then your instruction will be to abstain. Proxies may also vote on resolutions arising from motions from the floor at the Meeting. Any person associated with any person prohibited from voting on a resolution cannot vote on that resolution as a discretionary proxy.

The Chairman of the Meeting is willing to act as proxy for any shareholder who wishes to appoint him. To appoint the Chairman simply tick the box allocated next to "The Chairman of the Meeting" on your proxy form.

If the Chairman is appointed as a proxy and you have given your proxy discretion to vote as he sees fit, the Chairman will vote in favour of all Resolutions.

If you wish to mail the Proxy Form then please send it to our Share Registrar, Link Market Services Limited, using the reply-paid envelope provided. Alternatively New Zealand based shareholders may fax the form to (09) 375 5990 and overseas shareholders may fax it to +64 9 375 5990 or post it to Link Market Services Limited, PO Box 91976, Auckland 1142, New Zealand.

The completed Proxy Form must be received by our Share Registrar no later than 10.30am (New Zealand time) on Monday, 6 August 2018. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Shareholders can elect to vote their proxies online. To appoint your proxy and vote online, please visit the Link Market Services Investor Centre at <http://investorcentre.linkmarketservices.co.nz/voting/SEA>. You will require your CSN/Holder number and FIN to securely access the website. Follow the prompts to complete your proxy appointment and vote.

### Ordinary Resolution

The business for the meeting is to pass the ordinary resolutions set out in the preceding pages. An ordinary resolution is a resolution passed by a simple majority of the votes of those shareholders entitled to vote and voting on the resolutions.

### Voting

Voting entitlements for the Meeting will be determined as at 5.00pm (New Zealand time) on Monday 6 August 2018. Registered shareholders at that time will be the only persons entitled to vote at the Meeting and only the shares registered in those shareholders' names at that time may be voted at the Meeting.

### **Voting Restrictions**

None of Pescado, BioScience, Comvita, nor any of their Associated Persons (as that term is defined in the NZX Listing Rules), are entitled to vote, appoint a proxy or exercise discretionary proxies in respect of Resolutions 5, 6, 7, 8 or 9, in accordance with Listing Rule 9.3.1.

For the purposes of Listing Rule 1.8.3, Mark Stewart and Warwick Webb are each an Associated Person of Pescado, Matthew McNamara and Jeremy Curnock Cook are each an Associated Person of BioScience and Mark Sadd is an Associated Person of Comvita. These persons are therefore not entitled to vote or exercise discretionary proxies in respect of Resolutions 5, 6, 7, 8 or 9.

### **More information**

If you have any questions, or for more information, please contact Colin Groves, SeaDragon Limited on +64 21 928 003 or [colin.groves@seadragon.co.nz](mailto:colin.groves@seadragon.co.nz).

## Appendix 1 – Information required by Rule 16 of the Takeovers Code

Pursuant to Rule 16 of the Takeovers Code (with the sub-paragraphs below corresponding to the sub-paragraphs in Rule 16), the Company advises as follows:

- (a) Pescado Holdings Limited (**Pescado**), One Funds Management Limited (as trustee of Asia Pacific Healthcare Fund II) and BioScience Management Partnership LP (by its general partner, BioScience Managers Ventures Pty Ltd) (together, **BioScience**) and Comvita Limited (**Comvita**) are the proposed allottees of the shares;
- (b) The particulars of the voting securities to be allotted are as set out in Appendix 2;
- (c) No voting securities of a body corporate other than the Company are to be allotted;
- (d) The NZ\$0.0033 per share issue price for the voting securities to be allotted is payable in full on conversion of the convertible loan notes or exercise of the option granted to Comvita (as applicable), as set out in the section “Comvita Loan, Comvita Option, New Loans and Related Matters” in the explanatory notes of this notice of meeting;
- (e) The reason for the allotments is to secure funding arrangements which immediately repay the Bridge Loans, extend the maturity date for the Comvita Loan (from 28 September 2018 to 31 March 2020), extend the exercise period for the Comvita Option (from 28 September 2018 to 31 March 2020), reduce the Mandatory Exercise Milestones in the Comvita Option and to assist the Company in meeting its working capital, operational expenditure and capital expenditure requirements, to meet on-going losses and to facilitate it meeting its projected sales growth;
- (f) The allotments under the resolutions, if approved, will be permitted under Rule 7(d) of the Takeovers Code as an exception to Rule 6 of the Takeovers Code;
- (g) Each of Pescado, BioScience and Comvita have confirmed that there is no agreement or arrangement (whether legally enforceable or not) that has been, or is intended to be, entered into between each of them and any other person (other than between each of those parties and the Company in respect of the matters referred to in paragraphs (a) to (e)) relating to the allotments, holding, or control of the shares to be allotted, or to the exercise of voting rights in the Company;
- (h) Attached to this notice is a report from an independent adviser in compliance with Rule 18 of the Takeovers Code; and
- (i) The directors of the Company make the following statement for the purposes of Rule 19 of the Takeovers Code:

*The directors of the Company recommend that the shareholders approve the proposed allotment of shares to each of Pescado, BioScience and Comvita on the conversion of the convertible notes and exercise of the option granted to Comvita (as applicable). The grounds for this recommendation are that:*

- without shareholder approval, the Comvita Loan and the amounts already drawn under the New Loans will be repayable on 15 August 2018 and SeaDragon currently has no ability to repay those Loans; and*
- the provision of additional loans and extension of the maturity date for its existing debt (from 28 September 2018 to 31 March 2020) will strengthen the Company's financial position for the reasons set out above.*

## Appendix 2 – Particulars of voting securities to be allotted

Pursuant to Schedule 5 of the Takeovers Code, the Company advises as follows:

**Note:** The particulars below are based on an assumption that each of Pescado, BioScience and Comvita converts all convertible loan notes and that Comvita exercises all existing options held by it. See further assumptions at (g) below.

<p>(a) The maximum number of voting securities that could be allotted (the <b>approved maximum number</b>)</p>	<p>If Resolutions 5, 6, 7, 8 and 9 are approved, the maximum number of voting securities that could be allotted in aggregate to Pescado, BioScience and Comvita is 4,047,351,466 ordinary shares, which consists of:</p> <ul style="list-style-type: none"> <li>• up to 909,090,909 ordinary shares to be allotted to Pescado on conversion of its New Loan;</li> <li>• up to 909,090,909 ordinary shares to be allotted to BioScience on conversion of its New Loan;</li> <li>• up to 909,090,909 ordinary shares to be allotted to Comvita on conversion of the Comvita Loan;</li> <li>• the 909,090,909 ordinary shares to be allotted to Comvita on conversion of the Comvita Option; and</li> <li>• up to 410,987,830 ordinary shares to be allotted to Comvita on the exercise of its options acquired pursuant to the 3 to 5 rights offer.</li> </ul>
<p>(b) the percentage of the aggregate of all existing voting securities and all voting securities that could be allotted that the approved maximum number represents</p>	<p>Pescado: 1,764,524,732 <i>being</i> 18.58%          BioScience: 1,969,749,546 <i>being</i> 20.75%          Comvita: 2,640,157,478 <i>being</i> 27.81%          Combined Total: 6,374,431,756 <i>being</i> 67.14%  <i>(on the assumption that all options and securities convertible to shares in the Company are converted to ordinary shares)</i></p>
<p>(c) the maximum percentage of all voting securities that could be held or controlled by each of Pescado, BioScience and Comvita after completion of the allotments</p>	<p>Pescado: 1,764,524,732 <i>being</i> 19.86%          BioScience: 1,969,749,546 <i>being</i> 22.17%          Comvita: 2,640,157,478 <i>being</i> 29.71%          Combined Total: 6,374,431,756 <i>being</i> 71.73%  <i>(on the assumption that Pescado, BioScience and Comvita are each allotted the maximum number of voting securities and no other shareholder exercises any outstanding options for shares in the Company)</i></p>
<p>(d) the maximum aggregate of the percentages of all voting securities that could be held or controlled by each of Pescado, BioScience and Comvita and their associates after completion of the allotments (not including voting securities of any of Pescado, BioScience or Comvita's associates who are also relying on rule 7(d) in relation to the allotments (the <b>relying associates</b>)*)</p>	<p>Same as (c) above  <i>(on the assumption that Pescado, BioScience and Comvita and each of their associates (not including the relying associates) are allotted the maximum number of voting securities and no other shareholder exercises any outstanding options for shares in the Company)</i>  <i>*Note that no associate of Pescado, BioScience or Comvita holds any shares in the Company nor are any such associates relying on rule 7(d). Accordingly, there are no "relying associates"</i></p>
<p>(e) if there are relying associates, the maximum aggregate of the percentages of all voting securities that could be held or controlled by Pescado, BioScience or Comvita and its associates after completion of the allotments</p>	<p>There are no "relying associates".</p>

<p>(f) the date used to determine the information referred to in this Appendix (the <b>calculation date</b>)</p>	<p>29 June 2018</p>
<p>(g) the assumptions on which the particulars in paragraphs (a) to (f) are calculated</p>	<ul style="list-style-type: none"> <li>• That the number of voting securities is the number of voting securities on issue on the calculation date.</li> <li>• That there is no change in the total number of voting securities on issue between the calculation date and the end of the allotment period (other than as a result of the allotments).</li> <li>• That, no person exercises rights to subscribe for shares in the Company as a consequence of the proposed rights offer (described in paragraph 17 of the background section of this notice).</li> <li>• That, in relation to paragraphs (a) to (c), each of Pescado, BioScience and Comvita are allotted the approved maximum number under the allotments.</li> <li>• That, in relation to paragraphs (c) and (d), no shareholder other than Pescado, BioScience and Comvita exercises any outstanding options for shares in the Company.</li> <li>• That, in relation to paragraph (d), Pescado, BioScience and Comvita and each of their associates (not including the relying associates) are allotted the maximum number of voting securities.</li> <li>• That Pescado, BioScience and Comvita and their associates do not acquire or dispose of any additional ordinary shares prior to the allotment date.</li> </ul>