CLARIDGE CAPITAL LIMITED

INDEPENDENT ADVISER'S REPORT AND INDEPENDENT REPORT

In respect of:

- **the proposed acquisition of the business assets of SeaDragon Marine Oils Limited, and;**
- **the allotment of shares in Claridge Capital Limited to SeaDragon Marine Oils Limited and Octa Phillip Asset Management Limited.**

Prepared by

CAMPBELL MACPHERSON LTD

CORPORATE ADVISORS

15 August 2012

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GLOSSARY

AGM	Annual General Meeting
Buyback Shares	5.5 million Claridge shares held by FTL to be bought and cancelled by Claridge
Campbell MacPherson	Campbell MacPherson Limited
Claridge, the Company	Claridge Capital Limited
Code	The Takeovers Code
Consideration Shares	600 million new fully paid ordinary shares in Claridge to be issued to SeaDragon
DCF	Discounted Cash Flow
DSSLO	Deep Sea Shark Liver Oil
Earn Out Shares	500 million new fully paid ordinary shares in Claridge to be issued to SeaDragon and OPAM
EBIT	Earnings before Interest and Tax
EBITDA	Earnings before Interest, Tax, Depreciation and Amortisation
Exemption Notice 2012	An Exemption Notice granted to Claridge by the Takeovers Panel in respect of Rule 16(b)
EV	Enterprise Value
FCF	Free Cash Flow
FTL	Four Thorns Trust Limited
Guidance Note	NZX Guidance Note – Backdoor and Reverse Listing Transactions dated August 2008
HOA	Heads of Agreement entered into by Claridge and SeaDragon
Independent Directors	The Independent Directors of Claridge
Merinova	Merinova Limited
NAV	Net Asset Value
New Board	Claridge's Board of Directors – Messrs Gibson, Wilkinson and Joyce
Newco	A wholly-owned subsidiary of Claridge formed to acquire the SeaDragon business
Noteholder Shares	12.5 million new fully paid ordinary shares in Claridge to be issued to the SeaDragon Noteholders
NPAT	Net Profit after Tax
NPBTDA	Net Profit before Tax, Depreciation and Amortisation
NPV	Net Present Value
NTA	Net Tangible Assets
NZSX	New Zealand Stock Exchange
NZX	NZX Limited
Octa Phillip	Octa Phillip Bioscience Managers
OPAM	Octa Phillip Asset Management Limited
OPAM Shares	312.5 million new fully paid ordinary shares in Claridge to be issued to OPAM

Option Shares	20 million new fully paid ordinary shares in Claridge to be issued to Claridge senior executives and non-executive directors
Proposed Transaction	The acquisition of SeaDragon's business assets by Claridge
Report	This Independent Adviser's Report and Independent Report
SeaDragon	SeaDragon Marine Oils Limited
SeaDragon Fish Oils	SeaDragon Fish Oils Limited
SeaDragon Noteholders	Skylog Limited and David Thomas
SeaDragon Notes	100,000 convertible notes in SeaDragon with a face value of $1 each held by the SeaDragon Noteholders
Snakk	Snakk Media Limited
SPA	Sale and Purchase Agreement in relation to the Proposed Transaction
VASL	Value Added Solutions Limited
WACC	Weighted Average Cost of Capital

1. OVERVIEW

1.1 Introduction

Claridge Capital Limited (**Claridge** or the **Company**) is listed on the main board of the New Zealand Stock Exchange (**NZSX**) operated by NZX Limited (**NZX**). The Company has a market capitalisation of NZ$6.135M as at 15 August 2012 and an audited book value of equity of NZ$0.796M as at 31 March 2012.

Claridge was incorporated on 31 July 1986 as Regal Salmon Limited and subsequently listed on the NZSX in October 1986, issuing 7.9M ordinary shares at $0.50 per share. Over the past 15 years Claridge has undergone various name changes which have represented different investments made by the Company. The name Claridge Capital Limited was adopted in December 2010 replacing CER Group Limited.

Claridge currently is focused on the acquisition and growth of sustainable businesses. The Company has previously been engaged in various businesses and investments including Regal Salmon Limited, AQL Holdings Limited and Certified Organics Limited. In July 2011 Claridge made an investment in Snakk Media Limited (**Snakk**) and currently holds approximately 13.08% of the ordinary shares in Snakk.

On 9 November 2011 the Company raised $255,000 in cash through a placement of 50 million ordinary shares at 0.51 cents per share. On 13 December 2011 the Company announced that it intended to distribute 100% of the shares it holds in four unlisted non-trading subsidiary companies to those Claridge shareholders registered as being shareholders of the Company as at 30 December 2011. The in specie distribution of those shareholdings was completed during January 2012.

1.2 Proposed Transaction

On 1 November 2011 Claridge announced that it had entered into a conditional heads of agreement dated October 2011 (**HOA**) with SeaDragon Marine Oils Limited (**SeaDragon)** to acquire the business assets of SeaDragon (**Proposed Transaction)**. On 13 January 2012 Claridge announced that it had entered into a binding Sale and Purchase Agreement (**SPA**) in relation to the Proposed Transaction, and that the parties were satisfied with their mutual due diligence investigations of the SeaDragon business (in the case of Claridge) and of Claridge (in the case of SeaDragon).

Established in August 2004, SeaDragon is a private New Zealand company based in Nelson that focuses on the manufacturing and sale of specialist fish oils including Squalene and Omega 3. SeaDragon is currently the largest producer of refined fish oil ingredients in Australasia and is preparing to increase production to meet the rising international demand from North America, North Asia and Europe. SeaDragon is currently owned 100% by Merinova Limited (**Merinova**).

Despite achieving annual sales in the order of $1.5M to $2M over each of the past three years, SeaDragon is yet to generate operating profits. Whilst SeaDragon is projecting significant growth as a result of addressing working capital requirements to meet demand and expanding into Omega 3 products, the Company is currently dependent on the continued support of its shareholders and financiers and the successful outcome of several business strategies in order to continue as a going concern.

The Proposed Transaction will result in Claridge's core business changing from that of a listed investment company to principally that of an operating business with all facets of commercial interactions including dealing with employees, suppliers, customers, government agencies etc. In addition there will be a substantial change of control in Claridge, with SeaDragon Marine Oils Limited becoming the largest shareholder in Claridge.

Key terms of the Proposed Transaction are as follows:

- Claridge will acquire the business operations of SeaDragon for an initial payment of $2.2M. The business operations to be acquired will include all of the business assets of SeaDragon and certain liabilities including existing debt facilities of approximately $3.01M based on SeaDragon forecast as at 31 August 2012 (excluding SeaDragon Notes – refer to Section 1.4). In addition, Claridge will be assuming the trade creditors of the business and receiving the benefit of the businesses receivables.
- Consideration for the purchase will be in the form of 600 million fully paid new ordinary shares (**Consideration Shares**) in Claridge issued at 0.367 cents per share to SeaDragon.
- The acquisition will be via a newly-formed wholly-owned subsidiary company (**Newco**) specifically set up for that purpose.
- Newco will enter into a new property lease for the SeaDragon premises in Nelson.
- Newco will enter into new finance facilities of up to $1.8M with the proceeds from drawdown of these facilities being applied to repayment of existing SeaDragon bank debt and towards funding the working capital requirements needed to grow the business. Newco's finance facilities are likely to initially be guaranteed by interests associated with SeaDragon managing director Ross Keeley. No fee will be payable by Claridge in respect of this anticipated personal guarantee.
- Share trading restrictions will be put in place covering 100% of the Consideration Shares for a period of 6 months from completion of the Proposed Transaction, 85% of the Consideration Shares for a period of 12 months from completion of the Proposed Transaction, and 50% of the Consideration Shares for a period of 24 months from completion of the Proposed Transaction.
- Should certain financial milestones be achieved by the SeaDragon business over the next two financial years ending 31 March 2013 (**FY13**) and 31 March 2014 (**FY14**), Claridge will issue up to a further 500 million fully paid ordinary shares (**Earn Out Shares**) in aggregate to SeaDragon and Octa Phillip Asset Management at an issue price of 0.365 cents per share (maximum face value of $1.825M). These financial targets are based on Net Profit Before Tax, Depreciation and Amortisation (**NPBTDA**). If any Earn Out Shares are to be issued by the Company, 75% of those Earn Out Shares will be issued to SeaDragon for no cash consideration and 25% of those Earn Out Shares shall be issued to Octa Phillip Asset Management Limited (**OPAM**) for no cash consideration.

In the event that the financial performance of SeaDragon is less than the prescribed milestones, then the purchase price will be adjusted downward on a basis proportional to the actual performance of the SeaDragon business during the periods in question. Details of the earn out structure are outlined in the table below.

SeaDragon Purchase Price Adjustment and Issuance of Earn Out Shares		
Period	**Financial target**	**Price Adjustment & Earn Out Shares Issued**
FY13	NPBTDA[1] not less than $1,000,000 on an annualised basis having regard to the period from the date of completion of the Proposed Transaction.	Purchase price increased by $912,500 to be satisfied by the issue of 250 million new ordinary fully paid shares in aggregate to SeaDragon and OPAM at an issue price of 0.365 cents per share.
	NPBTDA less than $1,000,000 on an annualised basis having regard to the period from the date of completion of the Proposed Transaction.	Purchase price increased by: *(A/1,000,000) x $912,500 = B* Where: A = Annualised FY13 NPBTDA B = The amount of the increase in the purchase price in dollars, to be satisfied by the issue of new ordinary fully paid shares to SeaDragon and OPAM at an issue price of 0.365 cents per share.
FY14	NPBTDA not less than $1,300,000	Purchase price increased by $912,500 to be satisfied by the issue of 250 million new ordinary fully paid shares in aggregate to SeaDragon and OPAM at an issue price of 0.365 cents per share.
	NPBTDA less than $1,300,000	Purchase price increased by: *(A/1,300,000) x $912,500 = B* Where: A = Actual FY14 NPBTDA B = The amount of the increase in the purchase price in dollars, to be satisfied by the issue of new ordinary fully paid shares to SeaDragon and OPAM at an issue price of 0.365 cents per share.
FY13 + FY14 Combined	NPBTDA not less than $2,300,000 (on an annualised basis in respect of the financial year ended 31 March 2013)	Notwithstanding the individual FY13 and FY14 adjustments above. Purchase price increased by $1,825,000 to be satisfied by the issue of 500 million new ordinary fully paid shares in Aggregate to SeaDragon and OPAM at an issue price of 0.365 cents per share.
FY13 + FY14 Combined	NPBTDA less than $2,300,000 (on an annualised basis in respect of the financial year ended 31 March 2013)	Notwithstanding the individual FY13 and FY14 adjustments above. Purchase price increased by: *(A/2,300,000) x $1,825,000 = B* Where: A = Combined annualised FY13 and actual FY14

[1] Net Profit before Tax, Depreciation and Amortisation

		NPBTDA B = The amount of the increase in the purchase price in dollars, to be satisfied by the issue of new ordinary fully paid shares to SeaDragon and OPAM at an issue price of 0.365 cents per share.

In the event of any difference between the total earn out payment based on the separate FY13 and FY14 formulas, and that calculated using the combined FY13-FY14 formula, then the latter shall prevail. There are no trading restrictions on the Earn Out Shares.

The Proposed Transaction is conditional on the following:

- A number of commercial conditions being satisfied including negotiation of new finance facilities, negotiation for the restructure of existing debt owed to Pave Bioactives Limited (**PBL**) and completion of a new property lease arrangement for SeaDragon's business premises.
- The Company holding not less than $400,000 of free cash reserves (net of liabilities) on completion of the Proposed Transaction.
- The Company obtaining all shareholder approvals and such other consents and approvals that may be required to undertake the Proposed Transaction, including but not limited to those approvals required in accordance with the Companies Act, the Takeovers Code and the NZSX Listing Rules.

Following the completion of the Proposed Transaction, Claridge intends to change its company name to SeaDragon, or a derivative thereof.

1.3 Investment by Octa Phillip

On 19 July 2012 Claridge announced that it had entered into a conditional agreement with Octa Phillip Bioscience Managers (**Octa Phillip**) to invest in the SeaDragon business. The investment is being made via OPAM whereby OPAM will invest $2.5 million into the Company to provide sufficient working capital to fund the implementation and execution of SeaDragon's business strategy. OPAM will subscribe for 312,500,000 new ordinary fully paid shares (**OPAM Shares**) at a price of 0.8 cents per share.

The agreement is conditional upon a number of commercial terms including:

- Completion of the Proposed Transaction.
- Claridge entering into new finance facilities of up to $1.8M.
- Assignment of the lease in respect of the SeaDragon premises in Nelson to Claridge.

1.4 Conversion of SeaDragon Notes

During June 2012 SeaDragon entered into two convertible note agreements with Skylog Limited and David Thomas respectively (**SeaDragon Noteholders**). Under these agreements each SeaDragon Noteholder subscribed for 50,000 convertible notes (**SeaDragon Notes**) with a face value of $1 per note (total value $100,000). Subject to completion of the Proposed Transaction Claridge has agreed to redeem these convertible notes in full by issuing 12.5 million fully paid ordinary shares **(Noteholder Shares**) in the Company at a conversion price of 0.8 cents per share, i.e. the same price at which OPAM is purchasing new shares (see Section 1.3 above).

Neither of the SeaDragon Noteholders is a "Related Party" of Claridge (as defined under the NZSX Listing Rules) and neither are "Associates" of SeaDragon (as defined in the Takeovers Code). Further Information on the convertible notes is contained in the explanatory notes to the Notice of Meeting.

1.5 Buyback and Cancellation of Claridge Shares

Claridge is seeking shareholder approval at the AGM for the buyback and cancellation of 5.5 million ordinary fully paid shares. This buyback relates to the sale of the former Certified Organics Business to Four Thorns Trust Limited (**FTL**) in 2009. At the time of the sale Claridge entered into an arrangement for the buyback of 5.5 million Claridge shares (**Buyback Shares**) for an aggregate price of $40,000 (equating to approximately 0.727 cents per Buyback Share). The Buyback Shares represent approximately 1.8% of the total Claridge shares on issue.

In the event that the purchase and cancellation of the Buyback Shares proceeds there will be a flow-on effect whereby the percentage of ordinary shares held by other Claridge shareholders (including SeaDragon and OPAM should they become Claridge shareholders) will increase on a pro-rata basis. Given the relative proportion of the Buyback Shares as a percentage of the current total shares on issue the quantum of this increase is not expected to be material.

1.6 Takeovers Code Requirement

Claridge is a code company for the purposes of the Takeovers Code (the **Code**). Rule 6 of the Code states:

6(1) Except as provided in Rule 7, 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 of an increased percentage of the voting rights in the code company unless, after that event, that person and that persons associates hold or control in total not more than 20% of the voting rights in the code company:

(b) 20% or more 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.

There are a number of exceptions to Rule 6 of the Code. These are set out in Rule 7 of the Code. Clause 7(d) of the Code states:

7. A person may become the holder or controller of an increased percentage of the voting rights in a code company:

(d) By an allotment to the person of voting securities in the code company…if the allotment has been approved by an ordinary resolution of the code company in accordance with this code…

Claridge has engaged Campbell MacPherson Limited (**Campbell MacPherson**) to prepare this Independent Adviser's Report in accordance with Rule 18 of the Code. The Report provides an evaluation of the merits of the Proposed Transaction and allotment of shares to SeaDragon and OPAM.

The Independent Advisor's Report is required to be included in the Notice of Meeting (**Notice of Meeting**) pursuant to Rule 16(h). The Notice of Meeting and Explanatory Notes accompany this Report.

1.7 Takeovers Code Exemption Notice

On 10 September 2012 Claridge was granted an Exemption by the Takeovers Panel as set out in the Takeovers Code (Claridge Capital Limited) Exemption Notice 2012 (**Exemption Notice 2012**). This Exemption was granted in respect of Rule 16(b) of the Code, since the exact number of Earn Out Shares to be allotted in the future to SeaDragon and OPAM is unknown. Under the terms of the Exemption Claridge is not required to specify in the Notice of Meeting the exact number of voting securities (comprising the Earn Out Shares) to be allotted to SeaDragon and OPAM, including the percentage of voting securities that will be held by SeaDragon and OPAM following allotment of the Earn Out Shares.

The Exemption is subject to a number of conditions, the detail of which is provided in the Notice of Meeting. These conditions include (but are not limited to) the following:

- Claridge is required to make on-going disclosures in its annual reports and on its website during the allotment period of the Earn Out Shares of the potential maximum percentages of voting rights that could be held or controlled by SeaDragon, OPAM, and their associates.
- That the Notice of Meeting (and the Company's website and subsequent annual reports prepared during the term of the earn out period) shall contain information regarding the potential future allotment of the Earn Out Shares to SeaDragon and OPAM, including the maximum possible voting control position of SeaDragon and OPAM; and
- That neither SeaDragon nor OPAM increase its voting control during the allotment period (other than by allotment of the Consideration Shares, the OPAM Shares or allotments under the earn-out entitlement) except where approvals have been received in accordance with rule 7(c) or 7(d) of the Code, or in accordance with another exemption granted by the Takeovers Panel; and
- That there is no change in the control of SeaDragon or OPAM during the allotment period that results in another person becoming the holder or controller of an increased percentage of voting rights in Claridge, unless the change in control of

SeaDragon or OPAM has received approvals in accordance with rule 7(c) or 7(d) of the Code, or in accordance with another exemption granted by the Takeovers Panel.

1.8 NZX Listing Requirements

In addition to the Takeovers Code, Claridge, as an NZSX listed Issuer, is required to comply with NZSX listing rules.

The NZX's Guidance Note – *Backdoor and Reverse Listing Transactions*, dated August 2008 (the **Guidance Note**) states that an Independent Report is required in relation to reverse listing transactions. The Independent Report is required to comply with the requirements for an Appraisal Report under NZSX Listing Rule 1.7 and be addressed to the shareholders of the NZX Issuer.

In particular, the Guidance Note requires that the Independent Report includes;

- A statement of whether there are any possible alternative courses for the NZX Issuer other than the proposed transaction; and
- A statement whether or not, in the opinion of the authors of the Report, the terms of the transaction are fair and reasonable to shareholders and in the best interests of the NZX Issuer.

Other relevant NZSX Listing Rules in respect of the Proposed Transaction include;

- A Notice of Meeting must be prepared to approve the transaction and must be approved by the NZX in accordance with Listing Rule 6.1.1.
- Listing Rule 9.1.1 requires prior approval of shareholders by ordinary resolution (or by special resolution in certain circumstances) in order to enter into any transaction which would change the essential nature of the business or in respect of which the gross value is in excess of 50% of the average market capitalisation of the business. Listing Rule 9.1.2 requires that the Notice of Meeting contains or is accompanied by such information, reports, valuations and other material as are necessary to enable the holders of securities to appraise the implications of the transaction.

1.9 NZX Waiver

The issue of the Consideration Shares to SeaDragon and the Earn Out Shares to SeaDragon and OPAM require approval by the Company's shareholders in accordance with Listing Rule 7.3.1(a). Listing Rule 7.3.2(b) requires that shares to be allotted pursuant to a resolution under Listing Rule 7.3.1 need to be allotted within 12 months of that resolution.

Given that the proposed allotments of the Earn Out Shares are anticipated to occur more than 12 months after the date of the resolution of shareholders approving the issue of the Earn Out Shares, Claridge made an application to NZX Market Supervision for a waiver from Listing Rule 7.3.2(b). The waiver will be granted by NZX Market Supervision in September 2012 and is subject to certain conditions as described in the Notice of Meeting.

1.10 Shareholders Meeting

Claridge is holding an Annual General Meeting (**AGM**) of shareholders in late September - early October 2012 to seek shareholder approval of resolutions 1 to 16 as set out in the Notice of Meeting in relation to:

- The re-election of Sean Joyce as Director (**Resolution 1**)
- The election of John Sheffield as Director (**Resolution 2**)
- The appointment and remuneration of auditors (**Resolution 3**)
- The acquisition of the SeaDragon business on the terms detailed in the Explanatory Notes (**Resolution 4**).
- The issue of 600 million Consideration Shares to SeaDragon at an issue price of 0.367 cents per share in satisfaction of the initial purchase price payable in accordance with the SPA on completion of the acquisition (**Resolution 5**).
- The issue of up to 500 million Earn Out Shares at an issue price of 0.365 cents per share in satisfaction of the purchase price payable in accordance with the SPA, on or before 30 August 2014 (**Resolution 6**).
- The issue of 312.5 million ordinary fully paid shares to Octa Phillip at an issue price of 0.8 cents per share (**Resolution 7**).
- The issue of 12.5 million ordinary fully paid shares to SeaDragon Noteholders at an issue price of 0.8 cents per share for the redemption of such convertible notes (**Resolution 8**).
- The appointment of Ross Keeley as Director (**Resolution 9**).
- The appointment of Douglas Wilson as Director (**Resolution 10**).
- The appointment of Jeremy Curnock Cook as Director (**Resolution 11**).
- The appointment of Matthew McNamara as Director (**Resolution 12**).
- The buyback and cancellation of 5.5 million Claridge shares held by Four Thorns Trust Limited (**Resolution 13**).
- Authorisation for the issue of 300 million new ordinary shares in Claridge for a consideration of not less than 0.8 cents per share (**Resolution 14**).
- Authorisation for the issue to senior executives and non-executive directors of up to 20 million options, and the subsequent allotment of ordinary shares (**Option Shares**) upon exercise of those options, on the terms set out in the Explanatory Notes not later than 48 months after the date of the resolution (**Resolution 15**).
- Ratification of the previous issue of 50 million new ordinary shares on 9 November 2011 pursuant to NZSX Listing Rule 7.3.5 (**Resolution 16**).

Resolution 4 is a special resolution. Resolutions 1 to 3 and 5 to 16 are ordinary resolutions. A special resolution can only be passed by a majority of not less than 75% of votes of shareholders of Claridge entitled to vote and voting. An ordinary resolution can only be passed by a majority of not less than 50% of votes of shareholders of Claridge entitled to vote and voting.

The implementation of resolutions 4 to 12 are conditional upon all of resolutions 4 to 12 being approved by the shareholders of the Company.

1.11 Minority Buyout Rights

The Proposed Transaction represents a "major transaction" for the purposes of Section 129 of the Companies Act. Section 129 of the Companies Act requires that the resolution must be passed by a special resolution of shareholders present in person or proxy and able to vote at the meeting.

In the event that Resolution 4 is approved, Section 110 of the Companies Act gives those shareholders who vote against Resolution 4 certain rights to require the Company to purchase their shares in the Company. Any shareholder who casts all votes attached to the shares registered in their name (and having the same beneficial owner) against Resolution 4 is entitled to require the Company to purchase their Claridge shares.

The right to have shares purchased must be exercised within 10 Business Days of the passing of Resolution 4 by the dissenting shareholder by giving written notice to the Company. The mechanics and the procedure for such an acquisition are provided in Appendix 3 to the Notice of Meeting.

1.12 Purpose and Issue of this Report

The Independent Directors of Claridge (**Independent Directors**) have engaged Campbell MacPherson to prepare an Independent Adviser's Report on the merits of the Proposed Transaction and the allotment of shares to SeaDragon and OPAM in accordance with Rule 18 of the Code. Campbell MacPherson was approved by the Takeover Panel on 11 November 2011 to prepare the Independent Adviser's Report.

The Independent Directors of Claridge have also engaged Campbell MacPherson to prepare an Independent Report in accordance with the NZX Guidance Note, providing our opinion as to whether we consider the terms of the Proposed Transaction are fair and reasonable to Claridge shareholders and in the best interests of Claridge. Campbell MacPherson was approved by the NZX on 15 November 2011 to prepare the Independent Report.

Campbell MacPherson issues this Independent Adviser's Report and Independent Report in a combined form (**Report**) to the Independent Directors to assist shareholders of Claridge to form their own opinion on whether to vote for or against the resolutions in respect of the Proposed Transaction and the allotment of shares to SeaDragon and OPAM.

We note that each shareholder's circumstances and objectives are unique. Accordingly it is not possible to report on the merits 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. MERITS OF THE PROPOSED TRANSACTION & ALLOTMENT OF SHARES

2.1 Basis of Evaluation

Rule 18 of the Code requires an evaluation of the merits of the allotment of shares to SeaDragon and OPAM under the Proposed Transaction. 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 August 2007;
- 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 and the allotment of shares to SeaDragon and OPAM should focus on:-

- The rationale for the Proposed Transaction;
- The acquisition price and the value of the SeaDragon business;
- The consideration offered by Claridge for the SeaDragon business;
- The rationale for the allotment of shares to OPAM;
- The consideration offered by OPAM for the OPAM Shares;
- The likelihood of alternative offers or alternative transactions;
- The likely impact of the Proposed Transaction and the allotment of shares to SeaDragon and OPAM on the control of Claridge;
- The likely impact of the Proposed Transaction on Claridge's share price;
- Other benefits and disadvantages to Claridge's shareholders from the Proposed Transaction; and
- 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 and the Allotment of Shares to SeaDragon and OPAM

Claridge has been listed on the NZSX under various former names since 1986. The current Board of Claridge announced in late 2010 a new name and change of direction. The Company confirmed in its shareholder letter dated 20 September 2011 that it had spent the past year tidying up previous investments and seeking out new opportunities which it considered were in the best interests of shareholders and consistent with strategies advised at the previous two annual general meetings.

The Directors of Claridge advise us that they have considered a number of investment and/or acquisition opportunities. The previous Board of Directors of the Company comprising Messrs Gower, Davies and Joyce were in discussions with SeaDragon in respect of a potential transaction between SeaDragon and the Company. During the course of those discussions SeaDragon withdrew and the process was terminated.

Following the resignation of Mr Davies and Gower from the Board of the Company, and the appointment of Mr Gibson and Mr Wilkinson at last year's Annual Meeting, the current Board of Directors – Messrs Gibson, Wilkinson and Joyce (**New Board**) met to review the potential SeaDragon transaction and considered it appropriate to revisit the opportunity.

The New Board subsequently met with representatives of SeaDragon who presented the SeaDragon Business to the New Board. Prior to that presentation, neither Messrs Gibson nor Wilkinson had met any of the SeaDragon directors of shareholders. The New Board resolved to recommence negotiations with SeaDragon. The New Board ultimately negotiated the entry into the legal documents which provide the basis of the Proposed Transaction.

In the current market environment Claridge Directors believe the Proposed Transaction is an attractive one due to the purchase price and growth potential of the SeaDragon Business. The Claridge Directors consider that the SeaDragon business represents a responsible acquisition prospect in a rapidly emerging business sector, namely the production and marketing of specialist fish oils.

Claridge announced on 1 November 2011 that it had entered a conditional heads of agreement to acquire the SeaDragon business. The Proposed Transaction is effectively a reverse listing of SeaDragon into Claridge, although Claridge will continue to hold its investment in Snakk.

In conjunction with the Proposed Transaction, on 19 July 2012 Claridge announced that it had entered into a conditional agreement with OPAM whereby OPAM would invest $2.5 million into the Company to provide sufficient working capital to fund the implementation and execution of SeaDragon's business strategy. OPAM will subscribe for 312,500,000 new ordinary fully paid shares (**OPAM Shares**) in Claridge upon completion of the Proposed Transaction (i.e. OPAM's investment in Claridge is conditional upon the Proposed Transaction being completed).

2.3 Valuation of SeaDragon's Business Assets

The Proposed Transaction contemplates the acquisition of SeaDragon's business assets, to be satisfied by the issue of 600 million fully paid ordinary shares in Claridge at a price of 0.367 cents per share ($2.2M). Should certain financial targets be achieved over the coming two financial years, Claridge will issue up to a further 500 million fully paid ordinary shares in aggregate to SeaDragon and OPAM at an issue price of 0.365 cents per share ($1.825M). The proposed acquisition price for the SeaDragon business therefore ranges from $2.2M to $4.025M.

Campbell MacPherson has assessed the value of the SeaDragon business assets that form the basis of the Proposed Transaction. In our view the most appropriate method for determining this value is to apply the Discounted Cash Flow (**DCF**) method to the forecast free cash flows of SeaDragon on the basis that the Proposed Transaction proceeds.

Typically a long range forecast (i.e. at least 5 years) is used to undertake a DCF valuation. In the case of SeaDragon, management has provided prospective financial information for the period 1 September 2012 – 31 March 2015 (approximately 2.5 years) which is a shorter period than we would prefer. The implications of this in terms of valuation include:

a) Greater emphasis on the terminal value and related assumptions when forming a view on the valuation range.

b) Resultant wider value range due to (a) above, and

c) Potential to undervalue the company where growth in free cash flows beyond FY15 exceeds the growth rate assumptions made in calculating the terminal value.

Based on the results of our valuation analysis (see Section 7), we assess the fair market value of the SeaDragon business to be acquired by Claridge to be in the range of **$2.0M to $5.38M (midpoint $3.69M),** as summarised in the table below.

SeaDragon - DCF Valuation Results		
NZ$000's	**Lower**	**Upper**
Discount Rate	25%	20%
Terminal Growth Rate	2%	5%
NPV (Enterprise Value)	5,105	8,489
Less Net Debt being Acquired	(3,108)	(3,108)
Equity Value	**1,997**	**5,381**

Further explanation is provided in Section 7 of this Report.

2.4 Value of the Consideration Offered by Claridge for the SeaDragon Business

The issue price for the Consideration Shares of 0.367 cents per share implies the value of Claridge is $1.125M, and the issue price for the Earn Out Shares of 0.365 cents per share implies the value of Claridge is $1.12M. The unaudited book value of net tangible assets

(**NTA**) of Claridge as at 30 June 2012 was $0.685M (0.22 cents per share). The NTA as at the settlement date will likely be lower than this.

Claridge's shares are illiquid and thinly traded. Such a low trading volume makes it very difficult to establish a market value for the Company based on recent quoted share prices. On 9 November 2011, Claridge completed a capital raising whereby $255,000 was raised through issue of 50 million new fully paid ordinary shares at an issue price of 0.51 cents per share. We note this placement occurred after the announcement of the signing of a Heads of Agreement for the acquisition of the SeaDragon business.

Based on our analysis as set out in Section 8 of this Report we assess the value of each Claridge share to be in the range of 0.22 to 0.51 cents per share. Accordingly we assess the aggregate value of Claridge to lie within the range of **$0.67M to $1.56M**. On the basis of our assessed value of Claridge the consideration offered by Claridge for SeaDragon is therefore in the range of **$1.32M to $5.61M (midpoint $3.47M)**.

The assessed value of the total consideration offered by Claridge of $1.32M to $5.61M is materially similar to our assessed value range for SeaDragon's business of $2.0M to $5.38M.

Whilst we recognise that the value ranges for both Claridge and the SeaDragon business are broad, in our view this reflects the challenges in valuing a thinly traded "shell" company such as Claridge and a small but potentially high growth business such as SeaDragon.

2.5 Value of the Consideration Offered by OPAM to Claridge

Subject to the Proposed Transaction proceeding OPAM will invest $2.5M in cash into Claridge. Accordingly the value of the consideration offered by OPAM is $2.5M.

Immediately following settlement of the Proposed Transaction and the associated issue by Claridge of 500 million shares to SeaDragon (as per Resolution 6) and 312.5 million shares to OPAM (as per Resolution 7), and assuming the issue of a further 12.5 million shares to SeaDragon Noteholders (as per Resolution 8) and assuming the buyback and cancellation of the 5.5 million Claridge shares held by FTL, OPAM will hold 312.5 million Claridge shares representing a 25.48% equity interest in Claridge. We note that, not withstanding that 25% of any Earn Out Shares issued are subsequently allotted to OPAM, any issue of Earn Out Shares will only result dilution of OPAM's equity interest in Claridge below 25.48% (See Section 2.7).

Therefore in our view the maximum value of OPAM's equity interest in Claridge can be notionally assessed on the basis of OPAM holding a 25.48% equity interest in Claridge following Settlement of the Proposed Transaction and issue and allotment of Claridge shares as outlined above. The net assets of Claridge at this point would comprise the existing net assets of Claridge (less the $40,000 payment to FTL), the SeaDragon business and the $2.5M in cash received from OPAM. This is often referred to as the "post-money" value as it takes into account the "money" invested into the Company by the investor.

Based on our assessed valuation range for Claridge (adjusted for the FTL buyback) and for the SeaDragon business, the "post money" valuation range for Claridge would be $5.13M to $9.41M. OPAM's 25.48% equity interest would therefore be valued at $1.31M to $2.40M as shown in the table below.

Combined Claridge and SeaDragon Valuation Summary			
NZ$000's	**Notes**	**Low**	**High**
Assessed SeaDragon Value		1,997	5,381
Assessed Claridge Value		635	1,524
Combined Equity Value ("Pre-money")		**2,632**	**6,905**
OPAM's Cash Investment (OPAM Consideration)		2,500	2,500
Combined Equity Value ("Post-money")		**5,132**	**9,405**
OPAM's Maximum Shareholding in Claridge	1	25.48%	25.48%
Assessed Maximum Value of OPAM's Shareholding in Claridge		**1,308**	**2,397**

Notes

1 Assumes the Placement Shares, OPAM Shares and Noteholder Shares are issued and the buy back and cancelation of the Buyback Shares is completed.

On this basis we consider that the value of the consideration received by Claridge ($2.5M) exceeds the valuation range of the equity interest received by OPAM ($1.31M to $2.40M).

2.6 Likelihood of Alternative Transactions

We are advised that the Claridge Directors have considered a number of other proposals before deciding to recommend the Proposed Transaction to shareholders. The Claridge Directors are of the view that the Proposed Transaction is compelling and provides significant growth potential and is in the best interests of Claridge's shareholders.

Due to the weak general state of international equity markets and the New Zealand economy, the Directors believe it is unlikely that a more attractive alternative transaction will appear in the medium term.

2.7 Impact on Ownership and Control of Claridge

Ownership

Claridge currently has 306,733,227 shares on issue and the largest single shareholder holds 7.5% of the issued voting securities. Collectively the Claridge Directors currently control 3,405,000 shares in Claridge representing only 1.1% of the issued voting securities.

In the event that the Proposed Transaction proceeds, the Company will issue on settlement 600 million Consideration Shares to SeaDragon, 312.5 million shares to OPAM and 12.5 million shares to SeaDragon Noteholders (**Noteholder Shares**). The Company may issue up to a further 500 million Earn Out Shares to SeaDragon and OPAM if certain financial targets for the SeaDragon business are met over the next two financial years ending 31 March 2013 and 31 March 2014.

We also note that Resolution 13 of the Notice of Meeting seeks approval for the Company to buy back and cancel 5.5 million existing shares (**Buyback shares**), Resolution 14 of the Notice of Meeting seeks approval for the Company to issue up to 300 million new ordinary shares (**Placement Shares**) over a 12 month period and Resolution 15 of the Notice of Meeting seeks approval for the Company to issue up to 20 million options (**Option Shares**) to Claridge senior executives and non-executive directors.

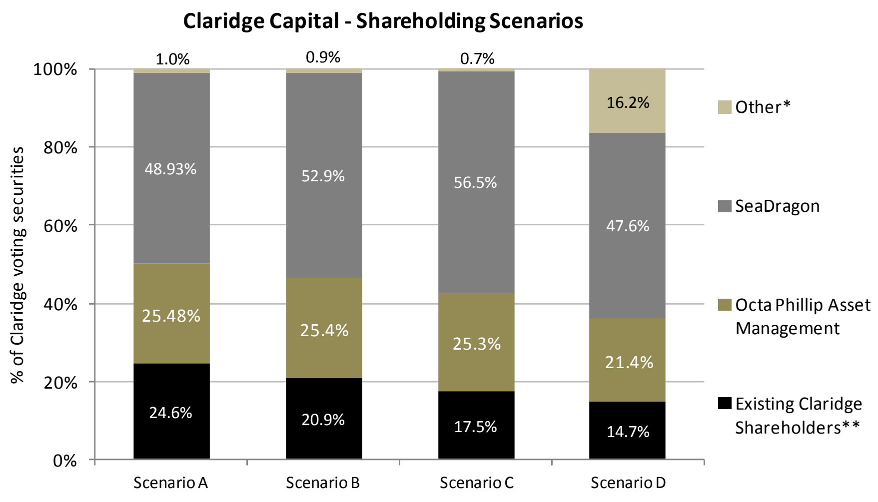
The percentage of voting securities held by various parties under selected shareholding scenarios are provided in the graph below based on the SeaDragon business achieving a range of combined FY13 + FY14 NPBTDA targets. The Scenarios shown are as follows:

Scenario A: SeaDragon business combined FY13 + FY14 NPBTDA is less than or equal to zero. All Consideration Shares are issued, no Earn Out Shares are issued, all OPAM Shares are issued, all Noteholder Shares are issued and Claridge buys back and cancels the Buyback shares.

Scenario B: SeaDragon business combined FY13 + FY14 NPBTDA is equal to $1M. All Consideration Shares are issued, 217,391,304 Earn Out Shares are issued, all OPAM Shares are issued, all Noteholder Shares are issued and Claridge buys back and cancels the Buyback shares.

Scenario C: SeaDragon business combined FY13 + FY14 NPBTDA is equal to or greater than $2.3M. All Consideration Shares are issued, all Earn Out Shares are issued, all OPAM Shares are issued, all Noteholder Shares are issued and Claridge buys back and cancels the Buyback shares.

Scenario D: Fully diluted scenario assuming SeaDragon business combined FY13 + FY14 NPBTDA is equal to or greater than $2.3M, all options are exercised and all Placement Shares are subscribed for. All Consideration Shares are issued, all Earn Out Shares are issued, all OPAM Shares are issued, all Noteholder Shares are issued, all Option Shares are issued, all Placement Shares are issued and Claridge buys back and cancels the Buyback shares.



* Other includes holders of Option Shares, Noteholder Shares and Placement Shares.
**Assumes Four Thorns Trust Limited's 5,500,000 shares are cancelled.

Under Scenario A existing Claridge shareholders will collectively hold approximately 24.6% of the Company's shares, SeaDragon will hold approximately 48.9% of the Company's shares and OPAM will hold approximately 25.5% of the Company's shares.

Under Scenario B existing Claridge shareholders will collectively hold approximately 20.9% of the Company's shares, SeaDragon will hold approximately 52.9% of the Company's shares and OPAM will hold approximately 25.4% of the Company's shares.

Under Scenario C existing Claridge shareholders will collectively hold approximately 17.5% of the Company's shares, SeaDragon will hold approximately 56.5% of the Company's shares and OPAM will hold approximately 25.3% of the Company's shares.

Under Scenario D existing Claridge shareholders will collectively hold approximately 14.7% of the Company's shares, SeaDragon will hold approximately 47.6% of the Company's shares and OPAM will hold approximately 21.4% of the Company's shares.

We note that, under Scenario D, it is possible that, in the event the Placement shares were issued to parties other than SeaDragon and/or OPAM and then subsequently SeaDragon and OPAM were issued Earn Out Shares, then the percentage holding of ordinary shares by SeaDragon and/or OPAM could decrease (as a result of the Placement) and then increase (as a result of the Earn Out). However, the maximum percentage holding of SeaDragon and/or OPAM would not increase beyond the maximum percentages outlined above.

Shareholder Voting

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 more than 75% 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 special resolutions. A shareholder holding more than 50% of the voting securities of a company is able to pass (or block) ordinary resolutions. A shareholder holding more than 75% 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, NZSX 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;
- voting directors in or out;
- 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). In our view it is likely that, given the large number of Claridge shareholders with small share parcels and the low level of liquidity in the Company's shares, a material proportion of Claridge shares would not be voted on any given resolution.

In the event that the Proposed Transaction proceeds, SeaDragon would, under all of the Scenarios A through D above, hold close to or more than 50% (but less than 75%) of the voting securities of the Company. In our view SeaDragon would therefore, in its own right, be able to pass or block ordinary resolutions and block (but not pass) special resolutions.

In the event that the Proposed Transaction proceeds, OPAM would, under Scenarios A through C above, hold just over 25% of the voting securities of the Company. OPAM would not therefore, in its own right, be able to pass or block ordinary resolutions. It would be able to block (but not pass) special resolutions. Under Scenario D, OPAM would hold 21.4% of the voting securities on issue. Therefore, in the event that non-OPAM shareholders holding more than 14.4% of the total shares on issue chose not to vote, then OPAM would, in its own right, would be able to block (but not pass) special resolutions but would still not be able to pass or block ordinary resolutions.

In our view, the effect of the Proposed Transaction is that SeaDragon is likely to have effective control over the Company. However, non-SeaDragon shareholders (in particular OPAM) are likely to retain an element of "negative control" over the Company's constitution or strategic direction through their ability to block special resolutions.

We note that, in the event the Proposed Transaction proceeds, the ownership of SeaDragon will also change materially whereby SDMO Trustee Limited (controlled by Stuart Macintosh) will hold more than 50% of the voting shares in SeaDragon (see Section 5.1). Mr Macintosh would therefore be able to pass ordinary resolutions in respect of SeaDragon including the ability to appoint or remove SeaDragon directors. We therefore consider that Mr Macintosh has a material ability to indirectly influence SeaDragon's investment and voting rights in Claridge post-transaction. In the event the Proposed Transaction proceeds Mr Macintosh has indicated that he does not intend to seek Board representation of either SeaDragon or Claridge.

With the exception of the potential issue of all or part of the Earn Out Shares to SeaDragon, SeaDragon will not be able to increase its shareholding in Claridge in the future unless it complies with the provisions of the Code and NZSX listing rules. Effectively this means that it will only be able to acquire additional shares in Claridge if:-

- It makes a full or partial takeover offer, or;
- The acquisition of further shares is approved by way of an ordinary resolution of Claridge shareholders, or;

- The Company makes an allotment of shares which is approved by way of an ordinary resolution of Claridge shareholders, where SeaDragon would be precluded from voting on such a resolution due to the operation of NZSX Listing Rule 9.3.1., or;
- By virtue of holding more than 50% of the voting securities of Claridge, SeaDragon would be able to "creep" towards a 90% threshold at a rate of up to 5% per annum via purchase of Claridge shares on market, (after a twelve month stand-down period from the closing of the Proposed Transaction) as permitted under the Takeovers Code.

Board of Directors

In the event the Proposed Transaction proceeds there will be fundamental changes to the Board of Directors of the Company. Four new directors will be appointed to the Board comprising two representatives from SeaDragon and two representatives from Octa Phillip as follows:

- Ross Keeley, current CEO of the SeaDragon
- Doug Wilson, current Chairman of the SeaDragon
- Jeremy Curnock Cook, nominee of Octa Phillip
- Matthew McNamara, nominee of Octa Phillip.

Upon settlement of the Proposed Transaction existing Claridge director, John Sheffield will resign. The two independent directors of Claridge as required by the NZSX Listing Rules will be Messrs Joyce and Gibson.

The initial Board post-transaction would therefore comprise a total of six directors. Neither SeaDragon nor Octa Phillip would have a majority of seats on the Claridge Board. However, SeaDragon would likely have the ability to appoint or remove directors in the future subject to its ability to pass ordinary resolutions in respect of such appointments.

It is anticipated that the Board of Claridge would, at its first meeting post-transaction, discuss and appoint a new Chairman (or elect to retain the current Chairman Mr Joyce).

2.8 Impact on Claridge's Share Price & Liquidity

We note that, since the announcement of the signing of the HOA between Claridge and SeaDragon on 1 November 2011, the Claridge share price has increased from 0.6 cents per share to the current price of 2.0 cents per share (15 August 2012) on limited trading volume.

Due to its small market capitalisation and the low liquidity of Claridge shares, shareholders currently have limited opportunity to sell their shares. In our view the Proposed Transaction will likely enhance the Company's market capitalisation and may potentially attract new investors. The net effect may be an increase in the level of demand for Claridge shares which may improve the ability for existing shareholders to sell their shares in the future.

Claridge is currently an investment company seeking a new strategic direction with its primary assets being cash and a 13.08% stake in Snakk Media Limited. The acquisition of the SeaDragon's business would provide potential for Claridge shares to be re-rated by the sharemarket due to a range of factors including:

- A larger business activity (SeaDragon) which will have active operations, staff and customer base;
- SeaDragon currently supplies its products to New Zealand and international business customers;
- Exposure to the New Zealand functional foods / nutriceutical sector;
- Potential to generate future profits and cashflows.

The combination of these factors may lead to greater demand for Claridge shares which could in turn lead to a higher share price and improved trading liquidity. However, limited liquidity and share price volatility is likely until the SeaDragon business establishes a track record of positive earnings performance and gains a higher profile as an investment opportunity with potential new shareholders. Furthermore, the re-rating of the Company's shares may take some time to occur or not occur at all due to other market factors beyond the control of the Company.

2.9 Other Advantages to Claridge Shareholders

In our view, other positive aspects of the Proposed Transaction to Claridge shareholders are as follows:

- In the event the Proposed Transaction proceeds Claridge shareholders will have an investment exposure to an existing business with significant growth potential. SeaDragon has an experienced and committed management team. The acquisition by Claridge will also provide SeaDragon better access to the New Zealand capital markets (e.g. to fund growth) as a public listed company.

- We note that the Claridge directors have made it well known in recent years that they were seeking a transaction to better utilise the listed vehicle if such a transaction was in the best interests of shareholders. The Directors have unanimously recommended that Claridge shareholders approve the acquisition of the SeaDragon business.

- The funds raised from the placement of shares to OPAM will provide (together with debt and working capital funding and existing cash held by Claridge) sufficient capital to execute the current SeaDragon business plan.

- The appointment of two Octa Phillip representatives to the Claridge Board is likely to further strengthen the experience, expertise and international networks of the Company at Board level.

2.10 Other Disadvantages to Claridge Shareholders

In our view other negative aspects of the Proposed Transaction to Claridge shareholders are as follows:

- The issue of shares to acquire the SeaDragon business will dilute existing shareholders current equity interest in the Company as described further in Section 2.6 above.

- The forecast financial statements of SeaDragon imply rapid and significant growth in the revenues and earnings of the Company. This would require increased customer demand, ongoing access to raw material supply, additional staff and plant as well as further funding for capital expenditure and working capital requirements. SeaDragon has recorded historical operating losses in recent years and therefore has limited track record in delivering significant revenue growth. In our view there is material risk that SeaDragon will not achieve its financial forecasts and that this will materially impact on the future value of the SeaDragon business. We note that we have sought to account for this risk in our selection of the discount rate to apply to the forecast free cash flows of SeaDragon in our valuation of this business. We also note that this risk is mitigated to some extent by the structure of the Proposed Transaction (i.e. inclusion of an Earn Out Payment subject to SeaDragon achieving certain financial performance milestones.)
- Claridge will assume significant debt in the event the Proposed Transaction proceeds. This debt is at risk of a breach of covenants and / or default in the event that the financial forecasts of SeaDragon are not met, and/or further capital is not available to meet the requirements of SeaDragon's business plan. We note that this is mitigated to some extent by the personal guarantee to be provided by Ross Keeley in respect of new finance facilities for the Company post-transaction.

2.11 Change in Business Risk for Claridge

The Proposed Transaction fundamentally changes Claridge's business risk profile from that of a listed investment company to an operating business with all facets of commercial interactions including dealing with employees, suppliers, customers, government agencies, competitors etc.

There are also particular business risks associated with producing products for human consumption as well. The key business risks for SeaDragon include:

- The ability to source suitable raw materials for further processing.
- SeaDragon is a relatively small company and operates in a niche market sector.
- Non-performance and/or loss of key staff.
- Achieving its business plan and financial budgets.
- The impact of exchange rates on its business.
- Changes in the regulatory environment.
- Ability to raise further capital to fund planned growth if required.
- Increased debt and gearing levels and ability to service this debt.

We note that, in the event the Proposed Transaction proceeds, a number of directors, key management and staff at SeaDragon will become Claridge shareholders directly or indirectly. We anticipate this will more closely align their best interests as employees and shareholders, particularly as there will be restrictions on selling part or all of the Consideration Shares received by SeaDragon.

2.12 Implications if the Resolutions Are Not Approved

Resolutions 4 to 12 to be put to shareholders at the Claridge Annual General Meeting are inter-dependent and require sequential approval. Resolutions 1 to 3 and 13 can be put to the meeting alone and are not contingent on the approval of any other resolution.

The Claridge directors have advised that they have spent considerable time and costs investigating the Proposed Transaction and undertaking this due diligence process has reduced the Company’s cash resources.

In the event that the Proposed Transaction does not proceed then Claridge will continue to try and seek out an alternative target for acquisition/investment. However, there is no certainty as to when or if such an opportunity will arise or as to its merits.

2.13 Alternatives for Claridge Shareholders Who Do Not Wish To Retain Their Investment

In the event the Proposed Transaction proceeds and existing shareholders of Claridge do not wish to retain their shares they could potentially sell their shares on-market. However, the level of media and investor interest for Claridge shares post-transaction is uncertain. Therefore the ability to sell on market may be constrained by an ongoing lack of liquidity in the trading of Claridge shares.

If the special resolution approving the Proposed Transaction is passed, those shareholders who voted against Resolution 4 are entitled to require the Company to buy their shares in accordance with provisions of the Companies Act 1993. A shareholder entitled to vote may require the Company to purchase its shares by virtue of Section 110 of the Companies Act within ten days of the passing of the special resolution by giving written notice to the Company requiring it to purchase their shares in Claridge. The Board of Directors of the Company are then required to give notice to the shareholder of a fair and reasonable price for the shares. Shareholders who do not agree with the nominated price can object, in which case the price will be determined by arbitration. The reader is directed to Appendix 3 of the Notice of Meeting for further information.

2.14 Summary of Evaluation of Merits

In our view the Proposed Transaction and the allotment of shares to OPAM will have important benefits for Claridge shareholders including:

- Achieving Claridge’s objective to secure significant investments in new business opportunities.
- Exposure to an established operating New Zealand business with attractive growth potential in producing and developing fish oil / Omega 3 products for domestic and export customers.
- A structured purchase price that includes an initial payment via allotment of Consideration Shares and a potential further deferred contingent payment via allotment of Earn Out Shares, thereby reducing the overall risk of overpaying for the SeaDragon business.

- The value range of the consideration offered is assessed by Campbell MacPherson to be materially similar to the value range of the SeaDragon business to be acquired by Claridge.
- The potential for a re-rating and increased liquidity in Claridge share trading on the NZSX.
- We consider that the value of the consideration received by Claridge exceeds the valuation range of the maximum consideration paid to OPAM.
- Octa Phillip's investment in Claridge significantly reduces financial risks relating to SeaDragon by providing immediate cash funding to assist in implementation of SeaDragon's business plan.
- The presence of Octa Phillip as both a shareholder and through its nominees to the Claridge Board, is expected to provide benefits to the SeaDragon business through their knowledge and networks in the bioscience sector.

The Proposed Transaction will have some negative features for Claridge shareholders including:

- Increased risk profile of the Company due to the nature of the business being acquired and the new debt being assumed by Claridge as part of the Proposed Transaction.
- Dilution of existing shareholders though issue of the Consideration Shares, OPAM Shares and Noteholder Shares and potential issue of the Earn Out Shares.
- Change in control of the Company through the introduction of SeaDragon and OPAM as major shareholders.

Having given due regard to all of the above factors we consider that on balance the positive features of the Proposed Transaction and the allotment of shares to SeaDragon and Octa Phillip substantially outweigh the negative features.

2.15 Voting for or Against the Resolutions

Resolutions 4 to 12 to be put to shareholders at the Claridge AGM are inter-dependent and require sequential approval. If shareholders vote against any of these resolutions then none of these resolutions (including the Proposed Transaction) will proceed.

Voting for or against the Resolutions in respect of the Proposed Transaction is a matter for individual shareholders to consider based on their own view as to value, control issues, future market conditions, state of the global economy, risk profile and other factors. Shareholders will need to consider carefully these consequences and consult their own professional adviser as appropriate.

3. EVALUATION OF THE FAIRNESS OF THE PROPOSED TRANSACTION

3.1 Basis of Evaluation

Further to Section 1.8 of this Report, the NZX Guidance Note requires the Independent Report to comply with the requirements for an Appraisal Report. In addition the Guidance Note also requires the Independent Report to include:-

- A statement of whether there are any possible alternative courses for Claridge other than the Proposed Transaction.
- A statement of whether or not, in Campbell MacPherson's opinion, the terms of the transaction are fair and reasonable to shareholders and in the best interests of Claridge.

Listing Rule 1.2.2 requires an Appraisal Report to consider whether the consideration and the terms and conditions of the Proposed Transaction are fair to Claridge shareholders. There is no legal definition of the term fair in New Zealand in either the NZSX Listing rules or in any statute dealing with securities or commercial law. In Campbell MacPherson's opinion, the Proposed Transaction will be fair to the Company's shareholders if:-

- The value of SeaDragon's business assets are equal to or greater than the value of the consideration paid for those business assets;
- The Proposed Transaction was negotiated at arm's length;
- The terms and conditions of the Proposed Transaction are fair.

We have evaluated the fairness of the Proposed Transaction by reference to:-

- The rationale for the Proposed Transaction;
- The value of SeaDragon's business assets;
- The value of the consideration paid for SeaDragon's business assets;
- The likelihood of alternative transactions;
- The impact on the control of Claridge;
- The impact on Claridge's share price;
- Other benefits and disadvantages to Claridge shareholders;
- The implications of the resolutions in respect of the Proposed Transaction not being approved.

We note that the allotment of shares to OPAM does not strictly form part of the Proposed Transaction. However, given that resolutions 4 to 12 are conditional upon all of resolutions 4 to 12 being approved by the shareholders of the Company our opinion has included reference to the proposed investment by Octa Phillip.

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

In our opinion, after having regard to all relevant factors, the terms of the Proposed Transaction are fair and reasonable to shareholders and in the best interests of Claridge.

The basis for our opinion is set out in detail in Section 2.2 to 2.14 of this Report. In summary, the key factors leading to our opinion are:

- The Proposed Transaction will achieve Claridge's objective to secure significant investments in new business opportunities.
- Exposure to an established operating New Zealand business with attractive growth potential in producing and developing fish oil / Omega 3 products for domestic and export customers.
- A structured purchase price that includes an initial payment via allotment of Consideration Shares and a potential further payment via allotment of Earn Out Shares, thereby reducing the overall risk of overpaying for the SeaDragon business.
- The value range of the consideration offered is assessed by Campbell MacPherson to be materially similar to the value range of the SeaDragon business being acquired.
- The potential for a re-rating and increased liquidity in Claridge shares trading on the NZSX.

We note that, in the event the Proposed Transaction proceeds, Claridge existing shareholders will be heavily exposed to a new business with a significantly higher risk profile than the existing Claridge business. In our view there is a material risk that SeaDragon will not meet its forecasts due to a number of factors, some of which may be beyond the Company's control. This could result in SeaDragon being valued at less than our assessed valuation range and/or may result in the Company breaching its future debt covenants. (These debt covenants have yet to be confirmed).

3.3 Alternatives for Claridge

As stated in Section 2.6, the likelihood of an alternative transaction in the near to medium term is limited. The directors of Claridge are not currently evaluating any other potential transactions or alternative proposals. The costs incurred in evaluating the Proposed Transaction and seeking shareholder approval will reduce the Company's cash resources.

3.4 Implications of the Resolutions not being Approved

In the event that any of Resolutions 4 to 12 in respect of the Proposed Transaction are not approved, the proposed acquisition of the SeaDragon business by Claridge will not proceed. The implications of this are set out in Section 2.12.

3.5 Voting For or Against the Resolutions

Voting for or against resolutions 4 to 12 is a matter for individual shareholders based on their own views as to value and future market conditions, risk profile and other factors. Shareholders will need to consider these consequences and consult their own professional adviser as appropriate.

3.6 Conclusion

In our opinion, taking into account all of the relevant factors, the terms of the Proposed Transactions are fair and reasonable to the Company's shareholders and are in the best interests of Claridge.

4. PROFILE ON CLARIDGE CAPITAL

4.1 Background

Claridge was first incorporated on 31 July 1986 as Regal Salmon Limited and subsequently listed on the NZSX in October 1986, when it issued 7.9 million ordinary shares at $0.50 per share. Over the past 15 years Claridge has undergone various name changes which have reflected various investments made by the Company. The name Claridge Capital Limited was adopted in December 2010 and replaced CER Group Limited.

The stated objectives of Claridge are to invest in businesses with growth potential through a subsidiary company that could itself become listed and/or identify a suitable business with potential for a successful reverse takeover acquisition.

In July 2011 Claridge invested in Snakk Media Limited (**Snakk**) with the subscription for 25,000,000 new shares in Snakk at an aggregate issue price of $225,000 (0.9 cents per share), which shareholding currently represents approximately 13.08% of the total number of shares on issue in Snakk.

4.2 Snakk Media

Snakk is a mobile media and technology company focussed on emerging digital, mobile phone and social media advertising markets.

Snakk comprises Agent M Group Limited, a company which has developed technology for integrating and automating many of the processes behind digital social media advertising transactions and Snakk Media Pty Limited, a Sydney based digital media business.

Through its Australian business subsidiary, Snakk operates a mobile media network and analytics business that aggregates mobile advertising inventory, packages it for top tier advertisers in the Asia Pacific market and tracks the performance of the investment to evaluate optimal return on investment on brand dollars spent. Snakk is also a provider of end-to-end solutions, including target market identification, creative banner and mobile website design, and application of its proprietary analytics platform to track and optimise marketing campaigns in real time and to measure overall results.

4.3 Board of Directors

The current directors of Claridge are:

- Sean Joyce - independent chairman
- John Sheffield – independent director
- Donald Gibson –independent director

Mr Gibson and Mr Sheffield are both recently appointed directors. Mr Gibson was appointed to the Board at the Company's October 2011 annual general meeting. Mr Sheffield was appointed to the Board on 21 May 2012 to fill the casual vacancy left by the resignation of Mr Brett Wilkinson who resigned on 11 May 2012.

Sean Joyce

Sean Joyce is a corporate and commercial lawyer with over 20 years' experience in a wide range of corporate and commercial transactions. He specialises in the corporate/commercial sector with a particular focus on the capital markets and securities laws – regulatory compliance, fund raising and investments, offerings of debt, equity and participatory securities in New Zealand. Mr Joyce is an accredited NZX Sponsor and is also a director of a number of publicly listed companies.

John Sheffield

Mr Sheffield is a New Zealand businessman living in Australia. Mr Sheffield is involved in the ownership, operation and management of several businesses in Australia, including interests in the telecommunications sector.

Donald Gibson

Don Gibson is the managing director of Gibson & Associates Limited, a chartered accounting firm in Auckland. He specialises in business advisory work for small to medium sized businesses and high net worth individuals. Mr Gibson is a director of number of private companies.

Sean Joyce currently has no beneficial interest in Claridge shares, Donald Gibson and John Sheffield each respectively controls less than 0.01% of Claridge. All three directors are currently considered by the Company to be independent under the NZSX listing rules.

We understand that, subject to shareholder approval (Resolution 15), Mr Joyce will be issued with 8 million options exercisable at any time not later than 48 months from the date of issue. Each option will entitle the holder to acquire one new ordinary share at an exercise price of 1.0 cents per share.

In the event that the Proposed Transaction proceeds, and subject to relevant Claridge shareholder approvals, current SeaDragon directors Ross Keeley and Douglas Wilson will join the Claridge Board, together with two nominees from Octa Phillip. John Sheffield will resign from the Claridge Board.

4.4 Capital Structure

Claridge currently has 306,733,227 ordinary shares on issue held by 2,307 shareholders. All shares have equal rights and there are currently no warrants, options and/or convertible notes on issue.

Claridge has a relatively large base of small shareholders and wide shareholder spread. Details of the top ten shareholders as at 15 August 2012 are set out below:

Claridge - Top 10 Shareholders	Notes	Shares Held	%
Flinders Holdings Limited		23,019,620	7.50%
Welch Securities Limited		16,666,666	5.43%
Neil Govenlock and Rodney Innes		10,265,459	3.35%
Custodian Noninee Company Limited		8,675,757	2.83%
Kane Stevenson		7,578,049	2.47%
ASB Nominees Limited		7,428,928	2.42%
Industrea Limited		6,000,000	1.96%
Joseph Wallis		5,882,728	1.92%
Four Thorns Trust Limited	1	5,500,000	1.79%
Niall Cairns		5,000,000	1.63%
Other (2307)		210,716,020	68.70%
Total Shares on Issue		**306,733,227**	**100.00%**

Notes

1 Subject to the proposed buy back by Claridge.

The largest Claridge shareholder is Flinders Holdings Limited with 23,019,620 shares (7.5% of the voting securities on issue). The top ten Claridge shareholders collectively hold 96,017,207 shares (31.3% of the voting securities on issue). The balance of 210,716,020 shares is held collectively by 2,307 other shareholders.

4.5 Financial Results

A summary of Claridge's audited financial results for the three years ending 31 March 2012 are set out below.

Claridge Capital Limited - Summary Financial Performance			
	Audited	**Audited**	**Audited**
	Full Year	**Full Year**	**Full Year**
NZ$000's	**Mar-10**	**Mar-11**	**Mar-12**
Revenue	-	-	15
Cost of Sales	-	-	-
Gross Profit	**-**	**-**	**15**
Operating Expenses	(687)	(438)	(554)
Operating Profit	**(687)**	**(438)**	**(539)**
Finance Income	6	23	20
Finance Expense	(15)	(2)	(1)
Profit / (Loss) from Continued Operations	**(696)**	**(417)**	**(520)**
Tax Income / (Expense)	-	-	-
	(696)	(417)	(520)
Profit / (Loss) from Discontinued Operations	(2,814)	83	5
Net Profit / (Loss)	**(3,510)**	**(334)**	**(515)**

Claridge Capital Limited - Summary Cashflow			
NZ$000's	Audited Full Year Mar-10	Audited Full Year Mar-11	Audited Full Year Mar-12
Cash from Operating Activities	(501)	(580)	(472)
Cash from Investing Activities	1,537	1,644	25
Cash from Financing Activities	(1,015)	(115)	252
Net Increase / (Decrease) in Cash	**21**	**949**	**(195)**

Claridge Capital Limited - Summary Financial Position			
NZ$000's	Audited Full Year Mar-10	Audited Full Year Mar-11	Audited Full Year Mar-12
Current Assets			
Cash and Equivalents	85	790	595
Receivables	40	328	70
Inventory	-	-	-
Tax	34	55	15
Assets Held for Sale	2,074	-	-
	2,233	1,173	680
Current Liabilities			
Borrowings	339	-	16
Payables and Accruals	244	99	93
Liabilities Held for Sale	241	-	-
	824	99	109
Non-current Assets			
Property Plant and Equipment	-	1	-
Investments	-	-	225
Intangible Assets	-	-	-
	-	1	225
Non-current Liabilities			
Borrowings			-
	-	-	-
Net Assets	**1,409**	**1,075**	**796**

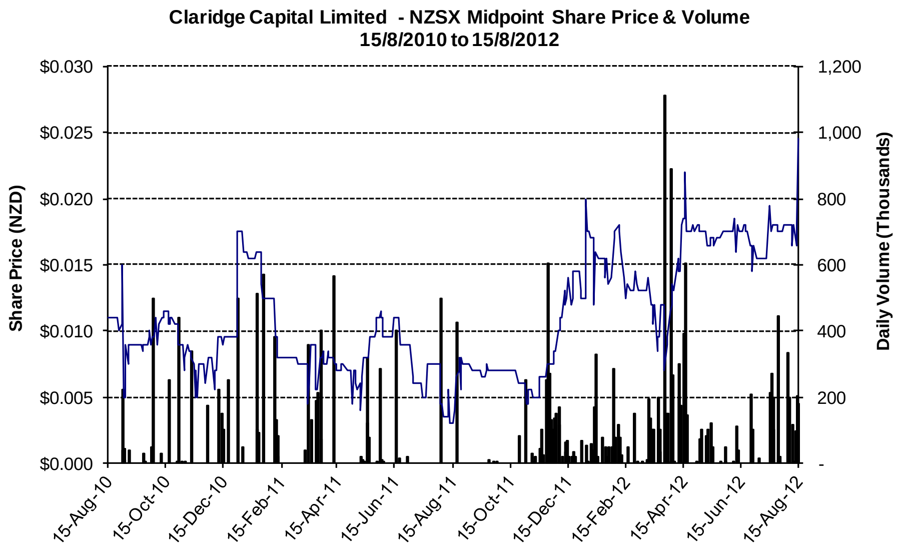
Claridge realised an audited loss of $515,000 for the 12 month period to 31 March 2012 compared to a loss of $334,000 for the 12 month period to 31 March 2011. This was a significant improvement on the financial performance for the same period to 31 March 2010 where a loss of $3.51M was incurred. A large proportion of this $3.51M loss was attributable to a write-down in respect of New Zealand Nature Company Limited, an investment made by Claridge which was subsequently sold.

Claridge is now essentially a shell company with principal assets comprising cash balances and its minority shareholding in Snakk.

4.6 Share Price History

The current share price of Claridge as at 15 August 2012 is 2.0 cents per share. Trading of Claridge shares has been sporadic with very limited liquidity.

Trading in the last six months has totalled 9.2M shares representing only 3% of the total current shares on issue. A share price graph for the past two years is shown below.



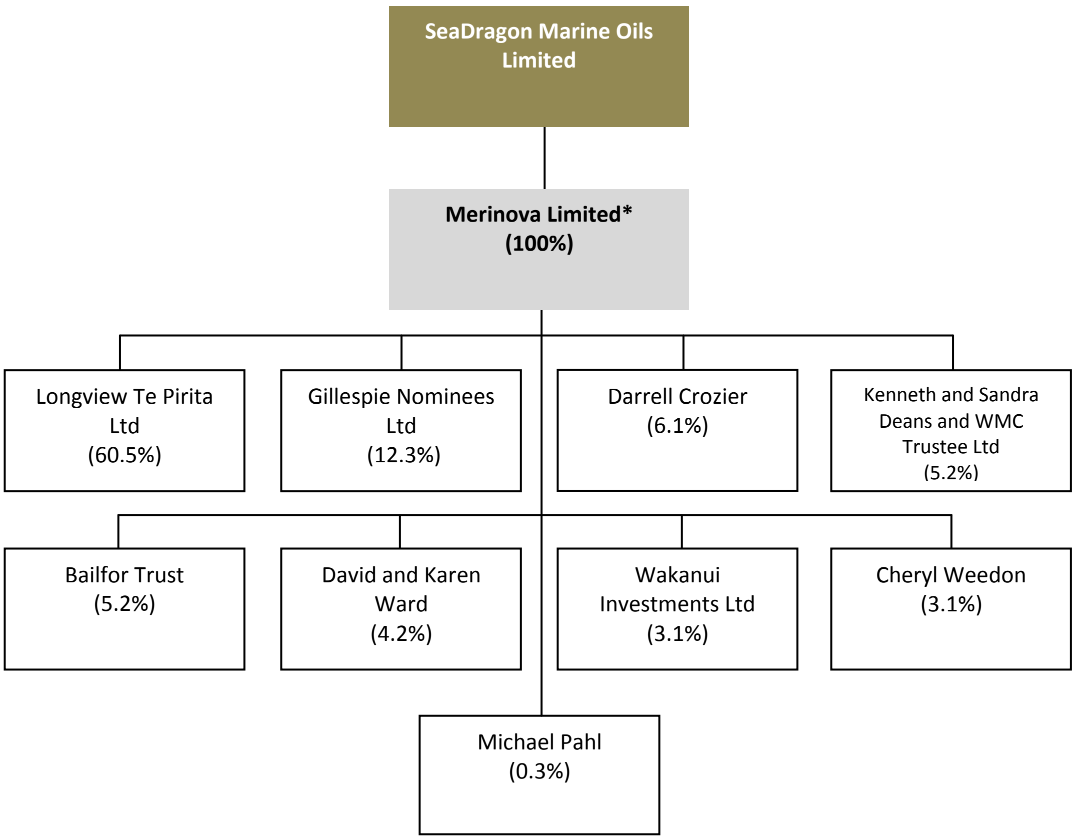
Since the announcement of the signing of the HOA between Claridge and SeaDragon on 1 November 2011, the Claridge share price has increased from 0.6 cents per share to the current price of 2.0 cents per share (15 August 2012) on limited volume.

5. PROFILE ON SEADRAGON

5.1 Background and Ownership

Established in August 2004, SeaDragon is a private New Zealand company based in Nelson focused on the production and marketing of specialist fish oils including Squalene and Deep Sea Shark Liver Oil (**DSSLO**). SeaDragon is currently the largest producer of refined fish oil ingredients in Australasia and is preparing to increase its production to meet expected increasing international demand from North America, North Asia and Europe.

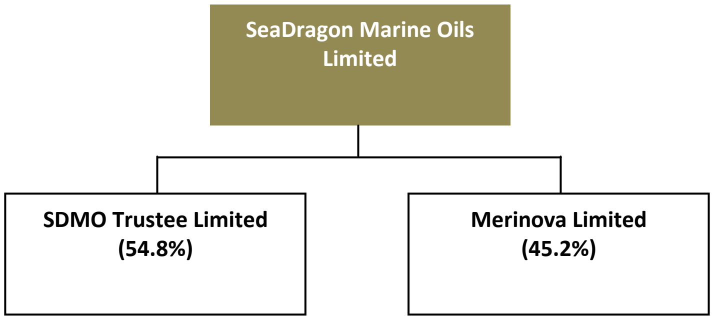
SeaDragon is a 100% owned subsidiary of Merinova Limited (**Merinova**), a holding company which purchased the assets of SeaDragon Fish Oils Limited (**SeaDragon Fish Oils**) in 2004. At the time of the purchase, SeaDragon Fish Oils was a small independent company with over 20 years of experience in the fish oils business and had secured many of the customers currently retained by SeaDragon. Merinova has nine shareholders comprising various individuals and companies as detailed below.



* Shareholder data for Merinova is following the conversion of shareholder loans made by interests associated with Ross Keeley. Mr Keeley holds a majority interest (99.9%) in Longview Te Pirita Ltd.

SDMO Trustee Limited and Stuart Macintosh

We understand that, immediately prior to the acquisition of the SeaDragon business by Claridge, a convertible note held by interests associated with Stuart Macintosh (SDMO Trustee Limited) will be converted into SeaDragon shares. As a result, SDMO Trustee Limited will hold 54.8% of the shares in SeaDragon Marine Oils Limited, with Merinova holding the remaining 45.2% as shown in the diagram below.



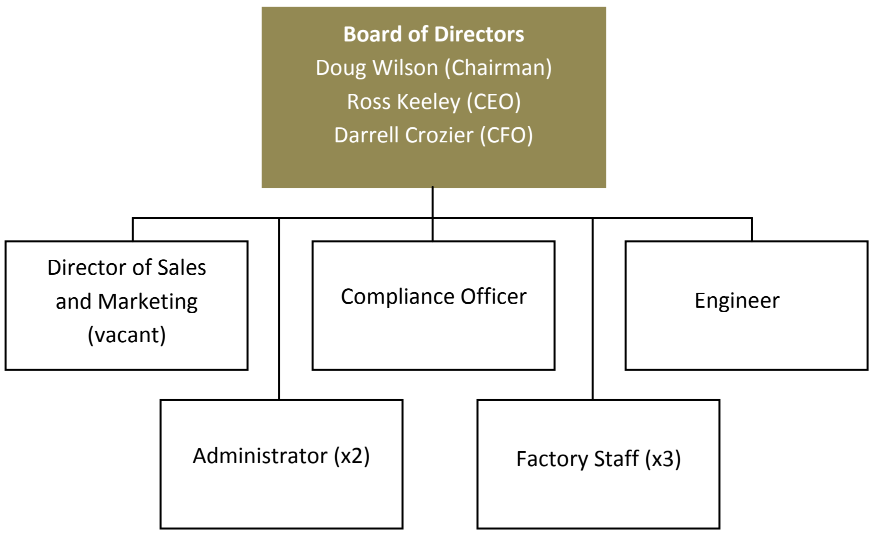
As a result of the issue of SeaDragon shares to SDMO Trustee Limited, interests associated with Stuart Macintosh will hold more than 50% of the shares in SeaDragon. We note that Mr Macintosh is also providing working capital facilities (letter of credit) to SeaDragon that will be transferred to Claridge subject to completion of the Proposed Transaction.

Stuart is a Business Consultant / Investor. After completion of an Agricultural Science degree Stuart has gained 20 years experience working in agriculture, forestry and primary production industries followed by 11 years in FMCG with Cerebos Gregg's working in various operations, sales and general management roles.

SeaDragon Notes

In addition to the convertible note held by SDMO Trustee Limited, David Thomas and Skylog Limited recently subscribed for convertible notes in SeaDragon with a face value of $100,000. Subject to completion of the Proposed Transaction, these notes will automatically convert into ordinary shares in Claridge at a conversion price of 0.8 cents per share. David Thomas and Skylog would subsequently respectively become minor shareholders in Claridge.

5.2 Organisational Structure



The Board

Dr. Doug Wilson is Chairman of the SeaDragon Board, a shareholder in Merinova, and has a background in the international pharmaceutical industry in the United States and globally. Doug has had a long involvement with the US Food and Drug Administration and other regulatory authorities, clinical trials, production and marketing.

Ross Keeley is the SeaDragon CEO and major shareholder in Merinova. Ross is a food technologist by training and his experiences include being head of a major division of Tegel Foods Limited, head of Ngai Tahu Fisheries Limited and CEO of BioProducts (New Zealand) Limited which exported high value deer velvet products to the US, where he gained extensive experience in the market and built relationships with senior personnel in the international natural food industry.

Darrell Crozier is an accountant, shareholder in Merinova and is currently the acting SeaDragon CFO. Darrell has experience in the marketing of scientifically-derived products and was part of the AgResearch Business unit.

Sales and Marketing

Ross Keeley as CEO drives the sales and marketing performance of the business. Due to current plant capacity constraints SeaDragon’s order book is presently full and marketing activities are therefore limited until such time as increased production capacity comes on stream.

Jo Hosking B.Tech (Food) is part of the marketing team, and is currently on extended maternity leave. Jo has 7 years experience in the dairy industry, primarily in R&D and technical marketing for the health foods and dietary supplements sectors in NZ and the UK. Jo has been with SeaDragon, and is also a shareholder of Merinova, since 2004.

Operations Team

Michael Baird is SeaDragon's Production Manager, responsible for overseeing all aspects relating to processing/plant in the factory and leading the production team. Michael has been involved with the food manufacturing industry for 20 years and has been with the Company since 2005.

Phil Walter is a fully qualified engineer with extensive practical and planning experience obtained while working in England and New Zealand. He has supervised and planned a number of projects for large New Zealand based companies and is expected to add significant value to the refined fish oil project.

Thomas Varghese is the Compliance Officer responsible for all facets of quality assurance and regulatory affairs. Thomas is tertiary qualified with experience in the dairy/lipid industries and is able to transfer this knowledge to the fish oil sector.

Jo Singer is the Administration Manager and is responsible for all accounts-related matters, payroll, monthly financial reporting to the CEO, and ensuring all production is accurately reflected in the Company's manufacturing software. Jo's background is in accounts and administration and has been with SeaDragon since 2005.

Tony Hagenson is the Senior Process Technician. Tony has been employed in the food manufacturing/seafood industry for many years, and has numerous “Unit Standards” in the areas of processing and quality management.

Steven Bannan is the Company's Intermediate Process Technician. Steven has 16 years experience within the processing/manufacturing industry including the food industry and has been with the Company since 2007.

Margaret Fern provides administrative support to the Administration Manager.

5.3 SeaDragon Business Strategy

SeaDragon’s current business strategy comprises a 3 stage growth plan as summarised below.

Stage 1: The Current Situation - Squalene and Deep Sea Shark Liver Oil Products

SeaDragon’s business is currently based on the production of Squalene and other shark oil derived products, which are being supplied predominantly to Australasian customers. This has helped build SeaDragon’s international profile, as well as its capacity to acquire raw materials and its ability to produce a high quality product. However, working capital constraints over the past two years have limited SeaDragon’s ability to satisfy customer demand. The key target market for squalene is in Asia.

SeaDragon’s Stage 1 strategy is to establish supply regularity for DSSLO products, maximise the value of the current commodity products, maximise sales to existing customers and establish new customers. Many of these objectives can be achieved by simply addressing working capital requirements.

Stage 2: Expansion into Omega 3 Oil Products

The second phase of growth planned by the Company involves the manufacture and marketing of Omega 3 products. In recent years there have been considerable human health studies examining the potential benefits of various fish derived Omega-3 oils. (e.g. reduced risk of heart disease, improved mental health, anti-inflammatory and joint health etc).

SeaDragon has identified market opportunities for Omega 3 products from marine based bioactive compounds in the natural / therapeutic products, cosmetic and pharmaceutical markets. While the US and European markets are the most sophisticated, the Asia Pacific region represents 30% of total consumption of marine and algae oil Omega 3 ingredients.

The Company intends sourcing Hoki, Tuna and Anchovy fish oils from NZ and overseas sources in order to produce Omega 3 at its Nelson plant. Until such time as SeaDragon commissions new and large scale equipment for handling increased Omega 3 oils it is concentrating on completing product development work. Sales growth is expected to come from existing customers and those identified through market research.

A 2010 Industry research paper published by Frost & Sullivan (Report Code N73D – 88) states there are 30+ participants in the Asia Pacific market based on 2008 data. They estimated the total market value in 2008 at $415M. SeaDragon intends on leveraging NZ's clean, green and safe image as an Omega 3 supplier.

Stage 3: New Product Development of Natural Health Nutraceuticals and Bioactive Products

The Stage 3 growth strategy involves SeaDragon partnering with R&D providers to develop new products in the marine natural health and bioactives area, achieving sales to existing and new customers. Avenues for further research, subject to funding include:

- Marine collagen.
- High purity DHA and EPA.
- Natural seaweed antioxidants.
- Squalene.
- Halal gelatine.
- Nervonic acid.

However these research priorities will be progressed in view of market potential and resource availability. Potential third party R&D partners include Crown Research Institutes such as Plant and Food Research.

5.4 SeaDragon Current Product Range

The current products manufactured at the Nelson plant include:

- squalene, and;
- various DSSLO-squalene blends with a lower squalene content.

At present most SeaDragon products are made from deep sea sources to obtain the highest possible Squalene content. However it's important to note that the material acquired by SeaDragon for add value processing is the waste stream (i.e. by-products) after the fish harvest.

5.5 Historic Financial Results

A summary of SeaDragon's audited historical financial statements for the year ending 30 June 2011 and the unaudited historical financial statements for the year ending 30 June 2010 and nine months ending 31 March 2012 are set out below. We note that SeaDragon has changed its reporting date to 31 March and therefore the nine month period to 31 March 2012 reflects the company's financial year (FY12). Further summary financial information is provided in the Profile that accompanies the Notice of Meeting.

SeaDragon Marine Oils Limited - Summary Statement of Comprehensive Income				
		Unaudited	Audited	Unaudited
		Actual	Actual	Actual
NZ$000's	**Notes**	**Jun-10**	**Jun-11**	**Mar-12**
Revenue	1	1,713	1,906	2,278
Cost of Sales		1,068	1,087	1,499
Gross Profit		**645**	**819**	**779**
Direct Operating Costs		283	228	279
Contribution before Overheads		**362**	**591**	**500**
Other Expenses		886	798	689
Depreciation		373	393	389
Operating Profit before Financing Costs		**(897)**	**(600)**	**(578)**
Financing Costs		268	246	133
Loss before Income tax		**(1,165)**	**(846)**	**(711)**
Income Tax Expense		-	-	-
Other Comprehensive Income				
Plant Revaluation		-	1,801	-
Income Tax Relating to Other Comprehensive Income		-	482	-
Total Comprehensive Income		**(1,165)**	**473**	**(711)**

Notes

1 The period to March 2012 represents 9 months of trading.

SeaDragon Marine Oils Limited - Summary Historical Profitability Ratios				
		Unaudited	Audited	Unaudited
		Actual	Actual	Actual
NZ$000's	**Notes**	**Jun-10**	**Jun-11**	**Mar-12**
Profitability	1			
Gross Margin		37.7%	43.0%	34.2%
Contribution Margin		21.1%	31.0%	21.9%
Operating Margin		-52.4%	-31.5%	-25.4%
NPAT Margin (Prior to Other Comprehensive Income)		-68.0%	-44.4%	-31.2%

Notes

1 The period to March 2012 represents 9 months of trading.

SeaDragon Marine Oils Limited - Summary Cashflow				
		Unaudited	Audited	Unaudited
		Actual	Actual	Actual
NZ$000's	**Notes**	**Jun-10**	**Jun-11**	**Mar-12**
Cash from Operating Activities	1	(207)	(667)	(347)
Cash from Investing Activities		9	(23)	(6)
Cash from Financing Activities		265	655	365
Net Increase / (Decrease) in Cash		**67**	**(35)**	**12**

Notes

1 The period to March 2012 represents 9 months of trading.

SeaDragon Marine Oils Limited - Summary Financial Position				
NZ$000's	Notes	Unaudited Actual Jun-10	Audited Actual Jun-11	Unaudited Actual Mar-12
Current Assets				
Cash and Equivalents		56	5	(51)
Receivables		261	125	219
Inventory		290	641	894
Other		69	66	263
		675	837	1,325
Current Liabilities				
Overdraft		85	69	-
Payables		811	754	689
Accrued Expenses		279	328	-
Loan and Borrowings		2,143	2,047	839
Other	1	148	269	979
		3,465	3,468	2,507
Non-current Assets				
Property Plant and Equipment		2,411	3,834	3,451
Intangible Assets		-	-	-
		2,411	3,834	3,451
Non-current Liabilities				
Term Liabilities		-	-	1,576
Tax Liability		-	482	-
Advance - R Keeley		580	-	-
		580	482	1,576
Net Assets		**(959)**	**721**	**693**

Notes

1 Includes shareholder advances of $737,343 as at 31 March 2012.

Despite achieving annual sales in the order of $1.7M to $2.3M over each of the last four financial years, SeaDragon is yet to generate operating profits. As discussed in Note 20 of the audited financial statements for FY11, the Company is currently dependent on the continued support of its shareholders and financiers and the successful outcome of future plans in order to continue as a going concern.

Significant financing costs and working capital constraints have limited SeaDragon's ability to increase production and hence grow sales.

SeaDragon's financial position improved significantly in FY11 as a result of a positive plant revaluation of $1.8M (less the associated tax liability of $482,000). However, a bank covenant breach resulted in bank debt being reclassified as a current liability in the audited FY11 accounts to reflect the bank's right to demand repayment.

The plant and equipment at the Nelson factory was revalued to a fair value of $4.03M as at 4 March 2011 and subsequently depreciated. Fair value was determined by Value Added Solutions Limited (**VASL**) registered plant and machinery valuers. VASL noted that in preparing its valuation it assumed that all plant, equipment, fixtures, fittings and installations were in proper working order and functioning for the purposes for which they were designed and conformed to government (including local) regulations and codes (as at the date of the valuation). VASL has consented to the inclusion of a reference to its valuation in this Report.

We note that SeaDragon currently has a line of credit arrangement in place with Stuart Macintosh of up to $1.25M to assist SeaDragon with funding the purchase of raw materials. This facility is secured by way of a security interest over all raw materials, work in progress, finished goods and proceeds of sale relating to the inventory financed by Mr Macintosh under the trade credit facility.

5.6 Prospective Financial Information

The management of SeaDragon has prepared detailed monthly projections that have been made available to Campbell MacPherson. These comprise unaudited prospective financial information on the SeaDragon business on the basis that the Proposed Transaction proceeds as at 1 September 2012 and subject to a range of general and specific assumptions as set out in Section 5.7 of this Report and as contained in the Profile that accompanies the Notice of Meeting.

A summary of SeaDragon's prospective financial information for the three years ending 31 March 2015 (i.e. **FY13**, **FY14** and **FY15**) are set out below.

SeaDragon Marine Oils Limited - Summary Forecast Statement of Comprehensive Income				
NZ$000's	**Notes**	**Unaudited Forecast Mar-13**	**Unaudited Forecast Mar-14**	**Unaudited Forecast Mar-15**
Revenue		6,206	10,473	13,875
Cost of Sales		3,353	5,548	7,039
Gross Profit		**2,853**	**4,925**	**6,836**
Direct Operating Costs		514	919	974
Contribution before Overheads		**2,339**	**4,006**	**5,862**
Other Expenses		1,061	1,655	2,163
Depreciation		481	726	684
Corporate Overheads		160	250	250
Operating Profit before Financing		**637**	**1,375**	**2,765**
Finance Costs		100	64	14
Profit before Tax		**537**	**1,311**	**2,751**
Tax		215	420	839
Total Comprehensive Income		**322**	**891**	**1,912**

SeaDragon Marine Oils Limited - Summary Forecast Profitability Ratios				
NZ$000's	**Notes**	**Unaudited Forecast Mar-13**	**Unaudited Forecast Mar-14**	**Unaudited Forecast Mar-15**
Profitability				
Gross Margin		46.0%	47.0%	49.3%
Contribution Margin		37.7%	38.3%	42.2%
Operating Margin		10.3%	13.1%	19.9%
NPAT Margin		5.2%	8.5%	13.8%

SeaDragon Marine Oils Limited - Summary Forecast Cashflow				
		Unaudited	Unaudited	Unaudited
		Forecast	Forecast	Forecast
NZ$000's	**Notes**	**Mar-13**	**Mar-14**	**Mar-15**
Cash from Operating Activities		413	245	2,266
Cash from Investing Activities		(1,325)	(675)	(450)
Cash from Financing Activities		569	-	-
Net Increase / (Decrease) in Cash		**(343)**	**(430)**	**1,816**

SeaDragon Marine Oils Limited - Summary Forecast Financial Position				
		Unaudited	Unaudited	Unaudited
		Forecast	Forecast	Forecast
NZ$000's	**Notes**	**Mar-13**	**Mar-14**	**Mar-15**
Current Assets				
Cash and Equivalents		(394)	(824)	992
Receivables		302	706	797
Inventory		1,523	1,262	1,605
Goods in Transit		-	900	1,125
Other		26	26	26
		1,457	2,069	4,544
Current Liabilities				
Payables		201	187	269
LC Obligations		799	678	1,005
Advances		675	276	-
Other		61	265	463
		1,737	1,407	1,737
Non-current Assets				
Property Plant and Equipment		4,295	4,244	4,011
Intangible Assets		-	-	-
		4,295	4,244	4,011
Net Assets	1	**4,015**	**4,906**	**6,818**

Notes

1 Excludes selected liabilities that will not be transferred as part of the Proposed Transaction.

We note that the net assets have been adjusted by excluding liabilities not being acquired by Claridge as part of the Proposed Transaction. These liabilities comprise:

- Convertible Note with a book value of $0.2M as at 31 March 2012.
- Deferred taxation liability with a book value of $0.482M as at 31 March 2012.

These forecasts and the assumptions on which they are based have been prepared by SeaDragon management and have been subject to due diligence investigation by Claridge. The prospective financial information has also been subject to a Statutory Auditor's Report by chartered accountants HLB Mann Judd in accordance with clause 28 of Schedule 1 of the Securities Regulations 2009.

Campbell MacPherson has reviewed the prospective financial information provided and has met with the senior management of SeaDragon to discuss the assumptions relating to the prospective financial information and the key drivers of the SeaDragon business. In our view there is significant risk inherent in achieving these forecasts and we have taken this into consideration in our valuation of the SeaDragon business (see Section 7).

5.7 Key Assumptions

Assumptions in relation to the prospective financial statements to 31 March 2015.

General Assumptions

The following general assumptions are relevant to the prospective financial information:

- There will be no material change in the general economic environments that SeaDragon operates in.
- There will be no material change in the competitive operating and regulatory environment nor any significant technological change or new entrants that will materially change the competitive environment.
- There will be no material business acquisitions or disposals outside the ordinary course of SeaDragon's business.
- There will be no change in accounting standards which would have a material effect on SeaDragon.
- There will be no material amendments to any material agreements.
- There is not anticipated any material change to the tax regime in New Zealand.
- Senior management and other key staff will continue in their current roles.

Specific Assumptions

Opening Equity
Opening equity at 1 July 2011 does not recognise the convertible note of $0.2M held by SDMO Trustee Limited or the deferred tax liability of $0.482M in relation to the revaluation of plant and equipment, as it is assumed that only selected assets and liabilities are being acquired by Claridge.

Revenue and Cost of Goods Sold
Total revenue is assumed to increase to $6.206M in FY13, $10.473m in FY14, and $13.875M in FY15. This reflects two key factors:

- Increased sales volumes following additional equity finance of $2.9M by September 2012. This finance is expected by SeaDragon to provide sufficient resources to enable increased volumes of raw materials to be purchased on a more consistent basis to meet customer demand, existing capacity to be more fully utilised and new business opportunities to be pursued.

- The construction of a refined fish oil plant in the second half of FY13 and its commissioning to commence production by June 2013.

As a result of the financial support in the form of Letter of Credit (**LC**) guarantees, SeaDragon was able to procure increased volumes of raw material and therefore more adequately meet the demands for product from existing customers. This is demonstrated by reviewing FY12 actual quarter sales revenues: Jul – Sept 2011 $0.62M, Oct- Dec 2011 $0.591M and Jan – Mar 2012 $1.067M.

The actual quarter sales Apr - June 2012 were $932k. April 2012 sales reached a monthly high at $535k and when combined with those of March, the annualised equivalent based upon these two months would equate to $5.9 million. Actual sales in May and June 2012 were approximately $0.2M below forecast due to the delayed Transaction. SeaDragon advises that, as at the date of this Report, it expects to deliver total sales of $1.875M for the first half of FY13 (i.e. for the period Apr – Sept 2012) compared with its forecast of $2.035M.

FY12 sales to 30 June 2012 were $3.2 million versus prior year 30 June 2011 of $1.9 million and equates to year on year sales growth of 68%.

For FY13 the increase in forecast revenues to $6.2M is expected by SeaDragon to be achieved by virtue of having access to additional working capital that will enable procurement of larger volumes of raw materials which once processed will meet existing customer demands with sufficient product available to actively engage new customers in new markets. Contracted third party processing income is also included.

Projected FY14 and FY15 increases in sales revenue to $10.473M and $13.875M respectively is driven by the commissioning of the refined fish oil plant in June 2013 which will produce commercial volumes of refined fish oils which are the key ingredients used in the manufacture of Omega 3 Fish Oil capsules and related products. The commissioning of the refined fish oil plant is expected by SeaDragon to increase the plant's volumetric capacity from approx 1,000 tpa currently to more than 4,000 tpa depending on product mix which will provide sufficient capacity for future increases in sales revenue beyond FY15.

SeaDragon advises that it enjoys a close working relationship with a European based supplier who visited New Zealand in late 2011. This supplier has procured on behalf of their business in excess of 140 tonnes of fish oil in 2011 and has advised that he can supply additional volumes in FY13 and FY14 to meet forecast demand. Once funding is obtained additional supply is also planned to be sourced via a company based in India and another company based in Indonesia which has strong links to China and has already "brokered" sales between SeaDragon and a new customer in China.

Sales prices are constant throughout the prospective period in both USD and NZD currencies on the assumption that raw material prices will also remain constant. Any increase in raw material cost will result in an increase in sales price. While some variation will occur through exchange rate variation, the impact is expected to be minor. Increases in total sales revenue relate to increased sales volumes.

Where applicable, forecast sales prices are based on current international market prices given that the SeaDragon business competes in international markets.

Cost of goods sold is based on existing standard raw material costs. The cost of goods sold as a percentage of sales is expected to reduce slightly over time due to improved manufacturing efficiencies derived from increased batch sizes and overall volumes through the factory together with additional efficiency gains associated with "more efficient" equipment installed in the refined fish oil plant in June 2013.

As the volumes of refined fish oil sales increase, the average selling price per kg for all products, and margin ($ per kg) reduces, although margin as a percentage is slightly enhanced. This is largely due to the fact that refined fish oils have a lower selling price per kilo when compared to those products derived from shark liver oil.

Tuna oil tends to be at the higher end of the selling price scale and while margin % is the same as that of anchovy oil the margin ($ per kg) is almost three times that of anchovy oil. Hence business focus will be on maximising the sale of tuna oil. SeaDragon expects to have access to large volumes of tuna oil currently sold into the aquaculture / animal feed market via tuna processing facilities in Fiji and Samoa, with equipment installed in the former facility to maximise both quality and quantity.

The general revenue assumptions include:

- Sales demand is as per informal customer indications with sufficient resources available to enable new business opportunities to be explored and exploited.
- Existing customers will remain “loyal” to the business and will not seek supply from competitors.
- Access to raw materials and payment terms will remain as they do currently, although volumes/availability will move with sales demand.
- Market growth for the products will continue in line with current international trends.
- Continued reinforcement from the scientific community regarding the “health and well-being” importance of omega 3 products derived from fish oil.
- New Zealand’s cachet re clean and natural will remain.
- No adverse world economic crisis.
- Progressively transition from ingredient supplier to supply chain manager for major health supplement brands supplying added value bulk generic finished goods
- As the business grows with a broadening of the product range markets and customers primary focus will be extended beyond Northern Asia to include those based in the EU and USA.
- Increasing future emphasis on products produced from NZ sourced marine based raw materials that will enable further market expansion and provide customers with additional level of unique selling points.

Foreign Exchange Rates

The NZD:USD exchange rate has been forecast by SeaDragon at 0.80 for FY13 and 0.75 for FY14 and FY15.

Other Operating Expenses

Other operating expenses are based on a modest increase at the start of the period under review with capacity, but these do increase in line as the business grows and expands its product range and market share. Administration and CFO resource is expected to be increased from September 2012.

Existing staff will be retained with a sales and marketing professional employed in FY13 and additional staff employed as the needs of the business dictate.

The business will invest in Research and Development projects of $5,000 in FY13, $85,000 in FY14 and $180,000 in FY15 to bring new products to market from FY15 onwards.

Corporate Overheads
Prospective financial information includes corporate overhead costs of $0.25M per annum from September 2012 consist of operating and administration costs and includes costs associated with being publicly listed such as compliance and audit. They also include director's fees reflecting the composition of the proposed board.

Depreciation
Depreciation is calculated consistent with the accounting policies and rates as stated and with the capital expenditure forecast. No further revaluation gains or losses have been assumed in relation to the plant and equipment.

Equity Finance
In June 2012 two external parties provided $0.1 million of funding by way of convertible notes. It is assumed that in September 2012 Octa Phillip will subscribe for $2.5 million and Claridge Capital Limited will provide $0.4 million of cash.

Sufficient capital will be raised in FY13 to enable the refined fish oil plant to be commissioned to meet forecasted sales by June 2013.

Finance facilities and interest costs
Finance arrangements and facilities are currently being finalised. The prospective financial statements reflect an expectation of the existing bank funding being repaid in full in September 2012.

There is a current expectation by SeaDragon management that up to a $1.8 million flexible loan facility from a new lender will be obtained in September 2012, with an interest rate of 6.25% and a reduction in available facility by $20,000 each month. The forecast interest expense assumes that the debt facility will be utilised to the extent of the overdraft cash position.

It is assumed that there will be no material change in conditions relating to the availability of funding or banking arrangements. The existing bank loan is assumed to be non-current.

PAVE BioActives Limited
The amount of approximately $0.65M owed to Pave BioActives Limited under the Strategic Co-operation Agreement is assumed to be subject to interest of 7.5% p.a. and be fully repaid in September 2012.

Capital Expenditure
The business will remain on its existing Nelson site for the foreseeable future and face no issues as a consequence of local and central government related regulations.

The construction of a refined Fish Oil plant is to be undertaken in the second half of FY13 to be ready to commence production in June 2013. The estimated cost is $2.25 million but $0.75 million of this is assumed to be the machinery component which will be leased for 5 years with a monthly charge of $14,600 from May 2013. It is assumed that this is an operating lease.

At 31 March 2013 the final progress payment of $0.175 million is expected to be outstanding. See the benefits from this expansion in the business assumptions.

Further general capital expenditure is allowed for as a budgeting item of $0.5 million in FY14 and $0.45 million in FY15, likely to be in relation to existing plant and equipment. The needs of the business will be aligned as to actual requirements as the business regularly updates the business plan and budgets for FY14 and FY15.

Accounts Receivable
The mix of debtors changes over time as the refined fish oil products will predominantly be sold into the Australasian market where delayed payment terms tend to be the norm. Sales to other markets will be protected via LC's or payment in advance which tends to be the case at present.

Early payment terms can be negotiated, however, the benefits will be more than likely be offset by a reduction in selling price.

Goods in Transit
Goods in transit of $0.9M in March 2014, and $1.125M in March 2015, together with accompanying letters of credits, are assumed.

Taxation
The corporate tax rate is assumed at 28% for the purpose of calculating the income tax expense. However, deferred tax accounting has not been estimated and most temporary differences are expected to be minor. An adjustment is made for potential lower tax depreciation compared to accounting depreciation such that the effective tax rate is 40% in FY13 reducing to 32% in FY14 and 30% in FY15.

Provisional tax payments are made in August, January and May each year.

Dividends
The prospective financial statements as presented have not anticipated any payment of dividends.

Working Capital
Working capital levels are assumed based on the current terms for assets and liabilities. Working capital is available to meet the needs of the business to purchase raw material and fund its conversion to finished goods.

The validity of the going concern assumption depends on the continued support of the Company's shareholders and financers and the successful outcome of future plans.

Sensitivity of Significant Assumptions
The prospective financial information is inherently subject to significant business, economic and competitive uncertainties and contingencies and accordingly actual results are likely to vary from the prospective financial information and such variations may be material.

6. PROFILE ON OCTA PHILLIP

6.1 Octa Phillip Bioscience Managers

Publically available information on Octa Phillip (formerly IB Managers) states that it is a leading Australasian life sciences investment firm. Octa Phillip is a specialised fund manager focused on creating investment vehicles which bring together investor needs with market opportunities. The firm operates a high support model, providing assistance and support to portfolio companies via a multi-disciplinary global team and international network of independent industry advisors.

Octa Phillip is backed by Octa Phillip Financial Group, one of Australia's largest independent corporate advisory and broking firms. Octa Phillip's major shareholder, Singapore-based Phillip Capital Group, has over 3,500 employees globally, assets under management in excess of USD18 billion and offices in 14 financial centres across the world.

Octa Phillip's investment in Claridge is being made from the first fund under the Octa Phillip banner, the IB Australian Bioscience Fund I. Fund I is an A$41M fund, which has currently delivered a 30+% IRR and remains active. The experience of the team, with over 170 investments and over 40 IPO's/ reversals in Europe, the USA and Australia, and a diverse skill set specific to the bio-based industries, is expected by the Claridge Board to provide the SeaDragon business with significant value-add in addition to capital invested.

6.2 Octa Phillip Appointments to the Board of Claridge

In conjunction with its Investment in Claridge, Octa Phillip will (subject to Claridge shareholder approval) have two nominees on the Claridge Board, Jeremy Curnock Cook and Matthew McNamara. Brief profiles on Mr Smith and Mr McNamara are provided below.

Jeremy Curnock Cook BA (Hons) MA

Jeremy Curnock Cook, Managing Director of Octa Phillip Bioscience Managers, is the former head of the life science private equity team at Rothschild Asset Management, was responsible for the launch of the first dedicated biotechnology fund for the Australian market and the launch of a joint venture with Johnson & Johnson Development Corporation for the creation of Healthcare Ventures, an investment vehicle dedicated to seed stage investments in Europe, as well as the conception and launch of the International Biotechnology Trust (IBT).

Prior to joining Rothschild, Mr Curnock Cook founded the International Biochemicals Group (IBG) in 1975. Following the successful sale of IBG to Royal Dutch Shell in 1985, Mr Curnock Cook managed the integration process into Shell operations prior to being invited to join Rothschild in 1987.

Mr Curnock Cook received his MA in Natural Sciences from Trinity College in Dublin in 1971, and was a research scientist at the Institute of Cancer Research from 1972 to 1973.

Mr Curnock Cook has served on more than 30 boards of directors in the healthcare and medical sciences sector in the UK, Europe, USA, Canada, Japan and Australia. Current board positions include:

- AmpliPhi Biosciences Corporation (USA)(Chairman),
- Bioxyne Ltd. (Australia)
- Virgin Health Bank QSTP LLC (Qatar)
- Avena Therapeutics Limited (UK)
- Union Medtech plc (UK)
- Phylogica Limited (Australia)

Mr Curnock Cook lives in London England.

The Board does not consider that Mr Curnock Cook will be an independent director of the Company given his association with Octa Phillip.

Matthew McNamara BSc (Hons) MBA

Matt McNamara, Chief Investment Officer of Octa Phillip Bioscience Managers, has over 23 years' experience in the Healthcare & Medical Sciences sector. After initially being a Molecular Biology Research Assistant, Mr McNamara spent 11 years in Sales & Marketing, and General Management with Merck & Co. and Johnson and Johnson Medical Pty. Ltd. respectively. He has served as SVP Business Development for a University of Sydney spin out, eBioinformatics Inc. and was CEO of a Life Sciences Venture Capital fund, SciCapital Pty. Ltd.

Mr McNamara founded BioBridge Australia, a biotechnology Commercialisation Advisory, in 2004, and advised a number of private and public biotechnology/investment companies. He is a Director of SciCapital Pty Ltd a private biotech investment company. Since 2008, Mr McNamara has been the Fund Manager for the IB Australian Bioscience Fund I.

Mr McNamara lives in Melbourne Australia.

The Claridge Board does not consider that Mr McNamara will be an independent director of the Company given his association with Octa Phillip.

7. VALUATION OF SEADRAGON

7.1 Introduction

The Proposed Transaction involves the acquisition of all of the business assets and certain liabilities (as described in Section 5.6) of SeaDragon. In such circumstances, we are of the view that the appropriate basis upon which to evaluate the merits of the Proposed Transaction is to compare the acquisition consideration with the full underlying equity value of SeaDragon on a standalone basis adjusted for any liabilities not being transferred.

Such an approach attributes full control value to SeaDragon under its current strategic and operational initiatives, but excludes the value of any synergies that may accrue to a specific acquirer. This valuation approach is appropriate given the nature of the transaction which involves "reverse-listing" SeaDragon into Claridge.

7.2 Basis of Value

We have assessed the fair market (equity) value of SeaDragon. Fair market value is defined as the price (expressed in terms of money or money's worth) that a willing but not anxious buyer, with access to all relevant information and acting on an arm's length basis, would be prepared to pay to a willing but not anxious seller in an open, unrestricted and stable market.

7.3 Valuation Methodology

In general terms, the aggregate value of the assets in a Company represents the present value of the future cash flows able to be generated by such assets. There are a number of methodologies used in valuing shares and businesses. The most commonly applied methodologies include:

- Discounted Cash Flow (**DCF**).
- Capitalisation of earnings / dividends
- Net assets or estimated proceeds from an orderly realisation of assets (Net Asset Value or **NAV**).

Each of these valuation methodologies is applicable in different circumstances. The appropriate methodology is determined by a number of factors including the future prospects of the business, the stage of development of the business and the valuation practice or benchmark usually adopted by purchasers of the type of business involved.

Discounted Cash Flow (DCF) Method

The DCF method is the fundamental valuation approach used to assess the present value of future cash flows, recognising the time value of money and risk. The value of an investment is equal to the value of future free cash flows arising from the investment, discounted at the investor's required rate of return.

DCF valuations generally require management to prepare detailed long-range cash flow projections for the business, together with an assessment of the appropriate cost of capital or “discount rate” that should be applied to determine the present value of those future cash flows.

Furthermore, it is difficult to determine cash flows beyond the explicit forecast period and these are often capitalised based on certain assumptions around the long-term sustainable cashflows of the business (commonly referred to as the “terminal value”). Valuations derived using the DCF method are often highly sensitive to the cost of capital used and the terminal value.

Capitalisation of Earnings / Dividends Method

The capitalisation of earnings method is an adaptation of the DCF method. It requires an assessment of the future maintainable earnings of the business and a selection of a capitalisation rate (or earnings multiple) appropriate to that particular business for the purpose of capitalising the earnings figure. This method is based on the principle that comparable companies engaged in similar business activities will have similar operating and financial risks and returns and can therefore be valued using a similar multiple of earnings.

A multiple is often applied to earnings before interest, tax, depreciation and amortisation (**EBITDA**) or earnings before interest and tax (**EBIT**) in order to determine the enterprise value (**EV**) of the business. In the event that the company has negative earnings, a multiple of sales is sometimes used as a proxy for comparative purposes.

The EV represents the value of the business as a whole and a deduction is often then for net debt to determine the equity value of the business and the implied value per share.

Comparable multiples are generally derived using two key sources of information;

- Implied multiple of earnings data based on recent historical (and/or forecast) earnings of comparable publically traded companies relative to their Enterprise Value (derived from the current market capitalisation).
- Implied multiple of earnings data based on recent historical (and/or forecast) earnings of comparable companies relative to their Enterprise Value (derived from the acquisition price paid for a company in a recent transaction).

Comparable transaction data is often the most applicable guide to determining the fair market value of a Company. However, this data is often confidential and is therefore difficult to obtain due to its commercial sensitivity.

The capitalisation of dividends method is similar to a capitalisation of earnings approach and is generally used to value minority equity shareholdings. This method involves a direct determination of the equity value of a company using an assessment of the future maintainable dividends. The future maintainable dividends are capitalised using an appropriate dividend yield to determine the value of equity and value per share.

Capitalisation of earnings methodologies are generally most appropriate for established companies with stable earnings. The advantage of an earnings-based method over the DCF method is that earnings multiples can be directly observed in the market.

Asset-based Methods

An asset based methodology is often used in circumstances where the assets of a company have a market value independent of the profitability of the company that owns them.

A valuation based on an orderly realisation of assets is normally restricted to instances where the investor holds sufficient control to effect a sale of the assets and/or there is some indication that an orderly realisation is contemplated. This approach may also be used to test a preferred valuation approach by providing an estimate of a minimum value for the company.

7.4 Our Valuation Approach

Our preferred valuation approach to assess the fair market value of SeaDragon is the DCF method. Other methods such as using a capitalisation of earnings approach are not appropriate given the historic losses incurred by the SeaDragon business and the rapid improvement in earnings forecast over the period to FY15. Furthermore, the significant forecast capital expenditure requirements for the SeaDragon business also makes earnings comparisons inappropriate.

Companies such as SeaDragon that are forecasting high revenue and earnings growth generally require significant cash investment in working capital and capital expenditure to support such growth. The DCF method accommodates such factors in determining value.

We have also cross-checked our DCF valuation against the NAV method, which is generally an indication of the lower limit of a company's value as a going concern.

7.5 Valuation of SeaDragon

DCF Method

Free Cash Flow

Free Cash Flow (**FCF**) represents the cash available to be distributed to all equity security holders in a company after accounting for capital expenditure and investment in working capital.

Typically a long range forecast (i.e. at least 5 years) is used to undertake a DCF valuation. In the case of SeaDragon, management has provided forecasts for the period 1 September 2012 – 31 March 2015 (approximately 2.5 years) which is a shorter period than we would prefer. The implications of this in terms of valuation include:

a) Greater emphasis on the terminal value and related assumptions when forming a view on the valuation range.
b) Resultant wider value range due to (a) above.
c) Potential to undervalue the company where growth in free cash flows beyond FY15 exceeds the growth rate assumptions made in calculating the terminal value.

Prospective financial performance, financial position and cash flows are provided in Section 5.6 of this Report. Key assumptions relating to these financial projections are detailed in Section 5.7. These forecasts form the basis of the DCF valuation and have been adjusted to exclude interest and financing costs and to include the average annual change in net working capital.

Discount Rate

The discount rate applied to future FCF should represent the Weighted Average Cost of Capital (**WACC**) for the business which in turn is a function of the riskiness of such cashflows. The discount rate is an important driver of any valuation, and the final Net Present Value (**NPV**) of a business is often highly sensitive to the discount rate used.

Typically the classification of a business' stage of development and the associated risks are fundamental in assessing an appropriate discount rate. It is important to note that SeaDragon is a growth company with no track record of historical profits and has significant risks going forward in relation to realising future cashflows. It is therefore appropriate that we consider discount rates likely to be applied by venture capitalists when considering such investments. Below we provide a breakdown of typical required returns for companies at various stages of their development.

Stage of Development	Description	Required Rate of Return
Seed	An idea exists but substantial research and development is still required. A management team, prototype, business plan and timetable do not exist at this point.	50% - 100%
Start-up	The company has a product which may still be a prototype, a business plan and basic structure exists but little or no revenue is being generated.	40% - 80%
First Stage / Early Stage	The structure of the company is in place, the product is ready for market and there may be some revenue generated to date.	40% - 60%
Second Stage / Expanding Stage	**The company begins full scale production of a product that it has been selling and which has been accepted by the market place. The company is ready for expansion into new markets for the existing product and is preparing for the introduction of further products.**	**20% - 40%**
Third Stage / Exploding Stage	The Company expands market share gained in the previous stage by increasing product volumes through effective marketing. Further, the company will reduce production costs, investigate follow-up products and services and explore opportunities to increase product life cycles.	20% - 30%

Source: The Portable MBA in Entrepreneurship – William Redgrave & New Venture Creation – Jeff Timmons

Based on our review of SeaDragon and discussions with current SeaDragon management, we consider the SeaDragon business is appropriately classified as a company in the "Second Stage" of development. SeaDragon currently has established products and a small but growing customer base. However, revenues are currently insufficient to drive sustained profitability. The company is currently in an expansion phase to broaden its product range and enter new related markets that are forecast to result in rapidly improving revenues and earnings.

We have also given consideration to the impact of the structure of the Proposed Transaction on the riskiness of the SeaDragon business from the perspective of Claridge shareholders. The terms of issue of the Earn Out Shares require the SeaDragon business to achieve certain earnings milestones (as described in Section 1.2).

A further consideration is that SeaDragon is expected to have net debt facilities totalling approximately $3.11M upon settlement of the Proposed Transaction (this includes the addition of a $100,000 convertible note which will be converted into new Claridge shares upon completion of the proposed transaction. The cost of capital in relation to this debt is still to be negotiated but is expected to be less than 10% p.a. on the basis of the prevailing interest rate applicable to the bank debt facilities.

Taking all of the above factors into account, we consider that an appropriate discount rate to apply to the forecast free cash flows of the SeaDragon business is in the range of 20% to 25%.

Terminal Growth Rate

The terminal value of a company represents the present value of FCF realised beyond the forecast period. As the nature of such FCF is unknown, an assumption must be made around the future growth of the SeaDragon business.

Terminal growth rates typically range from 2% to 5% per annum which predominantly reflects nominal growth in the wider economy. We consider a terminal growth rate of ranging from 2% to 5% per annum is appropriate to apply to SeaDragon on a conservative basis given it operates in a growth industry which is estimated to be currently growing at 10% – 15% per annum.

Adjustment to Terminal FCF

SeaDragon's FY15 FCF includes a large investment in additional working capital to meet the assessed working capital requirements of the business during its growth phase. We have therefore normalised the underlying FCF used for the terminal value calculation on the basis that the working capital requirement beyond FY15 will increase at the same rate as the terminal growth rate.

DCF Valuation

Utilising the inputs and assumptions outlined above we have determined our assessed valuation range for the SeaDragon business based on a 20% to 25% discount rate and a 2% to 5% terminal growth rate. The following two tables show the results of the DCF analysis at a

25% discount rate and 5% terminal growth rate and a 20% discount rate and 2% terminal growth rate respectively.

SeaDragon - Summary Valuation (as at 31 August 2012)				
NZ$000's				
Discount Rate	25.0%			
Terminal Growth Rate	2.0%			
		FY13[1]	**FY14**	**FY15**
Forecast Free Cash Flow		(525)	9	1,543
Terminal Value				8,351
PV	-	(461)	7	5,559
NPV	5,105			
Less forecast net debt on settlement	(3,108)			
Assessed Equity Value (Lower Range)	**1,997**			

Notes

1 Represents the period 1 September 2012 to 31 March 2013.

SeaDragon - Summary Valuation (as at 31 August 2012)				
NZ$000's				
Discount Rate	20.0%			
Terminal Growth Rate	5.0%			
		FY13	**FY14**	**FY15**
Forecast Free Cash Flow		(525)	9	1,543
Terminal Value				12,798
PV	-	(472)	7	8,954
NPV	8,489			
Less forecast net debt on settlement	(3,108)			
Assessed Equity Value (Upper Range)	**5,381**			

Notes

1 Represents the period 1 September 2012 to 31 March 2013.

Based on the analysis above we assess the fair market EV of SeaDragon using the DCF method to be in the range of $5.1M to $8.5M. After deducting forecast net debt as at 31 August 2012 of $3.11M, the implied equity valuation of SeaDragon is the range of $2.0M to $5.38M (midpoint $3.69M) as shown below:

SeaDragon - DCF Valuation Results		
NZ$000's	**Lower**	**Upper**
Discount Rate	25%	20%
Terminal Growth Rate	2%	5%
NPV (Enterprise Value)	5,105	8,489
Less Net Debt being Acquired	(3,108)	(3,108)
Equity Value	**1,997**	**5,381**

DCF Sensitivity Analysis

A DCF Valuation of this nature is often highly sensitive to the discount rate and terminal growth rate assumptions used. A sensitivity analysis is provided below setting out the NPV (Enterprise Value) and Equity Value of the SeaDragon business under a range of discount rate and terminal growth rate assumptions.

SeaDragon Sensitivity Analysis - NPV $000's				
	Discount Rate			
Growth Rate	**15%**	**20%**	**25%**	**30%**
2%	10,896	7,161	**5,105**	3,822
3%	11,752	7,551	5,317	3,950
4%	12,764	7,991	5,550	4,088
5%	13,977	**8,489**	5,805	4,238
6%	15,461	9,058	6,088	4,399
7%	17,315	9,714	6,402	4,575

SeaDragon Sensitivity Analysis - Equity Value $000's				
	Discount Rate			
Growth Rate	**15%**	**20%**	**25%**	**30%**
2%	7,789	4,053	**1,997**	715
3%	8,645	4,444	2,210	843
4%	9,656	4,883	2,442	981
5%	10,870	**5,381**	2,698	1,130
6%	12,353	5,950	2,981	1,292
7%	14,208	6,607	3,295	1,467

The results indicate that (all other inputs and assumptions remaining the same) at discount rates of 15% to 30% and terminal growth rates ranging from 2% to 7% the equity value of SeaDragon varies widely from $0.72M to $14.21M. In our view this wide range illustrates the challenges in valuing a business of this nature that has significant risk, significant existing debt (i.e. gearing) and significant growth potential.

Net Asset Value (NAV) Method

The forecast book value of equity for SeaDragon based on a 1 September 2012 settlement date is $0.597M. This includes fixed assets with a book value of $3.26M, $0.1M of convertible notes which will be converted into new Claridge shares upon completion of the Proposed Transaction and excludes selected liabilities that will not be transferred as part of the Proposed Transaction (as detailed in the table below).

SeaDragon Marine Oils Limited: Net Asset Adjustments	
	NZ$000's
Net Assets (including liabilities not being transferred)	(85)
Liabilities not Being Transferred	
Convertible Notes	200
Deferred Taxation	482
Net Assets (excluding liabilities not being transferred)	**597**

An independent valuation of plant, equipment and leasehold improvements by Value Added Solutions Limited dated 23 March 2011 assessed the market valuation of SeaDragon fixed assets at approximately $4.03M. As a result of this market valuation the relevant assets of SeaDragon were revalued on this basis as at 31 March 2011 and have been subsequently depreciated.

We consider that the net assets of the SeaDragon business, taking into account any adjustments on settlement of the Proposed Transaction, i.e. $0.597M, represents a reasonable proxy for the NAV of SeaDragon as a going concern.

Conclusion

We have assessed the current fair market value of SeaDragon's net assets using the DCF and NAV (as a going concern) methodologies. As discussed above, the NAV method generally represents the lower limit of a company's value and we consider that the DCF method presents a more realistic valuation range in the current circumstances.

Based on the results of our valuation, we therefore assess the fair market value of the SeaDragon business to be acquired by Claridge to be in the range of $2.0M to $5.38M (midpoint $3.69M).

8. EVALUATION OF THE CONSIDERATION OFFERED BY CLARIDGE CAPITAL

8.1 SeaDragon Consideration

The consideration for the purchase of SeaDragon's business assets will be satisfied by:

- The issue to SeaDragon of 600,000,000 shares in Claridge at an issue price of 0.367 cents per share, and;
- The issue to SeaDragon and OPAM of up to 500,000,000 additional shares in Claridge at an issue price of 0.365 cents per share subject to certain financial milestones being achieved by the SeaDragon business (as described in Section 1.2).

8.2 Value of Claridge Shares

Market Trading & Share Placements

On-market trading and recent share placements provide a guide to the value of minority parcels of Claridge shares. As discussed, there has been very limited trading in Claridge shares over the last 12 months. Prior to the announcement on 1 November 2011 detailing the Proposed Transaction, Claridge shares traded at a 1 month VWAP of 0.30 cents per share and a 3 month VWAP of 0.56 cents per share. The total volume of shares traded during these periods represented 0.03% and 0.3% of the total shares on issue respectively. As at the date of this Report the most recent trade prior was completed on 15 August 2012 at a price of 2.0 cents per share.

Claridge currently has 306,733,227 shares on issue. At a 3 month VWAP price of $0.56 cents per share (prior to the announcement of the Proposed Transaction on 1 November 2011) this would equate to an implied equity value of $1.72M. However, given the extreme lack of liquidity, we do not consider that use of market data provides a strong basis for determining the equity value of Claridge.

During 2009, Claridge entered into an agreement with Four Thorns Trust Limited to buy back 5.5 million Claridge shares at a price of 0.727 cents per share, and is now seeking approval to complete the transaction. Given the historic nature of this agreement (i.e. more than three years old), we do not consider this an appropriate method for determining the current value of Claridge shares.

A substantial recent share placement was completed on 9 November 2011 with the issue of 50,000,000 new ordinary shares (equivalent to 16.3% of Claridge's issued capital) at a price of 0.51 cents per share. This placement remains subject to Claridge shareholder approval (refer to Resolution 16 of the Notice of Meeting).

Implied Value of Claridge based on the Proposed Transaction

Under the Proposed Transaction, Claridge will issue 600,000,000 fully paid ordinary shares to SeaDragon at an issue price of 0.367 cents per share with further earn out payments of up to an additional 500,000,000 fully paid ordinary shares being made at 0.365 cents per share if certain financial targets are achieved by SeaDragon. Claridge currently has 306,733,227 ordinary shares on issue. The implied valuation of Claridge based on a share price of 0.365 to 0.367 cents per share is in the range of $1.12M to $1.125M.

On 19 July 2012 Claridge announced that it had entered into a conditional agreement with OPAM whereby OPAM would invest $2.5M into the Company through the subscription for 312,500,000 new ordinary fully paid shares in Claridge at an issue price of 0.8 cents per share upon completion of the Proposed Transaction. As this agreement is conditional upon the completion of the Proposed Transaction, it places a value on the combined Claridge and SeaDragon businesses but not on Claridge on a standalone basis. We therefore do not consider this an appropriate method for determining the current (i.e. pre-transaction) value of Claridge. Similar rationale applies to the conversion price of 0.8 cents per share in relation to the SeaDragon Notes.

Net Tangible Assets of Claridge

As at 31 March 2012 Claridge had audited Net Tangible Assets (**NTA**) of $0.796M. As at 30 June 2012 Claridge had an unaudited NTA of $0.685M, equivalent to 0.22 cents per share. This included cash of $0.508M and the Company's investment in Snakk, acquired in July 2011 at the current book value of $0.225M (0.9c per Snakk share).

In the event of the proposed share buyback by Claridge of Four Thorns Trust Limited's Claridge shares being at a share price above the current NTA per share, the Claridge NTA per share would fall immediately following the completion of the buyback. However, the reduction in the Claridge NTA per share following the completion of the buyback would not be material, as the total buyback is valued at only $40,000 and we have therefore not considered this further.

We note that on 22 November 2011 Snakk placed a small number of new shares (equivalent to 5.7% of the voting securities on issue) at 5 cents per Snakk Media share. Whilst this share price is well above the price paid by Claridge the Board of Claridge has indicated that it has no reason to believe that the prospects of Snakk materially improved during the period since it acquired its shares in Snakk and Claridge does not intend to revise its book value of Snakk as a result of this recent share placement in November 2011. We note that the audited accounts of Claridge as at 31 March 2012 continue to value the Snakk investment at cost, $225,000 (i.e. 0.9 cents per Snakk share)

Assessed Value of Claridge Shares

In our view, notwithstanding its investment in Snakk Media, Claridge is principally a shell company. Given the nature of Claridge we consider that the most relevant measures of the current value of the Company comprise the unaudited book value NTA per share as at 30 June 2012 and the recent share placement completed on 9 November 2011.

Based on the analysis above we assess the value of each Claridge share to be in the range of 0.22 to 0.51 cents per share. Accordingly we assess the aggregate value of Claridge to lie within the range of $0.67M to $1.56M (Midpoint $1.12M).

8.3 Conclusion

Based on our assessed valuation for Claridge shares we consider that the value of the Consideration Shares offered by Claridge for the purchase of the SeaDragon business is in the range of $1.32M to $3.06M.

Based on our assessed valuation for Claridge shares we consider that the total value of the Consideration Shares and Earn Out Shares (assuming the maximum number of 500,000,000 Earn Out Shares are issued) is in the range of $2.42M to $5.61M.

On the basis the assessed value of the consideration offered by Claridge for SeaDragon is therefore in the range of $1.32M to $5.61M (midpoint $3.47M) as shown in the table below.

Claridge Capital Limited - Assessed Value of Consideration				
		Lower		**Upper**
Assessed value of Claridge shares (cps)		0.22		0.51
millions		**Lower**		**Upper**
Consideration Shares		600		600
Maximum Earn Out Shares		500		500
Maximum Total shares issued		1,100		1,100
Assessed minimum value of total consideration	$	1.32	$	3.06
Assessed maximum value of total consideration	$	2.42	$	5.61
Assessed valuation range for consideration	**$**	**1.32**	**$**	**5.61**

APPENDIX I. SOURCES OF INFORMATION

I.a Sources of Information

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

- The Claridge Capital Limited Notice of Special Meeting of Shareholders.
- Profile of Claridge Capital Limited post-completion of the prospective acquisition of the business assets of SeaDragon Marine Oils Limited.
- Letter of approval dated 10 September 2012 from the Takeovers Panel in respect of Takeovers Code (Claridge Capital Limited) Exemption Notice 2012.
- Claridge Capital Limited - Application for Waiver from NZSX Listing Rule 7.3.2(b) dated 26 July 2012.
- Proposed Terms and Conditions for the acquisition of the Business Assets of SeaDragon Marine Oils Limited dated October 2011.
- The Agreement for Sale and Purchase of the SeaDragon business between Claridge Capital Ltd and SeaDragon Marine Oils Ltd dated 15 December 2011.
- Agreement for the Subscription for shares in Claridge Capital Ltd between Claridge Capital Ltd and Octa Phillip Asset Management Ltd dated 19th July 2012.
- Convertible Note Agreement between SeaDragon Marine Oils Ltd and David Thomas dated 1 June 2012.
- Convertible Note Agreement between SeaDragon Marine Oils Ltd and Skylog Limited dated 14 June 2012.
- The SeaDragon Business Plan dated 10 November 2011.
- The SeaDragon audited financial accounts for the period ended 30 June 2011.
- The SeaDragon financial accounts for the 9 Months to 31 March 2012.
- SeaDragon prospective financial information for the financial years ending 31 March 2013, 31 March 2014 and 31 March 2015 updated as at 14 August 2012.
- Statutory Auditors Report to the Directors of SeaDragon Marine Oils Limited dated 22 August 2012.
- Valuation of Plant, Equipment, Fixtures, Fittings and Leasehold Improvements for SeaDragon Marine Oils Ltd by Value Added Solutions Ltd dated 23 March 2011.
- The Claridge annual reports for the years ended 31 March 2010, 2011 AND 2012.
- The Claridge unaudited financial report for the six months ended 30 September 2011.
- NZX announcements by Claridge.
- Data in respect of Claridge from NZX Data.
- Data in respect of Snakk Media from the Companies Office records.
- Correspondence and/or discussions with the Independent Directors of Claridge.

- Correspondence and discussions with the current senior management team of SeaDragon.

During the course of preparing this Report, we have had discussions with and/or received information from the Directors of Claridge and their legal advisers, and representatives of SeaDragon.

The Directors of Claridge 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 Independent Directors and shareholders of Claridge to understand all the relevant factors and to make an informed decision in respect of the Proposed Transaction and allotment of shares to SeaDragon and OPAM.

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 Claridge and its advisers as well as senior management and auditors of SeaDragon.

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 Claridge. 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 the Report are given in good faith and in the belief, on reasonable grounds, that such statements are not false or misleading. However, in no way do we guarantee or otherwise warrant that any forecasts of future profits, cash flows or financial position of Claridge will be achieved. Forecasts are inherently uncertain. They are predictions of future events that cannot be assured. They are based upon assumptions, many of which are beyond the control of Claridge and its directors and management. Actual results will vary from the forecasts and these variations may be significantly more or less favourable.

We assume no responsibility arising in any way whatsoever for errors or omissions (including responsibility to any person for negligence) for the preparation of the 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 or undertaking 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 Claridge 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

Claridge 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 the Report. This indemnity does not apply in respect of any negligence, wilful misconduct or breach of law. Claridge 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 terms of reference Campbell MacPherson shall reimburse such costs.

APPENDIX II. QUALIFICATIONS, DECLARATIONS & CONSENTS

II.a Qualifications

Campbell MacPherson is an Auckland based investment bank and corporate finance advisory firm. It advises on mergers and acquisitions, prepares independent expert's reports and provides valuation advice. The persons in the Company responsible for issuing this Report are Stephen Burns, Tony Haworth and Alistair Ward.

Campbell MacPherson has experience in the independent investigation of transactions and issuing opinions on the merits and fairness of the terms and financial conditions of the transactions.

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 Claridge, SeaDragon or Octa Phillip that could affect our ability to provide an unbiased opinion in relation to the Proposed Transaction and allotment of shares to SeaDragon and OPAM. Campbell MacPherson has no conflict of interest that could affect its ability to provide an unbiased Report.

Campbell MacPherson has not had any part in the formulation of the Proposed Transaction or allotment of shares and options, or 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 or the outcome of the Proposed Transaction or allotment of shares and options. We will receive no other benefit from the preparation of this Report.

II.c Declarations

Advance drafts of this Report were provided to the Claridge 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 the 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 Claridge 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.

15 August 2012
Campbell MacPherson Ltd.