

# ANNOUNCEMENT



26 August 2015

## 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 Orams Captains Lounge, 142 Beaumont Street, Westhaven, Auckland on Thursday, 17 September 2015 at 2:00pm.

### 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 2015 as contained in the Company's 2015 annual report.

### D. Resolutions - Directors

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 3.3.6 of the NZX Main Board Listing Rules (the **Listing Rules**) and the Constitution of the Company, and, being eligible, offers himself for re-election. Accordingly, the Shareholders of the Company 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."*

#### **Resolution 2 - Re-election of Mr. Stuart MacIntosh as a Director of the Company**

Mr. MacIntosh retires in accordance with Listing Rule 3.3.6 and the Constitution of the Company, and, being eligible, offers himself for re-election. Accordingly, the Shareholders of the Company are requested to consider and, if thought fit, pass the following resolution as an ordinary resolution:

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

#### **Resolution 3 – Re-election of Mr. Richard Alderton as a Director of the Company**

Mr. Alderton retires in accordance Listing Rule 3.3.6 and the Constitution of the Company, and, being eligible, offers himself for re-election. Accordingly, the Shareholders of the Company are requested to consider and, if thought fit, pass the following resolution as an ordinary resolution:

*“That Mr. Alderton be re-elected as a Director of the Company.”*

#### **E. Resolutions – Auditor**

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

##### **Resolution 4 – Auditor Appointment**

That the Directors be authorised to appoint PwC to replace Staples Rodway as auditor of the Company and, if thought fit, pass the following resolution as an ordinary resolution:

*“That the Board of Directors of the Company be authorised to appoint PwC to replace Staples Rodway as auditor 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”*

##### **Resolution 5 – Auditor’s Remuneration**

That the Directors be authorised to fix the fees and expenses of PwC as the Company’s auditor and, if thought fit, pass the following resolution as an ordinary resolution:

*“That the Board of Directors of the Company be authorised to fix the auditor’s remuneration for the forthcoming year.”*

#### **F. Resolutions – Convertible Notes and Rights Offer**

SeaDragon has borrowed NZ\$2.5 million from its shareholder One Funds Management Limited (which holds shares as trustee for the Asia Pacific Healthcare Fund II, a fund established by BioScience Managers Pty Limited) (**One Funds**) via a convertible loan and has issued 2,500,000 convertible loan notes to One Funds at an issue price of NZ\$2.5 million.

SeaDragon also intends to raise NZ\$5 million (including the conversion of the convertible notes) through a proposed pro-rata renounceable rights offer to Shareholders followed by a shortfall bookbuild process. Although One Funds will not participate in the rights offer, it has agreed to participate in the shortfall bookbuild by converting these convertible loan notes, subject to shareholder approval. Accordingly, the Shareholders of the Company are requested to consider and, if thought fit, pass the following ordinary resolutions:

##### **Resolution 6 – Convertible Notes and Rights Offer**

*“That*

*(a) for the purposes of Listing Rule 7.3.10(b)(ii), and in accordance with the term sheet for the convertible loan notes issued by the Company to One Funds Management Limited, dated 23 June 2015 (the **Agreement**):*

- (i) the Company may issue such number of ordinary shares to One Funds Management Limited as may be required on the conversion of the convertible loan notes (the **Conversion**) pursuant to the Agreement, up*

to a maximum of 404,730,313 ordinary shares (the **Conversion Shares**);  
and

(ii) the Company may issue such number of ordinary shares on the exercise of options to acquire shares which will be granted to One Funds Management Limited as part of the Conversion pursuant to the rights offer (via the bookbuild process), up to a maximum of 404,730,313 ordinary shares (the **Option Shares**); and

(b) subject to Resolution 6(a) being passed, for the purposes of Listing Rule 7.5 and Rule 7(d) of the Takeovers Code, the issue of the Conversion Shares and the Option Shares to One Funds Management Limited is approved; and

(c) for the purposes of Listing Rule 9.2.1, the rights offer and the Agreement, as a related series of transactions of which a Material Transaction (as defined in Listing Rule 9.2.2) forms part, are approved.”

## 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 - Directors**

Ross Keeley retires by rotation in accordance with Listing Rule 3.3.11 and the Constitution of the Company and does not offer himself for re-election.

Mr. Keeley, along with Timothy Preston and Jeremy Curnock Cook, have decided to step down as Directors of the Company. SeaDragon wishes to thank each of them for their services to the Company.

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

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

Mr Groves has spent the past 23 years primarily 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 Chairman of New Zealand's largest smart phone application development company MEA Mobile, and the Agri Group of Companies, which includes the leading dairy consumables business, Deosan. He also sits on the Waikato Rugby Board.

#### **Resolution 2 - Re-election of Mr. Stuart MacIntosh as a Director of the Company**

Mr. MacIntosh was appointed to the Board in June as a Director and in accordance with Listing Rule 3.3.6 and the Constitution, retires and offers himself for re-election.

Mr. Macintosh is a Director and Controlling Shareholder in MerSea Holdings Limited, a 42.3% shareholder in the Company. Mr. Macintosh has extensive manufacturing and general management experience in the meat, wood products and consumer goods sectors, including 11 years at multinational food group Cerebos Gregg's.

#### **Resolution 3 - Re-election of Mr. Richard Alderton as a Director of the Company**

Mr. Alderton was appointed to the Board in July as a Director and in accordance with Listing Rule 3.3.6 and the Constitution, retires and offers himself for re-election.

Mr. Alderton has extensive international supply chain and leadership experience. He was previously CEO at DeLaval Oceania, the New Zealand and Australian division of the

world's largest developer of dairy farming solutions and will be a valuable addition to the company.

## **Resolutions - Auditors**

### **Resolution 4 – Auditor Appointment**

This resolution approves the appointment of PwC to replace Staples Rodway 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.

### **Resolution 5 – Auditor's Remuneration**

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 – Convertible Notes and Rights Offer**

### **Resolution 6 – Convertible Notes and Rights Offer**

1. These explanatory notes set out the details of the transactions which are the subject of the resolutions 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); and
    - (ii) subject to approval of the resolution in relation to Listing Rule 7.3.10(b)(ii), Listing Rule 7.5 and Rule 7(d) of the Takeovers Code as an exception to Rule 6 of the Takeovers Code; and
  - (b) the Rights Offer and the Agreement (defined below) will be approved in terms of Listing Rule 9.2.1,

as applicable as set out in the particular resolution.

### *Background*

3. On 23 June 2015, the Company entered into a term sheet for convertible notes with One Funds Management Limited (**One Funds**) (**Agreement**). One Funds entered into the Agreement in its capacity as trustee for the Asia Pacific Healthcare Fund II (a fund established by BioScience Managers Pty Limited). The NZ\$2.5 million of convertible

notes issued pursuant to the Agreement may be converted into shares to be issued to One Funds, at:

- (a) the same price as the issue of new shares (the **Rights Price**) in the pro rata renounceable rights offer (**Rights Offer**) provided that the Company raises at least NZ\$5 million in the Rights Offer and any related capital raising (not including the conversion of the convertible notes). On that basis, the convertible notes will convert into 312,500,000 ordinary shares (i.e. at a Rights Price of NZ\$0.008 per new share); or
    - (b) a 20% discount to the Rights Price if the Company raises less than NZ\$5 million in the Rights Offer and any related capital raising (not including the conversion of the convertible notes). On that basis, the convertible notes will convert into 390,625,000 ordinary shares (i.e. at a 20% discount to the Rights Price, i.e. NZ\$0.0064 per new share).
  4. Conversion will occur as part of a Shortfall Bookbuild to take place in relation to the Rights Offer. One Funds will participate in that Shortfall Bookbuild to the extent of the conversion of its convertible notes under the Agreement, subject to shareholder approval (and will not otherwise participate in the Rights Offer). The Rights Offer is intended to be offered on a 3 for 5 basis to the Company's New Zealand resident shareholders on the register as at 5pm on 20 August 2015, with a maximum of 1,126,142,517 rights, each to acquire 1 ordinary share and 1 option to acquire an ordinary share, being issued at an issue price of \$0.008 per right. Overseas residents are not able to participate in the rights issue.
- A copy of the Offer Document for the Rights Offer is available at [www.nzx.com](http://www.nzx.com) under stock code SEA.
5. One Funds may elect to convert the amount of interest accrued on the convertible notes into ordinary shares at the same time as conversion of the notes. In that case, there will be either 11,284,250 additional ordinary shares issued (at a Rights Price of NZ\$0.008 per new share) or 14,105,313 additional ordinary shares issued (at a 20% discount to the Rights Price i.e. NZ\$0.0064 per new share). One Funds may elect to convert the interest by giving notice to SeaDragon at any time before the date of conversion of the notes. If One Funds elects to convert the interest, then the interest will convert on the same date as the date of conversion of the notes. If SeaDragon receives notice from One Funds to convert the interest, then SeaDragon will announce this to the market on [www.nzx.com](http://www.nzx.com).
  6. For each share subscribed for as part of that Shortfall Bookbuild, under the terms of the Rights Offer, One Funds will be granted an option to acquire an additional share (each an **Option**) in addition to the shares issued on conversion of the convertible notes. The Options are issued as part of One Funds participating in the Shortfall Bookbuild under the Rights Offer – these Options are not a separate entitlement under the convertible loan.
  7. The Option is exercisable at any time during the period from 1 October 2015 to 5.00pm on 29 September 2018 for an exercise price of \$0.015 per Option (the exercise price will be \$0.30 per Option following a 20 to 1 consolidation to take place on 19 September 2015, after the completion of the Rights Offer). Options will be exercisable by One Funds lodging with the Company's Share Registrar an exercise notice in writing together with payment of the exercise price.

8. The allotment and issue of new shares on conversion of the convertible loan and the issue of Options will occur by 18 September 2015.
9. Approval of the shareholders is being sought for:
  - (a) the issue of up to a maximum of 404,730,313 ordinary shares to One Funds on the conversion of its convertible notes under the Agreement; and
  - (b) the issue of up to a maximum of 404,730,313 ordinary shares to One Funds on the exercise of the Options.

All such shares issued will rank equally with all other shares on issue.

*Purpose and consideration for each issue of shares*

10. Each of the issues of shares to be made pursuant to the resolutions set out in this notice of meeting is to raise funds which will be used to assist with the completion of the Company's new Omega-3 plant in Nelson, add a fractionation plant to that facility (leading to a higher value, higher quality product), upgrade the existing Omega-2 plant, pay the costs of the Rights Offer and meet the Company's working capital requirements as it transitions to the commercial production of Omega-3 fish oils (see the previous market announcements by the Company on 24 June 2015, 26 June 2015 and 10 August 2015).

As noted in previous market announcements by the Company, the construction of the new Omega-3 plant in Nelson has required significant investments over and above those originally budgeted. Recognising the need for urgent action, the Company secured an additional \$1 million in working capital facilities from its bank and One Funds further agreed to provide \$2.5 million in interim funding under the convertible loan. The \$2.5 million provided by One Funds, together with the \$1 million in debt funding from the bank is insufficient to meet the Company's projected funding requirements over the remainder of the 2015 calendar year. The Company is therefore seeking to raise a further \$5 million under the Rights Offer.

The Company's bank has indicated that if the Company raises \$3 million in the Rights Offer (including the \$2.5 million from One Funds to be converted under the Shortfall Bookbuild), a further \$2 million is expected to be made available in working capital facilities. Please also refer section 2.2 of the Independent Adviser's Report (enclosed with this notice of meeting) for details.

11. The consideration for the issue of shares in respect of Resolution 6 is as follows:
  - (a) a cash payment of NZ\$2.5 million for the convertible notes issued pursuant to the Agreement, and such notes will be cancelled in exchange for the issue of the shares detailed in paragraphs 3, 5 and 6 above; and
  - (b) an exercise price of NZ\$0.015 per Option detailed in paragraph 7 above (the exercise price will be \$0.30 per Option following a 20 to 1 consolidation to take place on 19 September 2015, after the completion of the Rights Offer). The exercise price is payable on the exercise of the Options.

*Consequences if resolutions not approved*

12. Mersea Holdings Limited, the Company's largest shareholder who holds 54.12% of the voting securities able to be voted on Resolution 6 (given that One Funds is unable to vote on Resolution 6) has advised that it intends to vote in favour of Resolution 6. It is therefore highly likely that Resolution 6 will be approved. Please also refer section 2.8 of the Independent Adviser's Report (enclosed with this notice of meeting) for details.
13. In the unlikely event that Resolution 6 is not approved, the convertible notes issued pursuant to the Agreement will need to be repaid in full on expiry of the term of those convertible notes. The amount to be repaid would be calculated in accordance with the terms of the notes as set out in Appendix 3.
14. If the Company is required to repay the convertible notes, does not raise sufficient funding under the Rights Offer and further debt facilities are not made available, then this would have a negative impact on the Company's ability to complete the construction of the Omega-3 plant and cover other working capital requirements. As noted above in paragraph 10, the \$2.5 million provided by One Funds, together with the \$1 million in debt funding from the bank is insufficient to meet the Company's projected funding requirements over the remainder of the 2015 calendar year – the Company is therefore seeking to raise a further \$5 million under the Rights Offer. If the Company raises less than \$3 million under the Rights Offer (of which \$2.5 million would have been contributed from One Funds' conversion under the Shortfall Bookbuild), then the \$2 million in working capital facilities expected to be received from the Company's bank may not be made available.

#### *Takeovers Code*

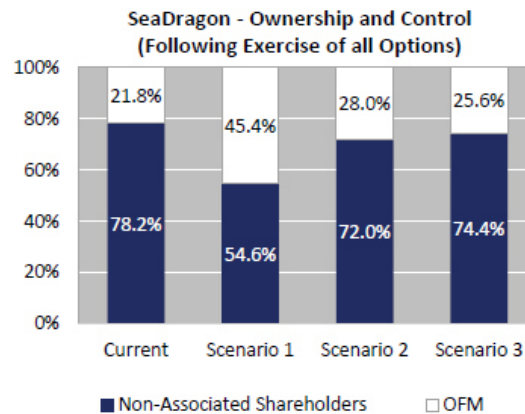
15. Under Rule 6 of the Takeovers Code, a person who holds or controls:
  - (a) no voting rights, or less than 20% of the voting rights, in a code company may not become the holder or controller of an increased percentage of the voting rights in the code company unless, after that event, that person 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.
16. 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.
17. The Company 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).
18. One Funds currently holds 409,870,967 ordinary shares in the Company (lodged with New Zealand Central Securities Depository Limited) comprising 21.84% of the voting rights in the Company. The shares are held by One Funds as trustee for the Asia Pacific



Healthcare Fund II (a fund established by BioScience Managers Pty Limited). Accordingly, One Funds is the holder and controller of 20% or more of the voting rights in a code company.

19. As a result of the proposed allotments of shares as referred to in the resolutions, One Funds will become the holder of an increased percentage of the voting rights in the Company.
20. The total percentage of the Company held by One Funds after the allotment will vary depending on the number of shares taken up by the other shareholders of the Company under the Rights Offer, the conversion price when each of the convertible notes is converted, and the number of Options exercised (if any).

The table below shows the effect on the number of shares held by non-One Funds shareholders following the allotment of shares to One Funds:



**Scenario 1:** Only One Funds (OFM) participates in the Rights Offer – One Funds’ shareholding as at the date of allotment of the shares and Options would increase from 21.8% to 45.4%.

As noted in on page 6 of the Independent Advisor’s Report (enclosed with this notice of meeting), Mersea Holdings Limited has indicated that the maximum it intends to subscribe for in the Rights Offer is \$100,000. If Mersea participates at \$100,000, then Scenario 1 would change so that One Funds’ shareholding as at the date of allotment of the shares and Options would increase from 21.8% to 45.2%.

**Scenario 2:** \$5 million is raised from non-One Funds shareholders under the Rights Offer – One Funds’ shareholding as at the date of allotment of the shares and Options would increase from 21.8% to 28.0%.

**Scenario 3:** The Rights Offer is fully subscribed by existing shareholders (by way of the Rights Offer and One Funds’ convertible loan conversion), One Funds’ shareholding as at the date of allotment of the shares and Options would increase from 21.8% to 25.6%.

*Please refer to page 19 of the Independent Adviser’s Report (enclosed with this notice of meeting).*

21. Under the Takeovers Code, One Funds may increase its percentage of the voting rights in the Company by the allotment of shares referred to in the resolutions if the allotment is approved by an ordinary resolution of shareholders.

22. If shareholders approve the resolutions, then they are approving the issue of the shares to One Funds under the resolutions for the purposes of Rule 7(d) of the Takeovers Code and Listing Rules 7.3.10(b)(ii) and 7.5.
23. 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*

24. As required by Rule 18 of the Takeovers Code, the Company has commissioned an Independent Adviser's Report on the issues of the shares referred to in the resolutions.
25. The Independent Adviser's Report is required by the Takeovers Code because One Funds currently holds (through New Zealand Central Securities Depository Limited) 21.84% of the voting rights in the Company and, as a result of the issue of the shares, One Funds will become the holder and controller of an increased percentage of the voting rights in the Company. 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.
26. 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 6(b)).
27. Campbell MacPherson has prepared the Independent Adviser's Report and Appraisal Report and a copy of that report is enclosed with this notice of meeting. Section 3 of the Appraisal Report contains a summary of Campbell MacPherson's findings and opinion, including that, in its opinion, the consideration and the terms and conditions of the proposed allotment of the Conversion Shares and Option Shares to One Funds is fair to shareholders who are not interested in the transaction (at page 25 of the report).

*Listing Rule 7.3.10(b)(ii)*

28. Listing Rule 7.3.10(b)(ii) requires approval of:
  - (a) the issue of shares to One Funds on the conversion of the convertible notes under the Rights Offer and on the terms and conditions of the convertible notes (which are set out in Appendix 3 to this notice of meeting) (the **Conversion Shares**); and
  - (b) the issue of shares to One Funds on the exercise of Options granted as part of that Rights Offer (the **Option Shares**),

by an ordinary resolution of shareholders. If Resolution 6 set out in this notice of meeting is passed, the requirements of Listing Rule 7.3.10(b)(ii) will be met.

*Listing Rule 7.5*

29. The issue of Conversion Shares and Option Shares to One Funds requires approval by ordinary resolution of the Company's shareholders in accordance with Listing Rule 7.5 as:
- (a) it is likely that the issue of such shares will result in One Funds materially increasing its ability to exercise, or direct the exercise of, effective control of the Company (see Appendix 2); and
  - (b) One Funds currently holds more than 1% of the Company's ordinary shares.

*Listing Rule 9.2.1*

30. Listing Rule 9.2.1 prohibits the Company from entering into a Material Transaction (as defined in Listing Rule 9.2.2, which includes the issue of securities having a market value in excess of 10% of the Average Market Capitalisation of an Issuer) if a Related Party is a party to at least one of a related series of transactions of which the Material Transaction forms part. One Funds is a Related Party because it holds more than 10% of the shares of the Company. Although the Agreement is not a Material Transaction, it, taken together with the Rights Offer, forms a related series of transactions which require approval by ordinary resolution of the Company's shareholders in accordance with Listing Rule 9.2.1.
31. In connection with Resolution 6(c), the Company has applied for, and has been granted, waivers from the NZX of the following Listing Rules:
- (a) Listing Rule 9.2.5(b) to the extent that this rule requires the Company to prepare an Appraisal Report addressing the Rights Offer. The implication for shareholders is that they will not receive an Appraisal Report in respect of the Rights Offer. However, shareholders will receive an Appraisal Report under Listing Rule 7.5 and Listing Rule 9.2 to the extent that the waiver does not apply – that report is enclosed with this notice of meeting; and
  - (b) Listing Rule 9.3.1 to the extent that this rule excludes persons from voting on Resolution 6(c) only because of the benefits they will receive as a participant in the Rights Offer who participates on the same terms and conditions as all other shareholders of the Company. The implication for shareholders is that Mersea Holdings Limited (the Company's largest shareholder) and other Related Parties of the Company (as defined in the Listing Rules) subject to that waiver may vote on Resolution 6(c). As noted in paragraph 12, Mersea Holdings Limited has advised that it intends to vote in favour of Resolution 6. Neither One Funds, nor any of their associated persons, are entitled to vote or exercise discretionary proxies in respect of this resolution.

The waiver decision can be viewed at [www.nzx.com](http://www.nzx.com) and also gives the reasons for that decision.



*Excluded shareholders*

32. Neither One Funds, nor any of their associated persons, are entitled to vote or exercise discretionary proxies in respect of Resolution 6, in accordance with Listing Rule 9.3.1.

*Lock-up arrangements*

33. One Funds is not subject to any lock-up arrangements in respect of any shares to be issued to One Funds pursuant to the transactions contemplated by the resolutions set out in this notice of meeting. Accordingly, following the issue of any such shares, One Funds will be able to trade such shares (subject to compliance with relevant legislation and the NZX Main Board Listing Rules).

*Board recommendation*

34. The directors of the Company unanimously recommend that shareholders vote in favour of Resolution 6.

## **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.

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 2:00pm (New Zealand time) on Tuesday 15 September 2015. 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 16 September 2015. 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.



### **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) One Funds Management Limited (**One Funds**) is the proposed allottee of the shares. The shares will be held by One Funds as trustee for the Asia Pacific Healthcare Fund II (a fund established by BioScience Managers Pty Limited (**BioScience Managers**)). Accordingly, BioScience Managers will become a controller of an increased percentage of voting securities in the Company as a result of the allotments;
- (b) the particulars of the voting securities to be allotted are as set out in Appendix 2;
- (c) not applicable (as the voting securities to be allotted are not securities of a body corporate other than the Company);
- (d) the issue price for the voting securities to be allotted and when it is payable is set out in section “Resolutions – Convertible Notes and Rights Offer” of the explanatory notes of this notice of meeting;
- (e) the reason for the allotments is to raise funds which will be used to assist with the completion of the Company’s new Omega-3 plant in Nelson, add a fractionation plant to that facility (leading to a higher value, higher quality product), upgrade the Omega-2 plant, pay the costs of the Rights Offer and meet the Company’s working capital requirements;
- (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) One Funds has confirmed that there is no agreement or arrangement (whether legally enforceable or not) that has been, or is intended to be, entered into between One Funds and any other person (other than between One Funds and the Company in terms of the issue of the shares) relating to the allotments, holding, or control of the shares to be allotted, or to the exercise of voting rights in the Company; and
- (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 One Funds on the conversion of the convertible notes and the proposed allotment of shares to One Funds on the exercise of any Options. The grounds for this recommendation is that these allotments should significantly strengthen the Company’s financial position and raise capital for the reasons set out in (e) above.*

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

**Note:** The particulars below are based on an assumption that (i) One Funds is the only party to participate in the proposed capital raising; (ii) One Funds elects to convert all interest accrued on the notes to shares; and (iii) One Funds exercises all Options. See further assumptions at (g) below.

(a) The maximum number of voting securities that could be allotted (the <b>approved maximum number</b> ) to One Funds	If Resolution 6 is approved, the maximum number of voting securities that could be allotted to One Funds is 809,460,626 ordinary shares, which consists of: <ul style="list-style-type: none"> <li>the 404,730,313 ordinary shares to be allotted to One Funds on conversion of the convertible notes; and</li> <li>up to 404,730,313 ordinary shares to be allotted to One Funds on the exercise of its Options.</li> </ul>
(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	30.1%
(c) the maximum percentage of all voting securities that could be held or controlled by One Funds after completion of the allotments	45.4%
(d) the maximum aggregate of the percentages of all voting securities that could be held or controlled by One Funds and its associates after completion of the allotments (not including voting securities of any of One Funds' associates who are also relying on rule 7(d) in relation to the allotments (the <b>relying associates</b> )*)	Same as (c) above.  <i>*Note that no associate of One Funds holds any shares in the Company nor are any such associates relying on rule 7(d). Accordingly, there are no "relying associates"</i>
(e) if there are relying associates, the maximum aggregate of the percentages of all voting securities that could be held or controlled by One Funds and its associates after completion of the allotments	There are no "relying associates".
(f) the date used to determine the information referred to in this Appendix (the <b>calculation date</b> )	21 August 2015
(g) the assumptions on which the particulars in paragraphs (a) to (f) are calculated	<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, in relation to paragraphs (a) to (c), One Funds is allotted the approved maximum number under the allotments (i.e. including the exercise of all Options).</li> <li>That, in relation to paragraph (d), One Funds and each of its associates (not including the relying associates) are allotted the maximum number of voting securities.</li> <li>That One Funds and One Funds' associates do not acquire or dispose of any additional ordinary shares prior to the allotment date.</li> <li>That One Funds is the only party to contribute to the proposed capital raising.</li> </ul>



	<ul style="list-style-type: none"> <li>• That One Funds converts all interest accrued on the convertible notes.</li> <li>• That the One Funds convertible notes are converted to ordinary shares and options at a price of NZ\$0.0064 per share (i.e. at a 20% discount to the Rights Price on the assumption that the Company raises less than NZ\$5 million (excluding the conversion of the convertible notes)).</li> </ul>
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### Appendix 3 – Terms of convertible notes

On 23 June 2015, the Company entered into a term sheet for convertible notes with One Funds Management Limited (**One Funds**) (**Agreement**). One Funds entered into the Agreement in its capacity as trustee for the Asia Pacific Healthcare Fund II (a fund established by BioScience Managers Pty Limited). The key terms of the Agreement are set out below.

1. Convertible notes with a face value of NZ\$1,250,000 were issued on 26 June 2015 and a further NZ\$1,250,000 of convertible notes were issued on 17 July 2015, each pursuant to the Agreement (the **Notes**).
2. Interest will accrue on outstanding Notes at 18% per annum, reducing to 13% per annum once the required shareholder approval to the conversion to equity is obtained.
3. The Notes convert under the shortfall bookbuild as part of the proposed pro rata renounceable rights offer (**Rights Offer**). The price at which the Notes convert is:
  - (a) the same price as the issue of new shares (the **Rights Price**) in the Rights Offer provided that the Company raises at least NZ\$5 million in the Rights Offer and any related capital raising (not including the conversion of the convertible notes); or
  - (b) a 20% discount to the Rights Price if the Company raises less than NZ\$5 million in the Rights Offer (not including the conversion of the convertible notes).
4. The Notes (if they do not convert to shares under the shortfall bookbuild as part of the Rights Offer) will need to be repaid by the Company on the maturity date of 26 June 2017.

**About SeaDragon** [www.seadragon.co.nz](http://www.seadragon.co.nz)

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