



SEADRAGON LIMITED

**INDEPENDENT ADVISER'S REPORT &
INDEPENDENT APPRAISAL REPORT**

In respect of:

- **the allotment of shares to Comvita as a result of the exercise of its Rights Offer Options; and**
- **the allotment of shares to Comvita as a result of the exercise of its Additional Option.**

CAMPBELL MACPHERSON LTD
CORPORATE ADVISORS

27 November 2015

STATEMENT OF INDEPENDENCE

Campbell MacPherson Limited confirms that it:

- has no conflict of interest that could affect its ability to provide an unbiased report; and,
- has no direct or indirect pecuniary or other interest in the proposed transaction considered in the report, including any success or contingency fee or remuneration, other than to receive the cash fee for providing this report.

Campbell MacPherson Limited has satisfied the Takeovers Panel, on the basis of the material provided to the Panel, that it is independent under the Takeovers Code for the purposes of preparing this report.

TABLE OF CONTENTS

| | | |
|----|---|----|
| 1. | INTRODUCTION..... | 3 |
| 2. | EVALUATION OF THE MERITS OF THE PROPOSED TRANSACTION..... | 8 |
| 3. | EVALUATION OF THE FAIRNESS OF THE PROPOSED TRANSACTION..... | 19 |
| 4. | PROFILE OF SEADRAGON..... | 21 |
| 5. | SUMMARY PROFILE OF COMVITA..... | 29 |
| | APPENDIX I. INFORMATION, DISCLAIMER & INDEMNITY..... | 31 |
| | APPENDIX II. QUALIFICATIONS, DECLARATIONS & CONSENTS..... | 33 |

1. INTRODUCTION

1.1 Background

SeaDragon Limited (**SeaDragon**; the **Company**) is a public listed company which specialises in manufacturing high quality Omega 2 and Omega 3 oils. SeaDragon is listed on the main board of the New Zealand Stock Exchange (**NZSX**) operated by NZX Limited (**NZX**). The Company has 3,128,046,711 ordinary shares on issue and a market capitalisation of circa \$31 million as at 16 November, 2015 (\$0.01 per share).

SeaDragon's four largest shareholders are:

- One Funds Management Limited (**OFM**), with 735,264,802 shares representing 23.51% of the voting securities on issue
- SDMO Trustee Limited (**SDMO Trustee**) with 440,670,868 shares representing 14.09% of voting securities on issue
- Comvita Limited (**Comvita**) with 410,987,830 shares representing 13.14% of voting securities on issue
- Merinova Limited (**Merinova**) with 358,594,591 shares representing 11.46% of voting securities on issue

SDMO Trustee and Merinova previously held shares in SeaDragon through Mersea Holdings Limited. As the shareholders of Mersea Holdings Limited, SDMO Trustee and Merinova distributed 799,265,459 SeaDragon shares to themselves in specie (with the remaining 2,500,000 shares being distributed to Ross Keeley and 2,500,000 shares being distributed to Darrell Crozier), resulting in SDMO Trustee holding 440,670,868 shares and Merinova holding 358,594,591 shares.

We note that OFM holds its shares in SeaDragon through New Zealand Central Securities Depository Limited as nominee for custodian HSBC Nominees (New Zealand) Limited and administers the shares as trustee for the Asia Pacific Healthcare Fund II. This Fund was launched by BioScience Managers Pty Limited (**BioScience Managers**) who also manage the Fund on a day-to-day basis.

OFM and Comvita each has one representative on the SeaDragon Board of Directors and SDMO Trustee and Merinova together have one representative on the SeaDragon Board of Directors. The remaining two directors on the SeaDragon Board are independent directors.

On 25 September, 2015, SeaDragon entered into a term sheet (**Term Sheet**) with New Zealand public-listed company Comvita (NZX:CVT) to help facilitate the completion of SeaDragon's 3 for 5 renounceable rights offer. The Term Sheet provided for a cash investment by Comvita in SeaDragon as part of the rights offer shortfall bookbuild, as well as the issue of an additional option (the **Additional Option**) to Comvita to subscribe for a further 375 million SeaDragon shares and a supply arrangement whereby Comvita will be offered first rights to SeaDragon products at market rates (collectively the **Comvita Agreement**). Further details on the Comvita Agreement are provided in Section 1.3.

On 30 September, 2015, SeaDragon announced that it had raised \$10.009 million via its rights offer and associated shortfall bookbuild (collectively referred to hereafter as the **Rights Offer**) and an additional placement. As a result of this capital-raising SeaDragon issued (on 2nd October, 2015) 1,251,142,517 new shares at a price of \$0.008 per share, and 1,251,142,517 Rights Offer Options (**RO Options**) for no additional consideration. This included the issue of 410,987,830 shares and 410,987,830 RO Options to Comvita under the terms of the Rights Offer.

The allotment of shares (the **RO Shares**) to Comvita as a result of the exercise of its RO Options and/or the allotment of shares (the **AO Shares**) to Comvita as a result of the exercise of the Additional Option (referred to collectively in this Report as the **Proposed Transaction**) is subject to SeaDragon shareholder approval in accordance with the Takeovers Code and NZX Listing Rules.

Campbell MacPherson Limited (**Campbell MacPherson**) has been approached by SeaDragon to prepare an Independent Adviser's Report in accordance with Rule 18 of the Takeovers Code and an Independent Appraisal Report in accordance with NZX Listing Rule 7.5.1 and 1.7.2 (the **Report**). This Report provides an evaluation of the merits and the fairness of the Proposed Transaction.

1.2 Comvita

Comvita currently holds 410,987,830 shares in SeaDragon representing 13.14% of the issued and outstanding ordinary shares and 18.77% of the shares on a fully diluted basis assuming the exercise of all 1,251,142,517 RO Options currently on issue. Comvita has no Associates (within the meaning of the Takeover Code or Associated Persons (within the meaning of the NZSX Listing Rules) who hold shares in SeaDragon.

Comvita is a global natural health company committed to the development of innovative products, backed by ongoing investment in scientific research. Its core products are Manuka Honey and Olive Leaf Extract which are sold into more than 18 countries through a network of its own branded retail locations, online and third party outlets. Further information on Comvita is provided in Section 5.

1.3 The Agreement with Comvita

Key commercial terms and conditions of the agreement with Comvita are set out in the Term Sheet. These details in relation to these commercial terms have been subsequently negotiated in the form of:

- an Option Agreement (**Option Agreement**) relating to the issue of the Additional Option, and;
- a Supply Agreement (**Supply Agreement**) relating to the supply of certain products by SeaDragon to Comvita.

As at 30 November 2015, the parties have agreed the form of the Option Agreement and Supply Agreement, but these agreements are yet to be formally executed.

Key terms of the arrangements with Comvita as announced to the market are summarised below.

| | |
|---------------------------------------|---|
| <i>Rights Offer Investment</i> | <p>Comvita Limited undertook to subscribe for at least \$2.0 million of shares attributable to unexercised rights offered as part of the shortfall bookbuild in connection with the Rights Offer. SeaDragon issued 410,987,830 shares and 410,987,830 RO Options to Comvita in the shortfall bookbuild, representing an aggregate investment of \$3,287,902.64 for 13.14% of the voting securities on issue.</p> <p>Each RO Option entitles the holder to subscribe for one new share in SeaDragon at an exercise price of \$0.015 per share exercisable at any time on or before 1 October 2018.</p> |
|---------------------------------------|---|

| | |
|--------------------------|--|
| Additional Option | <p>SeaDragon also agreed to grant Comvita an Additional Option to subscribe for 375,000,000 new ordinary shares at a price of \$0.008 per share for an aggregate subscription price of \$3.0 million. The Additional Option may only be exercised in full and can be exercised by Comvita any time before 1 October 2017.</p> <p>Additionally, SeaDragon may require Comvita to exercise the Additional Option if certain milestones are achieved by SeaDragon (the Mandatory Exercise Right). Those milestones include:</p> <ul style="list-style-type: none"> ▪ a positive operating cash flow target; ▪ Seadragon honouring in good faith the terms of the Supply Agreement; ▪ commissioning of the fractionation plant; ▪ confirmation of finished product quality and sustainability; and, ▪ raw material supply milestones. <p>All of these milestones need to be achieved before SeaDragon can require Comvita to exercise the Additional Option.</p> |
| Supply Agreement | <p>The Supply Agreement will give Comvita rights of first refusal to all SeaDragon products. The price for supply is based on a market rate established with reference to a range of benchmarks. The term of the agreement is for an initial period of 2 years with subsequent renewal for a further period or periods by mutual agreement.</p> |
| Other Conditions | <p>A Comvita representative is required to be appointed to the Board of SeaDragon. This condition was met with the appointment of former Comvita CEO Brett Hewlett to the SeaDragon Board effective 2nd November 2015.</p> |

1.4 Takeovers Code Requirements

Rule 6 of the Code prohibits:

- A person who holds or controls less than 20% of the voting rights in a Code Company from increasing its control of voting rights beyond 20%.
- A person holding 20% or more of the voting rights in a Code Company from increasing its control of voting rights.

Unless the person complies with the exceptions to the fundamental rule.

One of the exceptions, set out in Rule 7(d) of the Code, enables a shareholder to increase its shareholding beyond 20% of the voting rights by an allotment of shares if the allotment is approved by an ordinary resolution of shareholders of the code company.

The Notice of Meeting in respect of the allotment of shares under Rule 7(d) must include or be accompanied by an Independent Adviser's Report that complies with Rule 18 of the Code. This Report must have regard to the interest of those persons who will vote to approve the Proposed Transaction.

In the event that the Proposed Transaction proceeds, the allotment of shares as a result of the exercise of RO Options and/or the Additional Option granted to Comvita may result in Comvita increasing its control of voting rights in SeaDragon above 20%. The Directors of SeaDragon have therefore engaged Campbell MacPherson to prepare this Report in accordance with Rule 18 of the Code.

1.5 NZX Listing Rules

SeaDragon is listed on the NZX Main Board and is therefore an Issuer and is subject to the NZX Listing Rules.

Listing Rule 7.5.1

Under Listing Rule 7.5.1, no issue, acquisition or redemption of securities shall be made by an Issuer if:

- There is a significant likelihood that the issue, acquisition or redemption will result in any person or group of associated persons materially increasing their ability to exercise, or direct the exercise of (either then or at any future time) effective control of that Issuer; and
- That person or group of associated persons is entitled before the issue, acquisition or redemption to exercise, or direct the exercise of, not less than 1% of the total votes attaching to securities of the Issuer,

unless the precise terms and conditions of the issue, acquisition or redemption have been approved by an ordinary resolution of the Issuer.

Listing rule 7.5.1 requires that, amongst other things, the text of any resolution shall be set out in the Notice of Meeting which must be accompanied by an Independent Appraisal Report to be prepared in accordance with Listing Rule 1.7.2.

In the event that the Proposed Transaction proceeds, it is possible that the allotment of shares as a result of the exercise of the RO Options and/or the Additional Option granted to Comvita may result in Comvita increasing its ability to exercise effective control of SeaDragon. The Independent Directors of SeaDragon have therefore engaged Campbell MacPherson to prepare this Independent Appraisal Report.

NZX Waiver - Listing Rule 9.2.1

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.

In terms of the Supply Arrangement, although this is also covered by the binding Term Sheet, the mechanism to set the market price for supply would not be finalised until the date the Supply Agreement was entered into. Accordingly, it is arguable that the time of entry into that transaction is at the time of entry into the definitive Supply Agreement (at which time Comvita will be a Related Party). Further, it is possible that, in aggregate, the value of the transactions entered into between Comvita and SeaDragon relating to the purchases under the Supply Arrangement may, over time, exceed 10% of SeaDragon's Average Market Capitalisation, such that it could be a Material Transaction under Rule 9.2.2.

In connection with the Resolution, the Company has applied for a waiver from the NZX of Listing Rule 9.2.1, and the Company has been notified that NZX proposes to grant that waiver.

The waiver decision, including the reasons for that decision, is expected to be available to view at www.nzx.com on or shortly after Wednesday, 2 December 2015.

1.6 Notice of Meeting

The Company is holding a special meeting of shareholders on 17 December, 2015 where SeaDragon shareholders will vote on the resolutions (the **Resolutions**) as contained in the notice of special meeting (**Notice of Meeting**) relating to the approval of the Proposed Transaction

Resolutions - Rights Options and Additional Option

“That:

- 1 *for the purpose of Listing Rule 7.3.10(b)(ii):*
 - (a) *the Company may grant the Additional Option to Comvita; and*
 - (b) *the Company may issue up to a maximum of 375,000,000 ordinary shares to Comvita in connection with the exercise of the Additional Option (the **AO Shares**); and*
- 2 *for the purposes of Listing Rule 7.5 and Rule 7(d) of the Takeovers Code:*
 - (a) *subject to resolution 1 being passed, the Company may issue the AO Shares to Comvita; and*
 - (b) *the Company may issue up to a maximum of 410,987,830 ordinary shares to Comvita in connection with the exercise of the Rights Options.”*

Comvita will not be entitled to vote on the Resolutions.

1.7 Issue of the Report

The **Non-associated Directors** of SeaDragon, being those Directors who are not associated with Comvita, have engaged Campbell MacPherson to prepare an Independent Adviser’s Report on the merits of the Proposed Transaction in accordance with Rule 18 of the Code and an Independent Appraisal Report on the fairness of the Proposed Transaction in accordance with NZX Listing Rule 7.5.1 and 1.7.2.

Campbell MacPherson was approved by the Takeovers Panel on 3rd November, 2015 to prepare the Independent Adviser’s Report. Campbell MacPherson was approved by the NZX on 17 November 2015 to prepare the Independent Appraisal Report.

Campbell MacPherson issues this Report to the Non-associated Directors to assist SeaDragon shareholders other than Comvita (the **Non-Associated Shareholders**) in forming their own opinion on whether to vote for or against the Resolutions. We note that each shareholder’s circumstances and objectives are unique. Accordingly, it is not possible to report on the merits or fairness of voting for or against the Resolutions in relation to each individual shareholder. This Report is therefore necessarily general in nature.

This Report is not to be used for any other purpose without our prior written consent.

2. EVALUATION OF THE MERITS OF THE PROPOSED TRANSACTION

2.1 Basis of Evaluation

Rule 18 of the Code requires an evaluation of the merits of the potential allotment of the RO Shares and the AO Shares to Comvita. There is no legal definition of the term “merits” in New Zealand in either the Code or in any statute dealing with securities or commercial law. In the absence of an explicit definition of “merits”, guidance can be taken from:

- The Takeover Panel guidance note on the role of Independent Advisers dated September 2015;
- Definitions designed to address similar issues within New Zealand regulations which are relevant to the proposed transaction;
- Overseas precedents; and
- The ordinary meaning of the term “merits”.

We are of the view that an assessment of the merits of the Proposed Transaction should focus on the following:

- Rationale for the Proposed Transaction.
- The terms and conditions of the Proposed Transaction.
- Alternatives to the Proposed Transaction.
- Impact on the ownership of SeaDragon by Comvita.
- Impact on the control of SeaDragon by Comvita.
- Other benefits and disadvantages to SeaDragon and the Non-associated Shareholders.
- The likelihood of the Resolutions in respect of the Proposed Transaction being approved.
- The implications of the Resolutions in respect of the Proposed Transaction not being approved.

Our opinion should be considered as a whole. Selecting portions of the evaluation without considering all the factors and analysis together could create a misleading view of the rationale underlying this opinion.

2.2 Rationale for the Proposed Transaction

Whilst this Report is required to opine specifically on the Proposed Transaction, it is important to recognise that the Proposed Transaction stems from a wider commercial agreement (i.e. the Term Sheet) between the parties that was negotiated on an arm’s length basis between Comvita and SeaDragon.

The Term Sheet was negotiated at a time when SeaDragon was seeking external investors to take up the shortfall in the Rights Offer in order to secure sufficient equity funding to enable SeaDragon to execute its business plan. The Rights Offer sought to raise a minimum of \$7.5 million in new equity capital (including \$2.5 million in proceeds already injected via a convertible loan provided by OFM). Existing shareholders were offered up to 1,126,142,517 shares under the Rights Offer (and an equivalent number of RO Options) at a price of \$0.008 per share (aggregate \$9,009,140). The Rights Offer was fully renounceable.

As disclosed on 28 September 2015, as at the close of the Rights Offer, existing SeaDragon shareholders subscribed for 322,443,352 new shares and an equivalent number of RO Options, for an aggregate consideration of \$2,579,546.00 (not including the \$2.5 million already

injected via a convertible loan provided by OFM). This left a further \$3,929,594 of shares and RO Options available for placement to external investors via the shortfall bookbuild process.

Comvita approached SeaDragon as a potential cornerstone investor via the shortfall bookbuild. The Non-associated Directors of SeaDragon believe that Comvita was attracted to SeaDragon's first mover position in the New Zealand refined fish oil market, as well as the growth potential of the Company including the development of the new Omega 3 factory in Nelson. This factory is expected to provide an order of magnitude increase in SeaDragon's output and improve the range and quality of its product offering.

SeaDragon's rationale for the agreement with Comvita was based on a number of factors. However, securing a major cash investment to underpin the success of the Rights Offer was the principal driver. Other drivers included:

- Gaining a major new cornerstone investment by a recognised and respected New Zealand listed company.
- Potential for increased sales and international distribution channels through Comvita and its networks.
- Potential access to additional expertise through the appointment of a Comvita representative to the Board of SeaDragon.
- Potential to access further cash in the event that the Additional Option is exercised (voluntarily or compulsorily) by Comvita.

2.3 Analysis of the Terms and Conditions of the Proposed Transaction

A summary of the terms of the Comvita Agreement is provided in Section 1.3. Our views on key aspects of the Proposed Transaction resulting from this agreement are provided below.

Issue of the RO Options

The RO Options were issued to Comvita on the same terms as all other participants in the Rights Offer. We note that all existing shareholders of SeaDragon were offered renounceable rights to acquire shares and RO Options under the terms of the Rights Offer.

Issue of the Additional Option

The grant of the Additional Option to Comvita provides it with preferential terms. Other existing shareholders and external investors who participated in the Rights Offer did not receive an equivalent Additional Option nor did SeaDragon enter into a supply agreement with any other party. We also note that the exercise price of the Additional Option is \$0.008 per share, a discount of 47% compared to the exercise price of the RO Options of \$0.015 per share. However, the Option period is shorter than for the RO Options, expiring on 1 October 2017.

The Non-associated Directors of SeaDragon supported the issue of the Additional Option to Comvita on the basis that Comvita was prepared to invest a significant amount of capital (ultimately more than \$3 million) into the Rights Offer and potentially a further \$3 million through exercise of the Additional Option.

The Non-associated Directors were also aware that announcement of the Term Sheet with Comvita prior to the closure of the shortfall bookbuild process could potentially encourage other external investors to participate in the shortfall bookbuild and help to underpin the success of the capital-raising process. We note that the Rights Offer was ultimately oversubscribed and Board of SeaDragon resolved to undertake a private placement to enable all interested investors to acquire shares at the same price as the Rights Offer, without scaling any existing SeaDragon shareholders.

SeaDragon's Mandatory Exercise Right

SeaDragon may require Comvita to exercise the Additional Option if certain milestones are achieved by SeaDragon as set out in Section 1.3. SeaDragon negotiated this Mandatory Exercise Right as part of the overall agreement with Comvita.

Subject to meeting the required exercise criteria, the key benefits of the Mandatory Exercise Right to SeaDragon include:

- The ability to remove a significant “overhang” of options from the market. SeaDragon already has 1,251,142,517 RO Options on issue which may potentially limit future appreciation in the SeaDragon share price. The addition of a further 375,000,000 options may further exacerbate this issue unless or until the Additional Options are exercised.
- The ability to secure a further \$3 million cash equity investment into the Company without relying on RO Option holders to exercise their RO Options, or going back to existing shareholders or the market with a further offer of shares or other equity securities.

SeaDragon advises that the milestones were essentially already those that the Company had set for itself internally and therefore it believes that these milestones are realistic and achievable. However, the Company anticipates that the earliest these milestones could be fully achieved is likely to be by the end of calendar 2016.

SeaDragon has indicated that, in the event that the milestones are achieved, it is likely that it would promptly exercise its right to require Comvita to exercise the Additional Option.

Use of Funds

In the event that Comvita does (either compulsorily or at its discretion) exercise the Additional Option, SeaDragon has indicated that the additional \$3 million in funding could be applied to a variety of uses depending on the requirements of the Company as at the date of exercise. These could include:

- Reduction in debt.
- Additional capital expenditure such as the installation of concentration facilities and/or encapsulation facilities at the new Omega-3 factory.

We note that, in the event the outstanding RO Options are all exercised, SeaDragon would also receive up to a further \$10,009,140 million in cash over the next three years. Included within this amount is a potential investment by Comvita (which holds 410,987,830 RO Options) of up to \$3,287,903 in cash into SeaDragon.

2.4 Potential Alternatives to the Proposed Transaction

As noted earlier in this Report the Proposed Transaction stems from a wider commercial agreement negotiated at arms-length between SeaDragon and Comvita. In this context we do not consider there were any alternatives other than those that were ultimately negotiated.

2.5 Impact on the Ownership of SeaDragon

The current position of major shareholders holding SeaDragon shares and RO Options is summarised in the table below. OFM is currently the largest shareholder, followed by SDMO Trustee, Comvita and then Merinova. Comvita currently holds 13.14% of the shares on issue.

| SeaDragon Ownership - Current Equity Securities on Issue | | | | | | |
|---|----------------------|----------------|----------------------|----------------|--------------------------|----------------|
| Security holder | Shares | % | RO Options | % | Additional Option | % |
| OFM | 735,264,802 | 23.51% | 325,393,835 | 26.01% | 0 | 0.00% |
| SDMO | 440,607,868 | 14.09% | 5,282,125 | 0.42% | 0 | 0.00% |
| Comvita | 410,987,830 | 13.14% | 410,987,830 | 32.85% | 375,000,000 | 100.00% |
| Merinova | 358,594,591 | 11.46% | 0 | 0.00% | 0 | 0.00% |
| Other | 1,182,591,620 | 37.81% | 509,478,727 | 40.72% | 0 | 0.00% |
| Total | 3,128,046,711 | 100.00% | 1,251,142,517 | 100.00% | 375,000,000 | 100.00% |

The ultimate impact on the ownership of SeaDragon of the Proposed Transaction will depend on the following key factors:

- The extent to which existing RO holders (including Comvita) exercise their RO Options and acquire new shares in SeaDragon.
- Whether Comvita decides to exercise its Additional Option and acquires new shares in SeaDragon, or; in the event that SeaDragon meets the required milestones, SeaDragon requires Comvita to exercise its Additional Option and acquire new shares in SeaDragon.
- Whether SeaDragon issues any further new shares during the period to which the Additional Option relates, other than those contemplated above.

Whilst any future issue of voting securities based on the above factors is unknown, the Proposed Transaction gives rise to a wide range of potential future shareholding levels for the Non-associated Shareholders.

We have assessed the impact of potential changes in the ownership and control of SeaDragon as a result of the Proposed Transaction under three scenarios:

| | |
|-------------------|--|
| Scenario A | Exercise of the Additional Option only |
| Scenario B | Exercise of the RO Options only |
| Scenario C | Exercise of the RO Options and the Additional Option |

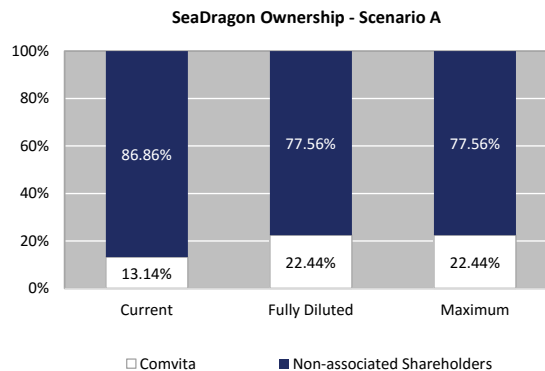
For each scenario we have considered the current ownership of the Company and compared it against the fully diluted ownership position and Comvita's maximum ownership position.

Scenario A - Ownership based on Exercise of the Additional Option Only

As noted in Section 1 the exercise price of \$0.008 per share for the Additional Option is significantly lower than the exercise price of \$0.015 per share for the RO Options. In addition to this it is possible that SeaDragon may be able to use its Mandatory Exercise Right in the event that it meets the required milestones under the Option Agreement and chooses to exercise that right.

For these reasons it is possible that, subject to SeaDragon's future share price and other factors, the Additional Option may be exercised but the higher-priced RO Options may not. Under this scenario Comvita's maximum ownership position would be 22.44% of the shares on issue. A summary table and graph demonstrating this is provided below.

| SeaDragon Ownership - Scenario A | | | | | | | | |
|----------------------------------|----------------------|----------------|--------------------|----------------|----------------------|----------------|------------------------|----------------|
| Security holder | Shares | % | Additional Option | % | Fully Diluted Shares | % | Comvita Maximum Shares | % |
| OFM | 735,264,802 | 23.51% | 0 | 0.00% | 735,264,802 | 20.99% | 735,264,802 | 20.99% |
| SDMO | 440,607,868 | 14.09% | 0 | 0.00% | 440,607,868 | 12.58% | 440,607,868 | 12.58% |
| Comvita | 410,987,830 | 13.14% | 375,000,000 | 100.00% | 785,987,830 | 22.44% | 785,987,830 | 22.44% |
| Merinova | 358,594,591 | 11.46% | 0 | 0.00% | 358,594,591 | 10.24% | 358,594,591 | 10.24% |
| Other | 1,182,591,620 | 37.81% | 0 | 0.00% | 1,182,591,620 | 33.76% | 1,182,591,620 | 33.76% |
| Total | 3,128,046,711 | 100.00% | 375,000,000 | 100.00% | 3,503,046,711 | 100.00% | 3,503,046,711 | 100.00% |

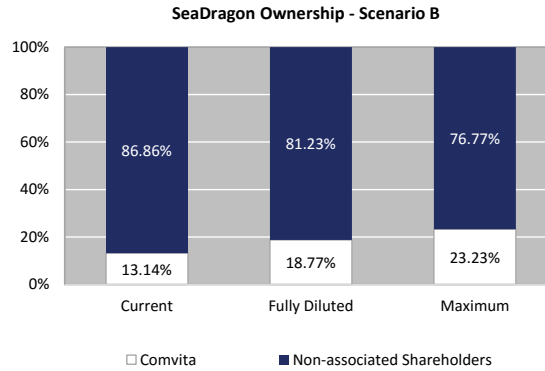


Scenario B - Ownership based on Exercise of the RO Options Only

Given the higher exercise price per share of the RO Options when compared to the Additional Option, this Scenario is the least likely of the three to occur. However, for completeness we outline below our analysis of the ownership of SeaDragon based on the current RO Options on issue, but excluding the Additional Option.

On a fully diluted basis Comvita would increase its shareholding from 13.14% to 18.77%. Comvita's maximum ownership position in the event it was the only RO Option holder to exercise its options would be 23.23% of the shares on issue. A summary table and graph demonstrating this is provided below.

| SeaDragon Ownership - Scenario B | | | | | | | | |
|----------------------------------|----------------------|----------------|----------------------|----------------|----------------------|----------------|------------------------|----------------|
| Security holder | Shares | % | RO Options | % | Fully Diluted Shares | % | Comvita Maximum Shares | % |
| OFM | 735,264,802 | 23.51% | 325,393,835 | 26.01% | 1,060,658,637 | 24.22% | 735,264,802 | 20.78% |
| SDMO | 440,607,868 | 14.09% | 5,282,125 | 0.42% | 445,889,993 | 10.18% | 440,607,868 | 12.45% |
| Comvita | 410,987,830 | 13.14% | 410,987,830 | 32.85% | 821,975,660 | 18.77% | 821,975,660 | 23.23% |
| Merinova | 358,594,591 | 11.46% | 0 | 0.00% | 358,594,591 | 8.19% | 358,594,591 | 10.13% |
| Other | 1,182,591,620 | 37.81% | 509,478,727 | 40.72% | 1,692,070,347 | 38.64% | 1,182,591,620 | 33.42% |
| Total | 3,128,046,711 | 100.00% | 1,251,142,517 | 100.00% | 4,379,189,228 | 100.00% | 3,539,034,541 | 100.00% |

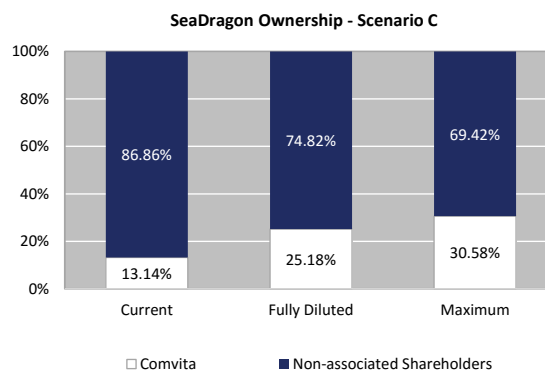


Scenario C - Ownership based on exercise of the RO Options & the Additional Option

It is possible that, subject to SeaDragon’s future share price and other factors, Comvita may exercise both its RO Options and the Additional Option. We provide below our analysis of the ownership position under this Scenario.

On a fully diluted basis Comvita would increase its shareholding from 13.14% to 25.18% of the shares on issue. Comvita’s maximum ownership position in the event it exercised its Additional Option and was the only RO Option holder to exercise its RO Options would be 30.58% of the shares on issue. A summary table and graph demonstrating this is provided below.

| SeaDragon Ownership - Scenario C | | | | | | | | |
|----------------------------------|----------------------|----------------|--------------------------------|----------------|----------------------|----------------|------------------------|----------------|
| Security holder | Shares | % | RO Options + Additional Option | % | Fully Diluted Shares | % | Comvita Maximum Shares | % |
| OFM | 735,264,802 | 23.51% | 325,393,835 | 20.01% | 1,060,658,637 | 22.31% | 735,264,802 | 18.79% |
| SDMO | 440,607,868 | 14.09% | 5,282,125 | 0.32% | 445,889,993 | 9.38% | 440,607,868 | 11.26% |
| Comvita | 410,987,830 | 13.14% | 785,987,830 | 48.33% | 1,196,975,660 | 25.18% | 1,196,975,660 | 30.58% |
| Merinova | 358,594,591 | 11.46% | 0 | 0.00% | 358,594,591 | 7.54% | 358,594,591 | 9.16% |
| Other | 1,541,186,211 | 49.27% | 509,478,727 | 31.33% | 2,050,664,938 | 43.13% | 1,541,186,211 | 39.38% |
| Total | 3,128,046,711 | 100.00% | 1,626,142,517 | 100.00% | 4,754,189,228 | 100.00% | 3,914,034,541 | 100.00% |



Whilst it is theoretically possible that Comvita could reach the maximum ownership position of 30.58% of SeaDragon shares on issue as shown above, this would require no other shareholders to exercise any of their RO Options. In our view this is unlikely given that a key driver of an RO Option holder’s decision to exercise is likely to be the prevailing share price of SeaDragon. Therefore, in the event that Comvita exercises its RO Options it is not unreasonable to believe that at least some other RO Option holders will do the same.

Ability of Comvita to Increase its Ownership of SeaDragon in the Future

In the event that SeaDragon shareholders approve the Proposed Transaction then (other than by way of the allotment of the RO Shares and/or the AO Shares), Comvita will not be able to increase its shareholding in SeaDragon to 20% or above in the future unless it complies with the provisions of the Code and the NZX Listing Rules.

Effectively this means that Comvita will only be able to acquire voting control in SeaDragon above the percentage that is acquired via the Proposed Transaction (30.58% being the maximum), if:

- It makes a full or partial takeover offer; or
- Acquisition of further shares by Comvita is approved by way of an ordinary resolution of SeaDragon shareholders, (where Comvita would be precluded from voting on such a resolution); or
- The Company makes an allotment of shares to Comvita which is approved by way of an ordinary resolution of SeaDragon shareholders, (where Comvita would be precluded from voting on such a resolution).

2.6 Impact on the Control of SeaDragon

Shareholder Voting

There are a number of key thresholds in relation to the voting rights of NZSX listed companies such as SeaDragon.

- Ordinary resolutions require passing by more than 50% of votes of holders of securities who are eligible to vote and voting.
- Special resolutions require passing by 75% or more of votes of holders of securities who are eligible to vote and voting.
- A shareholder holding more than 25% of a company is able to block a special resolution.
- A shareholder holding more than 50% of the voting securities of a company is able to pass an ordinary resolution.
- A shareholder holding 50% or more of the voting securities of a company is able to block an ordinary resolution.
- A shareholder holding 75% or more of the voting securities of a company is able to pass (or block) both ordinary resolutions and special resolutions.

A shareholder's ability to influence voting on ordinary or special resolutions may be impacted by other legal and regulatory factors such as the Companies Act, Takeovers Code, NZX Listing Rules, and the Company's constitution.

The typical powers that can be exercised by an ordinary resolution of shareholders include:

- adoption of financial statements;
- appointment or removal of directors;
- appointment of auditors;
- alteration of shareholder rights; and
- decisions involving remuneration and other benefits.

The typical powers that can be exercised by a special resolution of shareholders include:

- adopting, altering or revoking the company's constitution;
- approval of a major transaction;
- approval of an amalgamation; and

- placing the company into liquidation.

A shareholder may also be able to influence voting on ordinary or special resolutions in the event that other shareholders choose not to vote (to the extent that this increases the effective voting power of those shareholders that do vote).

Voting Impact of the Proposed Transaction

Comvita currently holds 13.14% of the voting securities on issue. Comvita is therefore already a significant shareholder of SeaDragon. However, Comvita is currently unable, in its own right, to pass or block ordinary resolutions or special resolutions.

In the event that the Proposed Transaction proceeds, it is possible that Comvita could reach a control position that exceeds the 25% threshold of voting securities required for Comvita to be able to block a special resolution. However, it would not, in its own right, be able to pass or block an ordinary resolution and its maximum control position (under Scenario C) could not reach more than 30.58% of the voting securities.

As a result of the Proposed Transaction, Comvita may therefore be able to materially increase its voting control of the Company, particularly in relation to its negative control position (i.e. the ability to block a special resolution).

Board of Directors

On 4 November 2015 SeaDragon announced that Brett Hewlett, former CEO of Comvita, had been appointed to the Board effective 2 November 2015. The Non-associated Directors of SeaDragon advise that the Proposed Transaction is not expected to result in any increase in the number of Directors appointed by Comvita to the Board of SeaDragon, nor is it expected to result in any increase in Comvita's control position on the SeaDragon Board.

Countervailing Power held by other Major SeaDragon Shareholders

We note that OFM, SDMO Trustee and Merinova will remain significant shareholders of SeaDragon under all of the scenarios above. In our view the presence of these major shareholders, who also have representatives on the Board of SeaDragon, and who are not a related party or associate of Comvita, provides a level of countervailing ownership and control of the Company that will help to moderate the influence and control of Comvita over SeaDragon.

In particular, we consider that the presence of these other major shareholders significantly reduces the risk of Comvita be able to exercise "de facto" majority control of the Company in the event of a vote on a given ordinary resolution of the Company (unless one or more of those other major shareholders is not permitted to vote on the ordinary resolution in question).

2.7 Other benefits and disadvantages to SeaDragon and the Non-associated Shareholders.

Impact of the Supply Agreement

Whilst we are not specifically required to opine on the Supply Agreement with Comvita we note that the Non-associated Directors of SeaDragon view this as a positive development for the Company. Comvita will pay a market price for any purchases under the Supply Agreement and, whilst these are not expected to represent a significant percentage of SeaDragon's sales in the short term, it is possible that Comvita will grow into a significant customer in the longer term.

Appointment of a Comvita Representative to the Board

Whilst the appointment of a Comvita representative to the Board of SeaDragon does not form part of the Proposed Transaction and is not therefore not an issue we are specifically required to opine on, we note that the Non-associated Directors of SeaDragon consider that this is a positive development for the Company.

Former Comvita CEO Brett Hewlett, who was appointed to the SeaDragon Board as Comvita’s representative effective 2nd November 2015, has significant expertise and experience that the Non-associated Directors believe will add to the governance of SeaDragon. A brief profile on Mr. Hewlett is provided below:

Mr. Hewlett was the Chief Executive Officer of Comvita for ten years up until his retirement from the role in October 2015. Prior to his affiliation with Comvita, Mr. Hewlett served for fifteen years with Tetra Pak, a world-leading food packaging company, in the capacities of Managing Director for Eastern Mediterranean markets and Commercial Director for Saudi Arabia. He has organised and managed his own consulting company and has been an active angel investor supporting start-up companies in New Zealand. Mr. Hewlett earned a Bachelor of Food Technology degree from Massey University, New Zealand, in 1987 and a Masters of Business Administration degree from International Institute for Management Development, Switzerland, in 1993.

Mr Hewlett is currently a director of Derma Sciences, a NASDAQ-listed company that offers a line of medical care products with patented technologies to help better manage chronic and hard-to-heal wounds.

Potential Implications for a Future Takeover Offer

Up until the arrival of Comvita on the share register, the major shareholders of SeaDragon (i.e. Mersea and OFM) could be described as financial investors. The presence of Comvita as a significant shareholder of SeaDragon (a presence which may increase as a result of the allotment of RO Shares and/or AO Shares to Comvita) introduces a new “trade player” as a major shareholder of the Company. In addition, regardless of Comvita’s ownership of shares in the Company, Comvita will also be a party to the Supply Agreement until such time as that agreement expires or is terminated.

It is therefore possible (but not certain) that other potential acquirers of SeaDragon, in particular other industry players, may consider the Company a more difficult and/or complex takeover target given Comvita’s strategic interest in SeaDragon and Comvita’s stated growth plans in the marine oils market. By the same token, Comvita may now be more likely to launch a takeover offer for SeaDragon in the future.

2.8 Resolutions are Highly Likely to be Approved

OFM is eligible to vote on the Resolutions and is currently the largest shareholder in SeaDragon, holding 735,264,802 shares representing 23.51% of the total shares on issue.

SDMO Trustee is eligible to vote on the Resolutions and is the second largest shareholder in SeaDragon, holding 440,670,868 shares representing 14.09% of the total shares on issue.

Merinova is eligible to vote on the Resolutions and is the fourth largest shareholder in SeaDragon, holding 358,594,591 shares representing 11.46% of the total shares on issue.

OFM, SDMO Trustee and Merinova collectively hold 1,534,530,261 shares representing 49.06% of the total shares on issue, and 56.48% of the total votes entitled to be cast on the Resolutions. Each Resolution is an ordinary resolution requiring approval of more than 50% of votes of holders of securities who are eligible to vote and voting.

OFM, SDMO Trustee and Merinova have each advised SeaDragon it intends to vote in favour of the Resolutions to approve the Proposed Transaction. It is therefore highly likely that the Resolutions will be approved.

2.9 Implications if the Resolutions are not Approved

In the unlikely event that the Resolutions are not approved:

- Comvita will not be able to exercise its RO Options to acquire additional shares to the extent that any such exercises would result in Comvita increasing its voting rights to 20% or more in breach of the Takeovers Code; and
- Comvita will not be able to exercise the Additional Option.

2.10 Voting For or Against the Resolutions

Voting for or against the Resolutions is a matter for individual shareholders to consider. Such a decision by each shareholder would be based on their own views as to control, future market conditions, future share price and other factors. Non-associated Shareholders of SeaDragon will therefore need to weigh up carefully these consequences and consult their own professional adviser as appropriate.

2.11 Summary Evaluation of the Merits of the Proposed Transaction

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

A summary of the key factors influencing our opinion are provided below.

Positive aspects

- The Proposed Transaction is not expected to result in any increase in the number of Directors appointed by Comvita to the Board of SeaDragon, nor is it expected to result in any increase in Comvita's control position on the SeaDragon Board.
- The grant of the RO Options and the Additional Option to Comvita formed part of the Comvita Agreement which SeaDragon negotiated on a commercial arms-length basis to secure Comvita as a new cornerstone investor in the Company.
- The maximum control position that Comvita could reach as a result of the Proposed Transaction is 30.58% of the voting securities. It is therefore highly unlikely, in our view, that Comvita would be able, in its own right, to pass or block an ordinary resolution. We note that the presence of other major shareholders on the share register of SeaDragon significantly reduces the risk of Comvita being able to exercise "de facto" majority control of the Company as a result of the non-participation of other SeaDragon shareholders in relation to a vote on a given ordinary resolution of the Company.
- Comvita acquired 410,987,830 shares and 410,987,830 RO Options in SeaDragon as part of the Comvita Agreement. This ensured the success of the Rights Offer and resulted in an aggregate investment by Comvita of \$3,287,902.64 in the Company.

- In the event that Comvita exercises its RO Options then SeaDragon will receive an additional cash equity investment by Comvita of up to \$6,164,817.45 on or before 1 October 2018.
- In the event that Comvita elects, or is required by SeaDragon subject to SeaDragon meeting certain agreed milestones, to exercise its Additional Option then SeaDragon would receive an additional cash equity investment by Comvita of \$3,000,000 before 1 October 2017.
- Whilst we are not required to opine on other parts of the Comvita Agreement we note that the Non-associated Directors believe that the Supply Agreement with Comvita will deliver positive benefits to the Company and the appointment of Brett Hewlett as Comvita's representative on the Board of SeaDragon will add valuable knowledge and expertise at a governance and strategic level.
- The Non-associated Directors unanimously support the Proposed Transaction.

Negative aspects

- In the event that the Proposed Transaction proceeds, it is possible that Comvita could reach a control position that exceeds the 25% threshold of voting securities required for Comvita to be able to block a special resolution. **Comvita may therefore be able to materially increase its voting control of the Company, particularly in relation to its negative control position** (i.e. the ability to block a special resolution).
- The potential allotment of the RO Shares and/or the AO Shares that form the Proposed Transaction may be dilutive to the Non-associated shareholders. In the unlikely event that only Comvita exercised its RO Options and the Additional Option then the Non-associated shareholders collective ownership of the Company would decrease from 86.86% to 69.42%.
- The Additional Option granted to Comvita has an exercise price of \$0.008 per share. This is 47% below the \$0.015 exercise price per share of the RO Options offered to all shareholders as part of the Rights Offer.
- The Additional Option introduces a potential "over-hang" in the issued securities of SeaDragon as investors will be aware of the potential dilutive impact of the exercise of this equity security. This may reduce the liquidity and/or price at which SeaDragon shares are traded on the NZSX until such time as the Additional Option is exercised or the exercise period expires.
- The potential allotment of the RO Shares and/or the AO Shares to Comvita, together with the presence of a Supply Agreement with Comvita offering first right of refusal on SeaDragon product, may reduce the likelihood of future takeover offers from other industry players with a strategic interest in the Company.

3. EVALUATION OF THE FAIRNESS OF THE PROPOSED TRANSACTION

3.1 Basis of Evaluation

NZX Listing Rule 1.7.2 requires an Appraisal Report to consider whether or not, in the opinion of the Appraiser, the consideration and the terms and conditions of the Proposed Transaction are fair to the holders of equity securities other than those associated with Comvita and its associated persons, and the grounds for that opinion.

This Report is addressed to the Directors of SeaDragon being those persons who are not associated persons of Comvita.

There is no legal definition of the term fair in New Zealand in either the NZX Listing Rules or in any statute dealing with securities or commercial law. However, it is generally accepted that an assessment of the fairness of a transaction (as required under NZX Listing Rules) is a narrower test than an assessment of the merits of a transaction (under the Takeovers Code). Notwithstanding this we have evaluated the fairness of the Proposed Transaction with reference to:

- The rationale for the Proposed Transaction.
- The terms and conditions of the Proposed Transaction.
- Alternatives to the Proposed Transaction.
- Impact on the ownership of SeaDragon by Comvita and its Associates.
- Impact on the control of SeaDragon by Comvita and its Associates.
- Other benefits and disadvantages to SeaDragon and the Non-associated Shareholders.
- The likelihood of the Resolutions in respect of the Proposed Transaction being approved.
- The implications of the Resolutions in respect of the Proposed Transaction not being approved.

Our opinion should be considered as a whole. Selecting portions of the evaluation without considering all the factors and analysis together could create a misleading view of the process underlying the opinion.

3.2 Evaluation of the Fairness of the Proposed Transaction

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 Transaction are fair to the Non-associated Shareholders.

The grounds for our opinion are provided in Section 2.2 to 2.9 and are summarised below.

- Comvita currently holds 13.14% of the voting securities of SeaDragon and is already permitted under the provisions of the Takeovers Code to exercise its RO Options and/or acquire new shares on market to the extent that its shareholding remains below 20% of the voting securities. In the event that the Proposed Transaction proceeds, it is possible that Comvita could reach a control position that exceeds the 25% threshold of voting securities required for Comvita to be able to block a special resolution. However, it would not, in its own right, be able to pass or block an ordinary resolution and its maximum control position could not reach more than 30.58% of the voting securities. Furthermore, the Proposed Transaction is not expected to result in any increase in the number of Directors appointed by Comvita

to the Board of SeaDragon, nor is it expected to result in any increase in Comvita's control position on the SeaDragon Board. **Comvita would therefore not, in our opinion, be able to materially increase its ability to exercise, or direct the exercise of, effective control of the Company.**

- The grant of the RO Options and the Additional Option to Comvita formed part of the Comvita Agreement which SeaDragon negotiated on a commercial arms-length basis to secure Comvita as a new cornerstone investor in the Company.
- The Additional Option granted to Comvita has an exercise price of \$0.008 per share. This is 47% below the \$0.015 exercise price per share of the RO Options offered to all shareholders as part of the Rights Offer.
- Comvita acquired 410,987,830 shares and 410,987,830 RO Options in SeaDragon as part of the Comvita Agreement. This resulted in an aggregate investment by Comvita of \$3,287,902.64 in the Company.
- In the event that Comvita exercises its RO Options then SeaDragon will receive an additional cash equity investment by Comvita of up to \$6,164,817.45 on or before 1 October 2018.
- The potential allotment of the RO Shares and/or the AO Shares that form the Proposed Transaction may be dilutive to the Non-associated shareholders. In the unlikely event that only Comvita exercised its RO Options and the Additional Option then the Non-associated shareholders collective ownership of the Company would decrease from 86.86% to 69.42%.
- In the event that Comvita elects, or is required by SeaDragon subject to SeaDragon meeting certain agreed milestones, to exercise its Additional Option then SeaDragon would receive an additional cash equity investment by Comvita of \$3,000,000 before 1 October 2017.
- The Additional Option introduces a potential "over-hang" in the issued securities of SeaDragon as investors will be aware of the potential dilutive impact of the exercise of this equity security. This may reduce the liquidity and/or price at which SeaDragon shares are traded on the NZSX until such time as the Additional Option is exercised or the exercise period expires.
- Whilst we are not required to opine on other parts of the Comvita Agreement we note that the Non-associated Directors believe that the Supply Agreement with Comvita will deliver positive benefits to the Company and the appointment of Brett Hewlett as Comvita's representative on the Board of SeaDragon will add valuable knowledge and expertise at a governance and strategic level.
- The potential allotment of the RO Shares and/or the AO Shares to Comvita, together with the presence of a Supply Agreement with Comvita offering first right of refusal on SeaDragon product, may reduce the likelihood of future takeover offers from other industry players with a strategic interest in the Company.
- The Non-associated Directors unanimously support the Proposed Transaction.

4. PROFILE OF SEADRAGON

4.1 Background

SeaDragon Marine Oils Limited was established in August 2004 and originally focused on the production and marketing of specialist Omega 2 products (also known as Squalene). After a change in strategy in recent years SeaDragon has become Australasia's largest refiner and blender of internationally certified concentrated Omega 2 fish oils and fractions.

SeaDragon oils are sourced from fish caught in waters surrounding New Zealand, the Southern Ocean and other global locations. The Company claims to have more than 20 years' experience processing fish oils and is recognised for the quality and purity of its products. The target market is health supplement manufacturers around the world where there is increasing 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 SeaDragon's products are exported.

In October 2012 the SeaDragon business was listed on the NZSX via the reverse takeover of listed shell company Claridge Capital Limited (**Claridge**).

Under the terms of the reverse takeover, the acquisition of the business of SeaDragon Marine Oils Limited was settled by the issue of 600 million shares in Claridge at a price of 0.365 cents per share. Subsequently, 250 million shares were issued in June 2013 and a further 12.95 million shares were issued in June 2014 to the vendors under an earn-out scheme for the financial years ending 31 March 2013 and 31 March 2014. The earn out shares were to be allocated to Mersea Holdings Limited (**Mersea**) as to 75% and Octa Phillip Asset Management Limited (now OFM) as to 25%.

In conjunction with the acquisition of the SeaDragon business, the Company also issued 312.5 million ordinary fully paid shares to Octa Phillip Asset Management Limited (now OFM) and 12.5 million ordinary fully paid shares to the holders of certain convertible notes. The issue price for these share placements was at 0.8 cents per share.

On 1 November 2013 SeaDragon announced its plans to build a new state-of-the-art fish oil refinery on the outskirts of Richmond, 20km from Port Nelson (and the centre of New Zealand's commercial fishing industry). In that announcement, the plant was planned to have capacity to produce in excess of 5,000 tonnes of refined fish oil, with potential to generate annual sales worth as much as \$50 million.

On 24 January, 2014 SeaDragon announced the sale of its remaining shareholding in Snakk Media for \$2.5 million. One week later SeaDragon announced it had raised \$4.1 million at a price of 1.6 cents per share from a Share Purchase Plan offer, well in excess of its \$2.5 million target. This new capital and the proceeds from the sale of the Company's shares in Snakk Media were used to retire debt, provide working capital support and fund the development of the new Omega-3 fish oil refinery.

SeaDragon announced in March 2014 that it had entered into a term supply agreement for the supply of Omega 2 livers and oil with Pescarias Cayon and Garcia Ltd.

In anticipation of future growth in production and sales from the new fish oil refinery, SeaDragon announced on 27 August, 2014 that it had entered into a new \$3 million working capital facility with Heartland Bank.

During early May 2015, SeaDragon announced leadership changes to the Company. The Chairman since October 2012, Dr Doug Wilson, resigned to reduce his workload and focus on his pharmaceutical interests. It was also announced that Ross Keeley, the CEO for the previous

11 years had also resigned but would stay on until a new CEO had been appointed and act as a consultant to the Company in the future. Both Dr Wilson and Ross Keeley were directors of SeaDragon's then largest shareholder, Mersea. Mr Colin Groves was subsequently appointed to the Board as Independent Director and Chairman in June 2015.

In June 2015 the Company announced that BioScience Managers, a cornerstone shareholder had agreed to advance SeaDragon \$2.5 million via a Convertible Loan as a precursor to a further capital raising. At the same time, Richard Alderton was appointed interim CEO effective from 27th July 2015 and it was announced that he would also join the Board.

On 30 September, 2015, SeaDragon announced that it had raised \$10.009 million via its Rights Offer. This funding included a \$3,287,902.64 investment by new cornerstone investor Comvita agreed pursuant to a Term Sheet signed with Comvita on 25th September 2015. The Comvita Agreement also provided for the grant to Comvita of the Additional Option and a Supply Agreement between SeaDragon and Comvita (see Section 1.3).

On 28 October 2015, the shareholders of Mersea decided to put Mersea into voluntary, solvent liquidation and distribute the shares in SeaDragon held by Mersea in specie. As a result, SDMO Trustee and Merinova distributed 799,265,459 SeaDragon shares to themselves in specie (resulting in SDMO Trustee holding 440,670,868 shares in SeaDragon and Merinova holding 358,594,591 shares in SeaDragon) and distributed the remaining 2,500,000 shares to Ross Keeley and 2,500,000 shares to Darrell Crozier.

SeaDragon understands that, following the special meeting of shareholders to be held on 17 December, 2015 where SeaDragon shareholders will vote on the Resolutions, Merinova intends to reorganise its shareholding in SeaDragon.

4.2 Current Capital Structure and Substantial Shareholders

SeaDragon is a public company listed on the NZSX. The Company has a single class of shares on issue comprising 3,128,046,711 ordinary shares collectively held by approximately 3,000 shareholders.

Shareholders

The top ten shareholders of SeaDragon are shown in the table below.

| SeaDragon - Top Ten Shareholders | | |
|------------------------------------|----------------------|----------------|
| Shareholder | No. of Shares | % |
| One Funds Management Limited | 735,264,802 | 23.51% |
| SDMO Trustee Limited | 440,607,868 | 14.09% |
| Comvita Limited | 410,987,830 | 13.14% |
| Merinova Limited | 358,594,591 | 11.46% |
| Skylog Limited | 50,601,833 | 1.62% |
| Leveraged Equities Finance Limited | 49,017,300 | 1.57% |
| FNZ Custodians Limited | 19,165,757 | 0.61% |
| Tamahere Limited | 18,750,000 | 0.60% |
| Welch Securities Limited | 16,580,666 | 0.53% |
| Yun Li | 16,465,952 | 0.53% |
| Other (3011) | 1,012,010,112 | 32.35% |
| Total | 3,128,046,711 | 100.00% |

SeaDragon Chairman Colin Groves holds shares in SeaDragon through Tamahere Limited.

As noted in Section 1, OFM holds its shares in SeaDragon through New Zealand Central Securities Depository Limited as nominee for custodian HSBC Nominees (New Zealand) Limited and administers the shares as trustee for the Asia Pacific Healthcare Fund II. This Fund was launched by BioScience Managers who also manage the Fund on a day-to-day basis.

RO Option holders

A total of 1,251,142,517 RO Options were issued to existing and new shareholders in SeaDragon who participated in the Rights Offer. The RO Options are exercisable by the holder in full or in part at any time on or before 1 October 2018 at an exercise price of \$0.015 per share.

The top ten RO Option holders of SeaDragon are shown in the table below.

| SeaDragon - Top Ten Rights Offer Option holders | | |
|--|----------------------|----------------|
| Shareholder | No. of Shares | % |
| Comvita Limited | 410,987,830 | 32.85% |
| One Funds Management Limited | 325,393,835 | 26.01% |
| Leveraged Equities Finance Limited | 57,451,800 | 4.59% |
| Forsyth Barr Custodians Limited | 27,964,740 | 2.24% |
| Skylog Limited | 27,601,000 | 2.21% |
| Tamahere Limited | 18,750,000 | 1.50% |
| Geoffery Richard Brophy | 13,642,500 | 1.09% |
| Yun Li | 12,500,000 | 1.00% |
| ChangeQ Limited | 9,375,000 | 0.75% |
| Nicklas Willemse | 8,000,000 | 0.64% |
| Other (737) | 347,475,812 | 27.77% |
| Total | 1,251,142,517 | 100.00% |

SeaDragon Chairman, Colin Groves, holds RO Options through Tamahere Limited, and SeaDragon Interim CEO and Executive Director, Richard Alderton, holds RO Options through ChangeQ Limited.

Additional Option holder

Comvita holds the Additional Option. The Additional Option is exercisable in accordance with the terms and conditions of the Comvita Agreement as summarised in Section 1.3 at any time before 1 October 2017 at an exercise price of \$0.008 per share.

4.3 Board of Directors

The current Directors of SeaDragon are listed below.

| SeaDragon - Directors | |
|------------------------------|--|
| Name | Role |
| Colin Groves | Independent Chairman |
| Patrick Geals | Independent Director |
| Jeremy Curnock Cook | Non-Executive Director (alternate for Mr McNamara) |
| Stuart Macintosh | Non- Executive Director |
| Matthew McNamara | Non-Executive Director |
| Brett Hewlett | Non-Executive Director |
| Mark Sadd | Non-Executive Director (alternate for Brett Hewlett) |
| Richard Alderton | Executive Director |

Mr McNamara (and his alternate Mr Cook) are Directors of Bioscience Managers and represent the interests of OFM on the Board. Mr Macintosh represents the interests of SDMO Trustee and Merinova on the Board. Mr Hewlett (and his alternate Mark Sadd) is an adviser to Comvita and represents the interests of Comvita on the Board. Mr Alderton is the Interim CEO of SeaDragon.

4.4 Overview of Operations

SeaDragon's vision is to be the leader in the supply of high quality New Zealand and South West Pacific derived bulk fish oil products and added value products, with a commitment to purity, sustainability and environmental responsibility. Its current strategy is to:

- Deliver Omega-2 and related oil products to customers in Australasia, Asia and the USA.
- Build a platform for expansion into Omega-3 fish oils.
- Leverage processing capability into new opportunities.

SeaDragon has recently completed construction of its new refined fish oil plant to produce high quality Omega -3 fish oils in order to:

- add value to the Company,
- enable expansion into the international market for Omega-3 fish oils; and,
- benefit from New Zealand's location and reputation for producing high quality food products and its robust food safety standards.

The new plant has capacity to produce 5,000 tonnes of Omega-3 fish oil each year, or the equivalent of twenty times New Zealand's annual consumption.

In its latest interim report to 30 September 2015 SeaDragon noted that it was making good progress in securing raw material supplies for the new plant and that customer interest in the plants finished products remained strong, particularly for Omega-3 products. SeaDragon also indicated that it had begun detailed planning for the addition of the fractionation plant and the upgrade of the existing smaller Omega-2 facility.

In the future the Company foresees a series of product line extensions based on Omega-3 fish oils using micro-encapsulation to enable the oils to be incorporated into functional and fortified foods and beverages including infant formula. Another product extension may include Omega-3 concentrates for dietary supplements and pharmaceutical markets.

4.5 Summary Financial Information

Financial Performance

SeaDragon's summary historical financial performance over the 3 year period ending 31 March 2015 is set out below, together with the unaudited financial performance for the six months to 30 September 2015.

| SeaDragon - Summary Financial Performance | | | | |
|--|---------------------------|---------------------------|---------------------------|-----------------------------|
| NZ\$000 | Audited Mar-13 | Audited Mar-14 | Audited Mar-15 | Unaudited Sep-15 |
| Revenue | 8,999 | 3,058 | 6,322 | 5,304 |
| Cost of Sales | (7,829) | (2,260) | (5,815) | (3,595) |
| Gross Profit | 1,170 | 798 | 507 | 1,709 |
| Other Income | - | 2,285 | 198 | 33 |
| Operating Expenses | (1,409) | (2,613) | (3,454) | (2,176) |
| Operating Profit | (239) | 470 | (2,749) | (433) |
| Net Finance Cost | (57) | (39) | (60) | (255) |
| Profit Before Tax | (296) | 431 | (2,809) | (688) |
| Tax Expense | - | - | (29) | - |
| Profit After Tax | (296) | 431 | (2,838) | (688) |
| Other Comprehensive Income / (Loss) | 3,650 | (3,650) | - | - |
| Total Comprehensive Income | 3,354 | (3,219) | (2,838) | (688) |

SeaDragon has exhibited volatile earnings over the FY13 – FY15 period as the business transitions towards becoming a large-scale Omega-3 oils producer. A key constraint for SeaDragon has been securing access to raw materials. This was particularly evident in FY14, with revenue falling from \$9.0 million in FY13 to \$3.1 million in FY14, despite strong demand for SeaDragon's products. We note that SeaDragon benefitted from a one off opportunity to sell krill oil in FY13 that contributed \$6.5 million to revenues.

SeaDragon's FY14 financial result was positively impacted by a \$2.3 million gain from the sale of 25 million shares in Snakk Media and a \$3.7 million non-cash revaluation reserve adjustment. SeaDragon's revenue increased significantly in FY15 to \$6.3 million as a result of improved supply of raw materials and forward sales agreements. However, increased investment in staff to support future growth and also a one-off non-cash inventory write-down of \$0.9 million contributed to a loss of \$2.8 million.

In its latest interim report to 30 September 2015 SeaDragon announced that sales for the first half of FY16 had more than doubled to \$5.3 million from \$2.6 million in the prior year and EBITDA losses had narrowed to \$147,000 from \$320,000.

Financial Position

SeaDragon's summary historical financial position over the 3 year period ending 31 March 2015 is set out below, together with the unaudited financial position as at 30 September 2015.

| SeaDragon - Summary Financial Position | | | | |
|---|---------------------------|---------------------------|---------------------------|-----------------------------|
| NZ\$000 | Audited Mar-13 | Audited Mar-14 | Audited Mar-15 | Unaudited Sep-15 |
| <u>Current Assets</u> | | | | |
| Cash and Equivalents | 418 | 5,161 | 500 | 708 |
| Trade and Other Receivables | 4,873 | 1,182 | 2,974 | 2,943 |
| Inventory | 1,375 | 1,903 | 1,906 | 2,138 |
| Other | 3,875 | 8 | 16 | - |
| | <u>10,541</u> | <u>8,254</u> | <u>5,396</u> | <u>5,788</u> |
| <u>Current Liabilities</u> | | | | |
| Trade and Other Payables | 4,975 | 1,393 | 1,086 | 2,429 |
| Loans and Borrowings | 1,403 | - | 2,994 | 6,486 |
| Other | - | - | 19 | 19 |
| | <u>6,378</u> | <u>1,393</u> | <u>4,099</u> | <u>8,934</u> |
| <u>Non-Current Assets</u> | | | | |
| Property, Plant and Equipment | 3,740 | 3,915 | 6,641 | 10,396 |
| Intangible Assets | 118 | - | - | - |
| | <u>3,858</u> | <u>3,915</u> | <u>6,641</u> | <u>10,396</u> |
| Net Assets | <u>8,021</u> | <u>10,776</u> | <u>7,938</u> | <u>7,250</u> |

SeaDragon had working capital of \$1.3 million and net assets of \$7.9 million as at 31 March 2015. During FY14 SeaDragon completed a \$6.1 million capital raising via a share purchase plan and private placement. This capital was primarily used to fund the development of the Company's new fish oil refinery in Nelson, which has recently been completed. The total cost of the new refinery was approximately \$9.2 million.

SeaDragon is a working capital intensive business due to the requirement to advance-fund large raw material inventory orders from international suppliers. The Company's cash cycle (the time between paying for raw materials and receiving cash payment for finished products) can be as long as 180 days.

In its latest interim report to 30 September 2015 SeaDragon announced that Net Debt stood at \$5.8 million, an increase of \$8.1 million compared to the prior year. However, the proceeds from the Rights Offer are not included in this figure.

Cashflow

SeaDragon’s summary historical cashflow over the 3 year period ending 31 March 2015 is set out below, together with the unaudited cashflow for the six months to 30 September 2015.

| SeaDragon - Summary Cashflow | | | | |
|--|----------------|----------------|----------------|------------------|
| NZ\$000 | Audited Mar-13 | Audited Mar-14 | Audited Mar-15 | Unaudited Sep-15 |
| Cashflow from Operating Activities | (1,166) | (1,571) | (4,341) | 758 |
| Cashflow from Investing Activities | (254) | 1,743 | (3,314) | (4,042) |
| Cashflow from Financing Activities | 1,243 | 4,571 | 2,994 | 3,492 |
| Net Increase / (Decrease) in Cash | (177) | 4,743 | (4,661) | 208 |

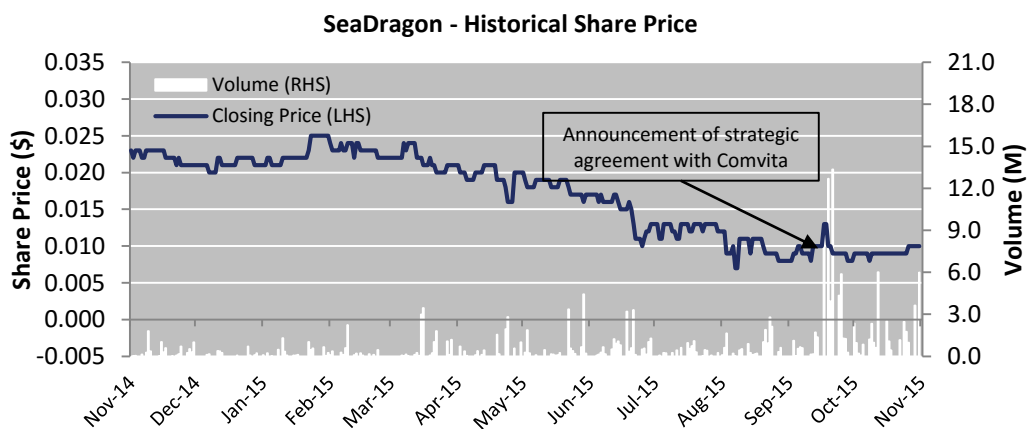
SeaDragon has sustained significant cash losses from its existing business operations over the past three years, with net operating cashflow totalling negative \$7.1 million over the FY13-FY15 period. Significant investment in the new Omega-3 fish oil refinery has also placed additional pressure on the Company’s cash reserves. The Company has funded historical losses and new investment by divesting non-core assets (e.g. Snakk Media) and raising additional external debt and equity capital.

In its latest interim report to 30 September 2015 SeaDragon announced that half year operating cash flow was \$758,000, reversing a \$2.1 million cash operating outflow in the prior year.

4.6 Share Price History

As at 11 November 2015, SeaDragon shares were trading at 1.0 cents per share, representing a market capitalisation of approximately \$31.3 million. Over the 12 month period to 11 November 2015, SeaDragon shares have traded between 0.7 cents and 2.5 cents per share (based on the closing daily price).

SeaDragon’s share price performance and trading volumes over the past 12 months are summarised below.



Source: Capital IQ

The total volume of SeaDragon stock traded on the NZX Main Board over the past 12 months (as at 11 November 2015) was equivalent to approximately 6.0% of the current total ordinary shares on issue.

| SeaDragon - VWAP and Trading Liquidity (as at 11 November 2015) | | | |
|--|------------------|--------------------------|-------------------|
| Period | VWAP (\$) | Volume Traded (M) | Liquidity* |
| 30 Days | 0.0092 | 35.4 | 1.1% |
| 90 Days | 0.0097 | 108.3 | 3.5% |
| 180 Days | 0.0110 | 142.8 | 4.6% |
| 365 Days | 0.0134 | 187.9 | 6.0% |

* Volume traded / total number of shares on issue as at 11 November 2015

Source: Capital IQ

5. SUMMARY PROFILE OF COMVITA

5.1 Background

Comvita was founded in 1974 by Alan Bougen and Claude Stratford in the Bay of Plenty and has grown into a global natural health company based on product innovation, well supported by significant and ongoing investment in scientific research and development. It now claims to hold a portfolio of 77 granted patents or patents pending around wound care, product analysis, quality control and selected other product health claims.

Comvita first listed on the NZAX (NZSE: CVT) in 2003 and has grown to a market capitalisation of approximately \$325 million as at 17 November 2015.

Over the past forty years Comvita has built an enviable presence in the honey market. It now has approximately 50% of its honey supply under direct ownership or control, with the balance from long term contract and partnership arrangements. Comvita pioneered the development and use of medical grade Manuka honey and was the first to gain FDA (USA) approval in 2007.

The company has a successfully partnership with US wound care company Derma Sciences Inc. (NASDAQ:DSCI) (**Derma**), the global licensee for Medihoney specialist wound care products used in hospitals and medical centres around the world. Derma Sciences holds a 7% strategic equity stake in Comvita with Comvita holding a 4% equity stake in Derma.

Another major growth step and innovation for Comvita was the acquisition of a large olive grove with over one million trees in Queensland in 2013. Freshly picked Olive Leaf Extract is now grown, harvested, extracted and bottled at the world's largest specialised olive leaf grove by Comvita.

Early in 2015 Comvita completed a \$24.4 million capital raising to fund the company's growth plans. On 28 September 2015 Comvita announced it had entered an agreement with NZX listed SeaDragon in relation to a business agreement including new equity investment, product supply agreement and a share option.

5.2 Strategy and Business Model

Comvita's vision is to become a global natural health company. Comvita is already a world leader in Manuka honey and fresh-picked Olive Leaf Extract. The key strategies being pursued by Comvita include:

- Concentrating its focus on earnings growth.
- Continuing the development of supply chain strategies and partnerships.
- Optimising the ingredient market and channel performance.
- Increasing market spend to grow add value product lines.
- Focusing on earnings accretive acquisitions.

Comvita manufactures, markets and distributes natural health products across four broad market segments namely:

- Healthcare products.
- Functional foods.
- Personal care.
- Medical.

Comvita now sells products in more than 18 countries world-wide through a network of company-branded retail locations, online (e.g. seven country specific websites) and third party

outlets. The company has over 500 staff located in New Zealand, Australia, Hong Kong, Japan, Taiwan, South Korea, the UK and the USA.

5.3 Governance and Management

The current board of Directors are listed below:

| Comvita - Directors | |
|---------------------|---|
| Name | Role |
| Neil Craig | Non-Executive Chairman |
| Alan Bougen | Non- Executive Director & Deputy Chairman |
| Edward Quilty | Non- Executive Director |
| Sarah Ottrey | Independent Director |
| Sarah Kennedy | Independent Director |
| David Cullwick | Independent Director |
| Luke Bunt | Independent Director |

We note that Alan Bourgen is a significant shareholder of Comvita with 7.6% of the shares on issue. Derma, which holds 7.1% of the shares on issue, is represented on the Comvita board by Derma CEO and President, Edward Quilty.

The senior leadership team at Comvita is:

- Scott Coulter, CEO
- Mark Sadd, CFO
- Roy Ong, Chief Marketing & Sales Officer
- Patrick Brus, Chief Corporate Services Officer
- Colin Baskin, Chief Supply Chain Officer

In early October 2015, long serving CEO, Brett Hewlett stepped down and Scott Coulter was promoted from Chief Operating Officer to CEO. Scott Coulter has worked for Comvita since 2003 and the Board intend using Brett Hewlett as a consultant and he will be invited to join the Board within 12 months.

APPENDIX I. INFORMATION, DISCLAIMER & INDEMNITY

I.a Sources of Information

The statements and opinions expressed in this Report are based on the following main sources of information:

- The draft Notice of Meeting dated 2 December 2015.
- The Term Sheet between SeaDragon and Comvita dated 25 September 2015.
- The Supply Agreement between SeaDragon and Comvita.
- The Option Agreement between SeaDragon and Comvita.
- SeaDragon's audited annual reports for the years ended 31 March 2014 and 31 March 2015 and the interim report to 30 September 2015.
- New Zealand Companies Office records.
- Various NZSX announcements by SeaDragon.
- Publicly available information on Comvita.
- Capital IQ (share price data and company financials).

During the course of preparing this Report, we have had discussions with and/or received information from the Directors who are not associated with Comvita, executive management of SeaDragon and SeaDragon's legal advisers.

The Non-associated Directors of SeaDragon have confirmed that we have been provided, for the purpose of this Report, with all information relevant to the Proposed Transaction that is known to them and that all the information is true and accurate in all material aspects and is not misleading by reason of omission or otherwise.

Including this confirmation, we have obtained all the information that we believe is necessary for the purpose of preparing this Report.

In our opinion, the information set out in this Report is sufficient to enable the Non-associated Directors and the Non-associated Shareholders to understand all the relevant factors and to make an informed decision in respect of the Resolutions.

I.b Reliance on Information

In preparing this Report we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was available from public sources and all information that was furnished to us by SeaDragon and its advisers.

We have evaluated that information through analysis, enquiry and examination for the purposes of preparing this Report but we have not verified the accuracy or completeness of any such information or conducted an appraisal of any assets. We have not carried out any form of due diligence or audit on the accounting or other records of SeaDragon. We do not warrant that our enquiries would reveal any matter which an audit, due diligence review or extensive examination might disclose.

I.c Disclaimer

We have prepared this Report with care and diligence and the statements in this Report are given in good faith and in the belief, on reasonable grounds, that such statements are true and correct.

We assume no responsibility arising in any way whatsoever for errors or omissions (including responsibility to any person for negligence) for the preparation of this Report to the extent that such errors or omissions result from our reasonable reliance on information provided by others or assumptions disclosed in the Report or assumptions reasonably taken as implicit.

Our evaluation has been arrived at based on economic, exchange rate, market and other conditions prevailing at the date of this Report. Such conditions may change significantly over relatively short periods of time. We have no obligation to advise any person of any change in circumstances which comes to our attention after the date of this Report or to review, revise or update our Report.

We have had no involvement in the preparation of the Notice of Meeting issued by SeaDragon and have not verified or approved the contents of the Notice of Meeting. We do not accept any responsibility for the contents of the Notice of Meeting except for this Report.

I.d Indemnity

SeaDragon has agreed that, to the extent permitted by law, it will indemnify Campbell MacPherson and its directors and employees in respect of any liability suffered or incurred as a result of or in connection with the preparation of this Report. This indemnity does not apply in respect of any negligence, wilful misconduct or breach of law. SeaDragon has also agreed to indemnify Campbell MacPherson and its directors and employees for time incurred and any costs in relation to any inquiry or proceeding initiated by any person. Where Campbell MacPherson or its directors and employees are found liable for or guilty of negligence, wilful misconduct or breach of law or term of reference, Campbell MacPherson shall reimburse such costs.

APPENDIX II. QUALIFICATIONS, DECLARATIONS & CONSENTS

II.a Qualifications

Campbell MacPherson Limited

Campbell MacPherson is a private New Zealand-owned investment bank and corporate finance advisory firm. It advises on mergers and acquisitions, debt and equity capital-raising and prepares independent corporate advisory reports, valuation reports and strategic advice to a wide range of private and public New Zealand companies, local bodies and other organisations. Further information on Campbell MacPherson can be found on our website www.campbellmacpherson.com

The persons in Campbell MacPherson responsible for issuing this Report are Alistair Ward, Tony Haworth and Brad Caldwell. These individuals are experienced corporate finance practitioners with relevant expertise in preparing a report of this nature.

Summary profiles on each individual are provided below.

Alistair Ward B.Com (Hons), M INST D, AFNZIM

Alistair is an Executive Director of Campbell MacPherson Limited and co-founded the firm in 2002 with Stephen Burns. Alistair is a former principal of Waitiri Capital Ltd, an Auckland-based venture capital and advisory company established in 1997, the interests of which were acquired by Campbell MacPherson. He has advised many companies, business leaders and owners on issues relating to corporate governance and strategy, mergers, acquisitions and capital raising.

Alistair is a former CEO of Golden Bay Cement, the largest cement company in New Zealand and a key part of NZX-listed Fletcher Building. As a reflection of this position Alistair also chaired a variety of industry groups including the Cement and Concrete Association of NZ and the Major Energy Users Group. Alistair is a former Director of Solid Energy and continues to hold several private company directorships.

Alistair holds a Bachelor of Commerce degree (Honours) from the University of Otago and is a member of the New Zealand Institute of Directors and an Associate Fellow of the NZ Institute of Management.

Tony Haworth M.Sc (Tech), M.Sc (Fin), M.AusIMM

Tony is a Director at Campbell MacPherson Limited and has worked for the Company since 2004. Tony is a former General Manager of National Mining Company in Oman and a former Director of Liberty Gold Corporation in London. Prior to joining Campbell MacPherson, Tony completed a Masters in Finance at London Business School. Prior to working and studying overseas Tony held the position of geologist with Heritage Gold Limited.

Tony specialises in mergers and acquisitions, corporate valuation and financial analysis and has advised on a wide range of corporate finance transactions and assignments for public and private New Zealand companies and organisations across a variety of industry/public sectors.

Tony holds a Master of Science and Technology degree (First Class Honours) from the University of Waikato and a Master of Science (Finance) degree from London Business School. He is a Member of the Australasian Institute of Mining and Metallurgy.

Brad Caldwell *B.Com, M.Bus*

Brad is a graduate of the University of Otago where he completed a Bachelor of Commerce, majoring in finance, followed by a Masters in Business, majoring in finance. Brad joined Campbell MacPherson in 2010 and has worked on numerous corporate advisory assignments including mergers and acquisitions, capital raising and other projects. His expertise includes valuation, financial modelling and market/industry research.

II.b Independence

Campbell MacPherson does not have at the date of this Report, and has not had, any shareholding in or other relationship with SeaDragon or Comvita that could affect our ability to provide an unbiased opinion in relation to this Report.

Campbell MacPherson has not had any part in the formulation of the Proposed Transaction nor any aspects thereof. Our sole involvement has been the preparation of this Report.

Campbell MacPherson will receive a fixed fee for the preparation of this Report. This fee is not contingent on the conclusions of this Report. We will receive no other benefit from the preparation of this Report.

II.c Declarations

Advance drafts of this Report were provided to the Non-associated Directors for their comments as to factual accuracy as opposed to opinions, which are the sole responsibility of Campbell MacPherson. Changes made to the Report as a result of circulation of the drafts have not changed the methodology or conclusions reached by Campbell MacPherson.

Our terms of reference for this engagement did not contain any term which materially restricted the scope of this Report.

II.d Consents

We consent to the issuing of this Report in the form and context in which it is to be included in the Notice of Meeting to be sent to SeaDragon's shareholders. Neither the whole nor any part of this Report, nor any reference thereto may be included in any other document without our prior written consent as to the form and context in which it appears.