SEADRAGON

THE WORLD'S BEST BRAINFOOD®

ANNUAL REPORT

2022

CONTENTS

SEADRAGON LIMITED
ANNUAL REPORT 2022

Executive Chairman and Chief Operating Officer's **REPORT**

Welcome to the 2022 Annual Report of SeaDragon Limited

During the 2022 financial year SeaDragon has continued its focus on higher value omega 3 oil-based products, but progress has been frustrated by continued covid induced supply chain delays and costs plus the inability to travel to overseas markets.

The company's revenue increased by 17%, $775k but the cost of sales increased as a percentage compared to last year unfortunately producing a gross loss of $1,232k compared to last year's gross loss of $933k.

Other operating costs were generally in line with last year except this year there was a need to impair property plant and equipment by $1,671k contributing to the overall loss after tax of $5,123k, $1,989k worse than last year.

SeaDragon received considerable and vital capital support from its majority shareholder Pescado providing $2.5m with $0.5m convertible notes and $2m loans. Also, since balance date Pescado has provided a further $1m in loans. The Directors are very appreciative of this solid support from Pescado.

OUTLOOK

As previously stated SeaDragon needs to build higher value and higher margin products to have any chance of reaching a profitable state. To date there has been reasonable progress in that direction, but the headwinds provided by difficulties in gaining access to high quality raw materials, overcoming the frustration of global supply chain disruption and the need to build market demand based on the inability to travel to overseas markets will no doubt hinder progress and require more capital to cover working capital and costs relating to such delays.

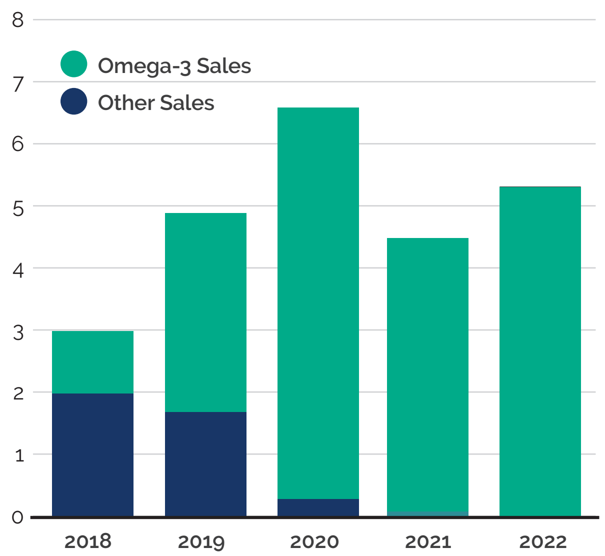
19 July 2022

Bryan Mogridge
Executive Chairman

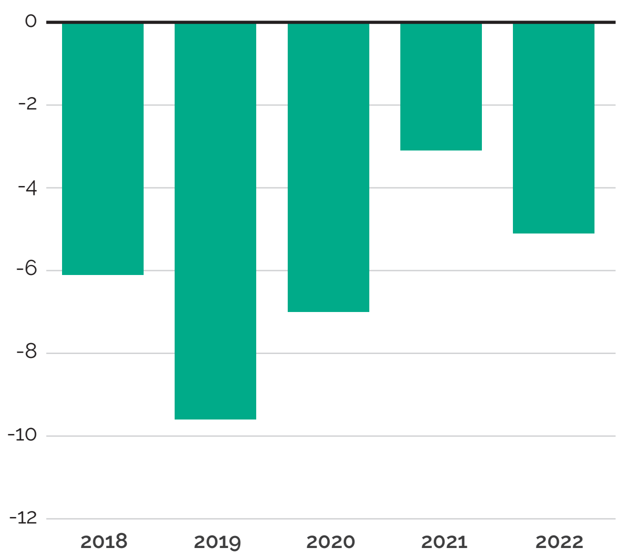
Dr Nevin Amos
Chief Operating Officer

Key Performance Indicators

REVENUE ($m)



LOSS FOR THE YEAR ($m)



Certifications

SeaDragon has attained the following certifications. These credentials demonstrate SeaDragon's vision to provide omega-3 oils of the highest quality and integrity.

Marine Stewardship Council Chain of Custody

The Marine Stewardship Council (MSC) is an international non-profit organisation that provides certifications on the sustainability of fisheries around the world. The certification means customers can be confident that oil sourced from MSC-certified fisheries retain that certification as they are processed by SeaDragon.

Friend of the Sea Chain of Custody

Friend of the Sea (FoS) is a leading international certification project for products originated from both sustainable fisheries and aquaculture. Its mission is the conservation of the marine habitat. The certification means customers can be confident that unrefined oil that comes from FoS-certified fisheries retain that certification as they are processed by SeaDragon.

Federation Of Islamic Associations of New Zealand Inc. Halal Certification

The halal certification confirms that SeaDragon's halal products have been prepared according to Islamic law and customs.

Kosher Kiwi Licensing Authority Certification

The kosher certification confirms that SeaDragon's kosher products have been prepared according to Jewish customs.

FSSC 22000 Food Safety System Certification

The FSSC 22000 certification confirms that SeaDragon has the appropriate framework for effectively managing it's food safety responsibilities. FSSC 22000 is fully recognized by the Global Food Safety Initiative (GFSI) and is based on existing ISO Standards.

Board & Management

EXECUTIVE CHAIRMAN: BRYAN MOGRIDGE

Bryan has been a public company director since 1984 and has a wealth of experience, both in executive and board roles.

He has a BSc in Biochemistry and was instrumental in building a solid export base for New Zealand wine. In 1998 he was made an Officer of the New Zealand Order of Merit for his services to the wine industry and in 2008 was inducted into the New Zealand Wine Hall of Fame.

Bryan joined the board in February 2019, was elected Chairman in April 2019, and became Executive Chairman in April 2021.

CHIEF OPERATING OFFICER: DR NEVIN AMOS

Nevin was formerly the Chief Executive for a Taupo based start-up and has held senior roles at Comvita, kiwifruit exporter Zespri and has sat on various boards, including the board of Natural Products New Zealand.

Nevin spent three years based in Asia leading the teams in Japan, Korea, Taiwan and Hong Kong for Comvita (NZX: CVT). This gives Nevin an awareness of some of SeaDragon's target markets and an in-depth understanding of supply chain systems and processes.

Nevin has a PhD (Bioprocess Engineering) from Massey University and has attended the Advanced Management Program at INSEAD in Singapore. He was a recipient of a New Zealand Prime Minister's business scholarship.

MANAGEMENT TEAM:

QUALITY & PRODUCT DEVELOPMENT MANAGER: **REBECCA LONG**

CHIEF FINANCIAL OFFICER: **ANDY ELLIS**

OMEGA-3 PROCUREMENT & PROJECTS MANAGER: **SCOTT CHRISTENSEN**

SALES & MARKETING MANAGER: **MIKE RUTLEDGE**

DIRECTORS:

STUART MACINTOSH (INDEPENDENT)

Stuart has extensive manufacturing and general management experience in the meat, wood products and consumer goods sectors, including 11 years at multinational food group Cerebos Gregg's. Stuart is the General Manager of the iconic Pic's Peanut Butter and joined the SeaDragon board in June 2015.

DR CRAIG PATCH (INDEPENDENT)

Craig is a nutrition innovator with over 20 years' experience in developing new products and businesses dedicated to improving nutrition, health and wellness. He is currently CEO & founder of Vernx Biotechnology and holds the position of Adjunct Professor of Dietetics & Human Nutrition at La Trobe University, Melbourne. Craig joined the board in October 2019.

JEREMY CURNOCK COOK

Jeremy is the Founder and Managing Director of BioScience Managers. Over his career, Jeremy has successfully managed in excess of US$1billion in equity investments and is a former head of the team at Rothschild Asset Management, and an early pioneer and significant investor in the life science private equity sector. Jeremy joined the board as an alternate Director in October 2012.

MARK SADD

Mark Sadd has more than 25 years financial and commercial experience, along with 12 years Governance experience. From 2013-2018 Mark was engaged by NZX Listed Comvita Limited as Chief Financial Officer and then Chief Commercial Officer. Prior to that Mark worked with and successfully ran a number of mid-sized businesses. Currently Mark consults to Masthead Limited as a commercial and investment adviser. Mark brings to the table considerable experience in business turnarounds, profit optimisation, business development and strategic acquisitions. Mark joined the Board as an Alternate Director in 2015 and was subsequently formally elected by the Shareholders in November 2017. Mark currently Chairs the Audit Committee for SeaDragon.

JAKE SILVERSTEIN

Jake Silverstein is Chairman & CEO of Stormlight Holdings, the private investment firm of the Silverstein family, and leads his family's investment activities across a wide variety of high-quality assets in the United States and New Zealand. He continues his family's long-running legacy of fostering and supporting innovation, and holds a place on the Vision Circle of the X-Prize Foundation. Jake joined the board in December 2020.

MARK STEWART

Mark is head of the Stewart family investment vehicle, Masthead Limited, an active corporate investor in New Zealand public and private equity markets and a cornerstone SeaDragon shareholder through Pescado Holdings Limited. He has been a Director of four publicly listed companies and is currently a Director of the successful export pet nutrition business Ziwi Limited. He has more than 34 years of commercial experience, primarily building successful export companies. Mark joined the board in November 2017.

ALTERNATE DIRECTORS: **RICHARD CAREY** (for Jake Silverstein) and **WARWICK WEBB** (for Mark Stewart).

Statutory Disclosures

Directors

During the 12 months ended 31 March 2022

Current	Appointed	Position	Status
Mogridge, Bryan	01 February 2019	Chair	Executive
Macintosh, Stuart	29 June 2015		Independent, Non-executive
Patch, Craig	01 October 2019		Independent, Non-executive
Curnock Cook, Jeremy	15 October 2012		Non-executive
Sadd, Mark	22 November 2017		Non-executive
Silverstein, Jake	11 December 2020		Non-executive
Stewart, Mark	22 November 2017		Non-executive
Carey, Richard	11 December 2020		Alternate for Jake Silverstein
Webb, Warwick	22 November 2017		Alternate for Mark Stewart
Past	**Appointed**	**Resigned**	**Status**
Groves, Colin	01 June 2015	16 September 2021	Independent, Non-executive

As at 31 March 2022, Bryan Mogridge, Stuart Macintosh, Mark Sadd, and Nevin Amos were also directors of SeaDragon Marine Oils Limited and Omega 3 New Zealand Limited.

Directors Remuneration

Details of the nature and the amount of each major element of the remuneration of each Director for the year ended 31 March 2022 is:

	Remuneration of Directors		Other Services	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Current				
Mogridge, Bryan	45	53	-	-
Patch, Craig	25	25	-	-
Curnock Cook, Jeremy	-	-	-	-
Macintosh, Stuart	15	17	-	-
Sadd, Mark	-	-	-	-
Silverstein, Jake	-	-	-	-
Stewart, Mark	-	-	-	-
Carey, Richard	-	-	-	-
Webb, Warwick	-	-	-	-
Past			-	-
Groves, Colin	7	23		
Total	**92**	**118**	**-**	**-**

Nevin Amos, a current director in SeaDragon Marine Oils Limited received nil remuneration in 2022 (2021: nil).
During the year to 31 March 2022 the directors received nil remuneration for chairing a Committee.

Entries Recorded in the Interests Register

The following entries were recorded in the interests' register of the Group during the 12 months ended 31 March 2022:

a) Directors' indemnity and insurance

The Group has insured all its Directors and the Directors of its subsidiaries against liabilities to other parties (except the Group or related part of the Group) that may arise from their positions as Directors. The insurance does not cover liabilities arising from criminal actions.

b) Share dealings of Directors

On 17 September 2021, Tamahere Limited sold 1,000,000 ordinary shares, for a total consideration of $40,000 being $0.04 per share. Colin Groves had a relevant interest in those shares because he has the power to exercise the right to vote attached to, and to dispose of, 20% or more of the shares of Tamahere Limited.

On 17 September 2021, Mogridge Trustee Company Limited as trustee of the Mogridge Family Trust purchased 500,000 ordinary shares for total consideration of $20,000 being $0.04 per share. Bryan Mogridge has a relevant interest in those shares because he has the power to excercise the right to vote attached to, and to dispose of, 20% or more of the shares of Mogridge Trustee Company Limited.

20 Largest Holders of Ordinary Shares

As at 31 March 2022

	Number of Shares	% of Issued Capital
Pescado Holdings Limited	120,978,581	52.18%
Seaspren Limited	24,200,787	10.44%
Bryan Mogridge & Mogridge Trustee Company Limited	11,550,000	4.98%
New Zealand Central Securities Depository Limited	7,381,289	3.18%
Bioscience Managers Ventures Pty Limited	5,833,333	2.52%
Sdmo Trustee Limited	4,384,190	1.89%
Skylog Limited	4,018,055	1.73%
Richard Guyon Carey & Toni Marie Carey	3,533,334	1.52%
One Funds Management Limited	3,257,576	1.41%
George Ronald Wheeler	2,000,000	0.86%
Nicklas William P Willemse	2,000,000	0.86%
Forsyth Barr Custodians	1,978,498	0.85%
Stuart Macintosh	1,666,667	0.72%
Custodial Services Limited	1,477,189	0.64%
Martin Harvey Teulon & Eileen Mary Quigley	1,050,000	0.45%
Terrance Fitch	1,021,728	0.44%
Ian Vaughan Arkle & Paul Gerard Keeling	1,000,000	0.43%
Nevin Amos & Veerapon Amos & Christine Amos	1,000,000	0.43%
Richard Gifford Lawrence	938,134	0.40%
Five Islands Ventures Pty Ltd	666,667	0.29%
Total	**199,936,028**	**86.22%**

Remuneration of Employees

During the year the following number of employees received remuneration in excess of $100,000

	Number of employees	
	2022	**2021**
$110,000 - $119,999	-	1
$120,000 - $129,999	-	1
$130,000 - $139,999	1	-
$140,000 - $149,999	2	-
$160,000 - $169,999	1	-
$190,000 - $199,999	-	1
$260,000 - $269,999	-	1
$330,000 - $339,999	1	-

The remuneration paid includes a component based on the Group's performance against specific strategic goals.

Auditor

The auditor for the Group is Baker Tilly Staples Rodway Audit Limited. Auditor's remuneration is disclosed in Note 1 to the financial statements.

Donations

There were no donations made during the 12 months to 31 March 2022 (2021: Nil)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

Baker Tilly Staples Rodway Audit Limited
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of SeaDragon Limited

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of SeaDragon Limited and its subsidiary ('the Group') on pages 13 to 37, which comprise the consolidated statement of financial position as at 31 March 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including significant accounting policies.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

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

Basis for Qualified Opinion

The Group has reported Property, Plant and Equipment ('PPE') and Right of Use assets ('RoU'), with carrying values of $4.636 million and $2.753 million respectively, in the consolidated statement of financial position as at 31 March 2022. We refer to note 7 of the financial statements that discloses the Directors' assessment of the recoverable value of the PPE and RoU assets. In assessing the recoverable value, the Directors have performed a value in use calculation which includes key assumptions over expected future revenues and expenses. We were unable to obtain sufficient appropriate audit evidence to support the reported carrying amount of the PPE and RoU and, consequently, determine whether any adjustments to the carrying value of the specified assets were necessary as at 31 March 2022.

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2e) of the Statement of Accounting Policies in the consolidated financial statements, which indicates that the Group incurred a net loss of $5.123 million during the year ended 31 March 2022 and the statement of financial position which indicates that the Group has accumulated losses as at 31 March 2022 of $57.593 million. As stated in Note 2e), these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other matter

We issued a qualified audit opinion on 15 July 2022. We subsequently retracted our opinion as we determined our audit was not substantially complete by this date. No other changes have been made to the audit report or financial statements.

Key Audit Matters

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

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

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

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

A further description of the auditor's responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board's website at:
https://xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

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

Baker Tilly Staples Rodway

BAKER TILLY STAPLES RODWAY AUDIT LIMITED

Hastings, New Zealand

16 August 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2022

	Notes	2022 $'000	2021 $'000
Revenue	1	5,280	4,505
Cost of sales		(6,512)	(5,438)
Gross loss		**(1,232)**	**(933)**
Other gains / (losses) from foreign exchange		13	(35)
Administration expenses	1	(1,640)	(1,633)
Selling and distribution expenses	1	(71)	(13)
Impairment of property, plant and equipment and right of use assets	7, 13	(1,671)	-
Operating loss		**(4,601)**	**(2,614)**
Finance income - interest income		-	2
Finance expense - interest on borrowings		(151)	(133)
Finance expense - interest on lease liabilities	13	(371)	(389)
Total financing costs		**(522)**	**(520)**
Loss before income tax		**(5,123)**	**(3,134)**
Income tax expense	2	-	-
Total comprehensive loss for the year attributable to the owners of the Company		**(5,123)**	**(3,134)**
Loss per share	3		
Basic loss per share (cents per share)		(2.21)	(2.31)
Diluted loss per share (cents per share)		(2.13)	(2.31)

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

Consolidated Statement of Changes in Equity

For the year ended 31 March 2022

	Notes	Share capital $'000	Convertible notes $'000	Accumulated loss $'000	Share options reserve $'000	Total equity $'000
Balance at 1 April 2020		**52,215**	**4,000**	**(49,336)**	**44**	**6,923**
Total comprehensive loss for the year						
Total comprehensive loss for the year attributable to the owners of the Company		-	-	(3,134)	-	(3,134)
Total comprehensive loss for the year		**-**	**-**	**(3,134)**	**-**	**(3,134)**
Transactions with owners						
Issue of share capital	5	4,084	-	-	-	4,084
Equity portion of convertible notes	5	4,000	(4,000)	-	-	-
Transaction costs	5	(167)	-	-	-	(167)
Recognition of share-based payments	11	-	-	-	43	43
Balance at 31 March 2021		**60,132**	**-**	**(52,470)**	**87**	**7,749**
Balance at 1 April 2021		**60,132**	**-**	**(52,470)**	**87**	**7,749**
Total comprehensive loss for the year						
Total comprehensive loss for the year attributable to the owners of the Company		-	-	(5,123)	-	(5,123)
Total comprehensive loss for the year		**-**	**-**	**(5,123)**	**-**	**(5,123)**
Transactions with owners						
Convertible notes	4	-	528	-	-	528
Recognition of share-based payments	11	-	-	-	21	21
Balance at 31 March 2022		**60,132**	**528**	**(57,593)**	**108**	**3,175**

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

Consolidated Statement of Financial Position

As at 31 March 2022

	Notes	2022 $'000	2021 $'000
Current assets			
Cash and cash equivalents	6	1,326	1,631
Trade and other receivables	8	1,171	84
Inventories	9	1,745	2,299
Total current assets		**4,242**	**4,014**
Non-current assets			
Property, plant and equipment	7	4,636	5,959
Right of use assets	13	2,753	3,691
Total non-current assets		**7,389**	**9,650**
Total assets		**11,631**	**13,664**
Equity			
Share capital	5	60,132	60,132
Convertible notes	4	528	-
Accumulated loss		(57,593)	(52,470)
Share options reserve	11	108	87
Total equity attributable to holders		**3,175**	**7,749**
Current liabilities			
Trade and other payables	12	1,421	761
Lease liabilities	13	273	242
Interest-bearing loans	15	2,608	559
Total current liabilities		**4,302**	**1,562**
Non-current liabilities			
Asset retirement obligation	13	389	336
Lease liabilities	13	3,765	4,017
Total non-current liabilities		**4,154**	**4,353**
Total liabilities		**8,456**	**5,915**
Total equity and liabilities		**11,631**	**13,664**

For and on behalf of the Board of Directors:

Bryan Mogridge
Executive Chairman
15 July 2022

Mark Sadd
Director
15 July 2022

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

Consolidated Statement of Cash Flows

For the year ended 31 March 2022

	Notes	2022 $'000	2021 $'000
Operating activities			
Receipts from customers		4,282	4,559
Payments to suppliers and employees		(6,237)	(6,800)
Interest received		-	2
Interest paid		(26)	(22)
Interest paid on leases		(371)	(390)
Net cash flows used in operating activities		**(2,352)**	**(2,651)**
Investing activities			
Purchase of property, plant and equipment		(210)	(121)
Net cash flows used in investing activities		**(210)**	**(121)**
Financing activities			
Proceeds from issue of share capital		-	4,084
Proceeds from issue of convertible notes		500	-
Proceeds from borrowings		2,000	2,000
Repayment of borrowings		-	(1,500)
Transaction costs of issue of shares		-	(167)
Payments of lease liabilities		(243)	(218)
Net cash flows from financing activities		**2,257**	**4,199**
Net increase / (decrease) in cash and cash equivalents		**(305)**	**1,427**
Cash and cash equivalents at beginning of period		**1,631**	**204**
Cash and cash equivalents at end of period	**6**	**1,326**	**1,631**

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

Consolidated Statement of Cash Flows
(continued)

For the year ended 31 March 2022

Reconciliation of net deficit with cash flows used in operating activities	**2022 $'000**	**2021 $'000**
Total loss for the year	**(5,123)**	**(3,134)**
Adjustments for:		
Depreciation (including on right of use assets)	823	903
Impairment of property, plant and equipment and right of use assets	1,671	-
Non-cash movement on asset retirement obligation	53	-
Non-cash interest expense	76	111
Lease modification	-	27
Share-based payment expense	21	43
Impact of changes in working capital items:		
(Increase) / decrease in trade and other receivables	(1,087)	195
(Increase) / decrease in inventories	554	(27)
Increase / (decrease) in trade and other payables	660	(769)
Net cash flows used in operating activities	**(2,352)**	**(2,651)**

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

Statement of Accounting Policies

For the year ended 31 March 2022

1. Reporting entity

SeaDragon Limited ("the Company") is a company registered and domiciled in New Zealand. The address of the Company's registered office is 12 Nayland Road, Stoke, Nelson 7011.

The consolidated financial statements of the Company for the year ended 31 March 2022 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The Company and its subsidiaries are registered under the Companies Act 1993. The consolidated financial statements for the Group have been prepared in accordance with the Companies Act 1993. The Group is primarily involved in omega-3 oil refining and processing.

2. Basis of preparation

a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). The Group is a Tier 1 for-profit entity. The consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The consolidated financial statements also comply with International Financial Reporting Standards (IFRS). The consolidated financial statements were approved by the Board of Directors on 15 July 2022.

b) Basis of measurement

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

c) Functional and presentation currency

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

d) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis, please refer to accounting policy 3t). Revisions to accounting estimates are recognised in the period in which the estimate is revised, and any future periods affected.

e) Going concern

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

As at 31 March 2022, the Group has cash of $1,326k (2021; $1,631k) and had operating cash outflows for the year to 31 March 2022 of $2,352k (2021; $2,651k). The Group incurred a loss for the year of $5,123k (2021: $3,134k loss), and has negative retained earnings of $57,593k (2021: $52,470k). These conditions indicate that a material uncertainty exists that may cast significant doubt upon the Group's ability to continue as a going concern.

On 10 May 2022, the Group signed a $500k secured loan agreement with its majority shareholder, Pescado Holdings Limited (Pescado). The interest rate of the loan is 10% per annum and the repayment date is 30 September 2022.

On 21 June 2022, the Group signed a $500k secured loan agreement with its majority shareholder, Pescado. The interest rate of the loan is 10% per annum and the repayment date is 30 September 2022.

Achievement of forecast sales and margins

In assessing the ability of the Group to fund its operations, management has made estimates of future sales volumes, sales prices, and margins. These estimates are based on management's assessment of the probability of reaching agreement with known and potential customers. As at 31 March 2022, the Group has confirmed purchase orders with existing customers. In addition, management has assessed the level of sales and margin to be made from new customers. If the Group is unsuccessful in achieving the forecast sales levels and margins, it will need to raise capital. At the date of authorisation of the consolidated financial statements, formal capital raising activities have not commenced.

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

In reaching this assessment, the Directors have considered;

- the likelihood of achieving the forecast sales and margins with customers, and the presence of alternative customers if required;
- the operational costs of the business and the impact of a delay in the timing of reaching agreement with potential customers; and

Statement of Accounting Policies (continued)

For the year ended 31 March 2022

- the working capital requirements and forecast cash cycle to fund the initial orders from new customers.

On this basis, the Directors believe that the Group has the ability to generate sufficient operational cash flow, combined with the additional funding and future capital raising initiatives, to continue operations for at least 12 months from the date of authorising the financial statements. Hence, they consider the use of the going concern basis as appropriate.

These consolidated financial statements do not include any adjustments that may be made to reflect that situation should the Group be unable to continue as a going concern. In such a situation the Group may not be able to realise its assets or settle its liabilities in the normal course of business. Such adjustments may include realising assets, such as inventory and refining assets, at amounts other than those recorded in the consolidated financial statements.

3. Significant accounting policies

The accounting policies applied in these consolidated financial statements are the same as those applied in the Group's financial statements as at and for the year ended 31 March 2022.

a) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 31 March 2022 and their results for the year then ended.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for the acquisition of subsidiaries by the Group. The cost of acquisition is measured as the fair values of the assets transferred, the liabilities incurred or assumed, and the equity interests issued at the date of exchange. Acquisition-related costs are expensed as incurred. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the entity acquired either at fair value or at the non-controlling interest's proportionate share of the acquired entities net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the entity acquired and the acquisition-date fair value of any previous equity interest in the entity acquired over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired (as in the case of a bargain purchase), the difference is recognised directly in profit or loss.

Intercompany transactions, balances, and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

b) Foreign currency transactions

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

c) Share capital ordinary shares

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

d) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i. Trade instruments - assets

Initial recognition and subsequent measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value, through profit or loss, or transaction costs.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified

Statement of Accounting Policies (continued)

For the year ended 31 March 2022

and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

For purposes of subsequent measurement, financial assets are classified in the following categories:

- Financial assets at amortised cost

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes cash and cash equivalents and trade receivables.

Impairment

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised for trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii. Financial instruments - liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are measured at amortised cost (loans and borrowings).

Financial liabilities at amortised cost (loans and borrowings) is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Trade and other payables

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

Loans and borrowings

Loans and borrowings are recognised initially at fair value, net of transactions costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction cost) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities

Statement of Accounting Policies (continued)

For the year ended 31 March 2022

unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

e) Property, plant, and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributed to the acquisition of the asset. This includes capitalisation of decommissioning and restoration costs associated with provisions for asset retirement.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant, and equipment. Any gain or loss on disposal of an item of property, plant, and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss as incurred.

ii. Subsequent costs

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

iii. Depreciation

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

- Computer equipment: 3-5 years
- Office furniture and equipment: 2-17 years
- Plant and equipment: 1-28 years

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

f) Inventories

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

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

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

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

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

g) Right of use assets and lease liabilities

Lease contracts are typically made for fixed periods of 3 to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

i. Right of use assets

Right of use assets are initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain re-measurements of the lease liability.

Costs included in the measurement of the right-of-use asset comprise the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee; and
- an estimate of the restoration costs to be incurred by the lessee, recognised and measured applying NZ IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Right of use assets are amortised on a straight-line basis over the remaining term of the lease.

ii. Lease liabilities

Lease liabilities are initially measured at the present value of the future minimum lease payments over the lease term that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate, being the rate that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The Group uses the working capital facility financing rate held with Westpac as their incremental borrowing rate.

Lease payments included in the measurement of the

Statement of Accounting Policies (continued)

For the year ended 31 March 2022

lease liability comprise the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from:

- A change in an index or rate;
- A change in the estimate of the amount expected to be payable under a residual value guarantee;
- Changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised; or
- A lease modification that's not accounted for as a separate lease.

h) Impairment of non-financial assets

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

An impairment loss is recognised whenever the carrying amount of an asset or the Group's cash-generating unit (CGU) exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses are allocated first to reduce the carrying amount of any goodwill and then to reduce the carrying amount of the other assets in the CGU. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. An impairment loss in respect of goodwill is not reversed.

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

i) Equity instrument

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

j) Employee benefits

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

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

k) Share based payments

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

l) Goods and Services Tax (GST)

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

m) Revenue

Revenue from the sale of goods is measured at the

Statement of Accounting Policies (continued)

For the year ended 31 March 2022

price specified in the contract, net of estimated returns and allowances, trade discounts, volume rebates and GST. Some contracts have prices that depend on the specification of the oil, hence the oil is subject to testing.

Revenue is recognised in line with the Incoterms agreed with the customer:

- The majority of export sales are based on Free on Board (FOB) or Cost, Insurance and Freight (CIF) where delivery occurs and revenue is recognised on loading at the first port during transportation. Occasionally, sales are based on Delivered at Place (DAP) where delivery occurs and revenue is recognised on delivery to the customer premises or chosen location.
- Other sales are generally Ex-Works (EXW), where delivery occurs and revenue is recognised when the goods are ready for collection or delivery.

Payment of the transaction price is typically received within two months of invoicing.

n) Finance income and finance costs

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

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

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

o) Tax

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

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

p) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise of share options granted and mandatory convertible loans.

q) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the SeaDragon Limited Board of Directors. Based on the nature of the operating results reviewed by the chief operating decision maker, the Board has determined that the Group itself forms a single operating segment.

r) New standards, amendments, and interpretations

There are various standards, amendments and interpretations which were assessed as having an immaterial impact on the Group. There are no IFRS, IFRIC interpretations or other applicable IFRS that are effective for the first time for the financial year beginning on 1 April 2021 that had a material impact on the consolidated financial statements.

s) Changes in accounting policies

There have been no changes in accounting policies.

t) Significant accounting estimates and judgments

The Group makes estimates and assumptions concerning the future that affects the amounts reported

Statement of Accounting Policies (continued)

For the year ended 31 March 2022

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

i. Going concern

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

ii. Inventory

Inventories are stated at the lower of cost or net realisable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Management's assessment includes the estimate of selling price, among other factors. With the limited historic sales data of Omega-3 products available and in the absence of confirmed sales contracts for some inventory, these estimates include significant management judgement and inherent uncertainties.

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

iii. Impairment of property, plant, and equipment (PP&E) and right of use (ROU) assets

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

iv. Useful lives of property, plant, and equipment (PP&E) and right of use (ROU) assets

Management has assessed the useful lives of the Group's PP&E and ROU assets. This has required management to exercise significant judgement in considering the condition of the PP&E assets, and the likelihood of the Group renewing the property leases that are the basis of the ROU assets.

Notes to the Financial Statements

For the year ended 31 March 2022

1. REVENUE AND EXPENDITURE

	Notes	2022 $'000	2021 $'000
Revenue includes:			
Sale of goods		5,247	4,419
Rendering of services		33	86
Total revenue		**5,280**	**4,505**
Administration expenses and selling and distribution expenses include:			
Auditors' remuneration (see below)		67	94
Depreciation expense (including right of use asset) [1]	7, 13	823	903
Directors' fees	15	92	118
Rent and low value lease expense [2]	13	89	(71)
Personnel expense [3]		1,822	1,624
Contributions to defined contribution plans		39	18
Share option expense	11	21	43
Lease modification expense		-	27

AUDITORS' REMUNERATION

The auditor for SeaDragon Limited is Baker Tilly Staples Rodway Audit Limited.

Fees to auditors for:		
Audit of financial statements including disbursements	67	94
Total auditors remuneration	**67**	**94**

[1] Of the depreciation expense (including right of use asset), $816k (2021: $898k) has been recognised as part of cost of sales in profit or loss.

[2] Rent in 2021 includes lease modification adjustments due to right to renew dates and rent relief received due to COVID-19. Management has applied the practical expedient to all rent concessions.

[3] Personnel expense of $1,009k has been recognised as part of costs of sale in profit or loss (2021: $1,007k).

Notes to the Financial Statements

For the year ended 31 March 2022

2. INCOME TAX

	2022 $'000	2021 $'000
Reconciliation of effective tax rate:		
Total loss for the year	(5,123)	(3,134)
Current domestic tax rate (cents in the dollar)	0.28	0.28
Income tax benefit using the domestic tax rate	1,434	878
Temporary differences	(401)	32
Permanent differences	(4)	-
Prior period adjustment	(28)	-
Current losses where no deferred tax asset was recognised	(1,001)	(910)
Total income tax benefit / (expense)	**-**	**-**

The Company has imputation credits at 31 March 2022 of $3k (2021: $1k).

Deferred tax assets

The Group has unrecognised tax losses of $38,934,958 (2021: $35,360,218) to be carried forward and available for offset against future assessable income. The carry forward of tax losses is contingent upon satisfying the requirements of the Income Tax Act 2007 in future periods. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

Notes to the Financial Statements

For the year ended 31 March 2022

3. LOSS PER SHARE

	2022	2021
Number of issued ordinary shares	231,836,888	231,836,888
Loss attributable to shareholders ($'000)	(5,123)	(3,134)
Weighted average number of ordinary shares for basic loss per share	**231,836,888**	**135,874,461**
Effects of dilution from:		
Share options	-	-
Convertible notes	8,461,671	-
Weighted average number of ordinary shares adjusted for the effects of dilution	**240,298,559**	**135,874,461**

Basic loss per share (cents per share)	**(2.21)**	**(2.31)**
Diluted loss per share (cents per share)	**(2.13)**	**(2.31)**

As the Group is loss making, the impact of share options not yet exercised is anti-dilutive. Consequently the options have no impact on the diluted loss per share.

4. CONVERTIBLE NOTES

	Interest rate	Maturity	2022 $'000	2021 $'000
2021 convertible notes	10%	18 June 2023	528	-
Total			**528**	**-**

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

Given SeaDragon's financial position at the time of the agreement, and the short-term nature of the notes, it was unlikely that the Group could, or would wish to, repay the notes. The notes have been treated as equity due to the automatic conversion feature which results in fixed consideration for a fixed number of shares.

Notes to the Financial Statements

For the year ended 31 March 2022

5. SHARE CAPITAL

	Number of ordinary shares	Issue price (cents)	$'000
Balance at 31 March 2020	**75,705,826**		**52,215**
136,131,062 shares issued	136,131,062	3	4,084
Convertible notes exercised	20,000,000	20	4,000
Transaction costs	-		(167)
Balance at 31 March 2021	**231,836,888**		**60,132**
Balance at 31 March 2022	**231,836,888**		**60,132**

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

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

6. CASH AND CASH EQUIVALENTS

	2022 $'000	2021 $'000
Cash at banks and on hand	1,306	1,611
Short-term deposits	20	20
Total	**1,326**	**1,631**

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are primarily used as security for the company credit cards, and earn interest at the respective short-term deposit rates. BNZ holds security over the deposits in the name of SeaDragon Marine Oils Limited.

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

	2022 $'000	2021 $'000
Cash at banks and on hand	1,306	1,611
Short-term deposits	20	20
Cash and cash equivalents	**1,326**	**1,631**

Notes to the Financial Statements

For the year ended 31 March 2022

7. PROPERTY, PLANT AND EQUIPMENT

	Computer, office, plant and equipment $'000	Work in progress $'000	Total $'000
Cost			
Balance at 1 April 2020	**15,542**	**539**	**16,081**
Additions	103	18	121
Transfers to / (from) work in progress	539	(539)	-
Transfers to right of use assets	(55)	-	(55)
Balance at 31 March 2021	**16,129**	**18**	**16,147**
Additions	149	61	210
Disposals	(49)	-	(49)
Balance at 31 March 2022	**16,229**	**79**	**16,308**
Depreciation			
Balance at 1 April 2020	**9,704**	**-**	**9,704**
Depreciation for the year	572	-	572
Transfers to right of use assets	(88)	-	(88)
Balance at 31 March 2021	**10,188**	**-**	**10,188**
Depreciation for the year	485	-	485
Impairment of property, plant and equipment	1,048	-	1,048
Disposals	(49)	-	(49)
Balance at 31 March 2022	**11,672**	**-**	**11,672**
Carrying amounts			
Balance at 1 April 2020	5,838	539	6,377
Balance at 31 March 2021	5,941	18	5,959
Balance at 31 March 2022	**4,557**	**79**	**4,636**

Notes to the Financial Statements

For the year ended 31 March 2022

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Property, plant, and equipment (PP&E) and Right of Use Assets (ROU) have been tested for impairment as at 31 March 2022 using discounted post-tax cash flows on a Fair Value Less Cost of Disposal (FVLCD) basis. These post-tax cash flows represent management's probability weighted forecast for a five-year period with a single Cash Generating Unit (CGU) representing the total business operations. The forecast period assumes 43% sales growth per annum on average over an initial five-year period reflecting increased sales to key customers and future sales orders from new Omega-3 value add products. Beyond this period a terminal cash flow has been applied reflecting management and Director's view of sustainable earnings at this point. A terminal growth rate of 2% per annum has been applied.

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

- the Company has staffed the refinery to operate on a single shift to fulfil current customer demand, whilst developing new Omega-3 value add products into the product range and higher value sales can be secured;
- with limited historic sales data of Omega-3 value add products, sales have been forecast based on predicted customer demand and negotiations with other potential customers and suppliers;
- gross margins have been increased by 5% each year over the forecast period to reflect inflationary increases in sales prices and the cost of supplies;
- operating costs are anticipated to increase by 5% to 15% each year depending on the cost;
- the forecasted capital expenditure program will enable production performance and efficiencies to be achieved and to mitigate potential issues. It is anticipated that the capital expenditure and maintenance expense modelled are sufficient to generate the forecast earnings;
- a post-tax discount rate of 15.5% is reasonable considering the risk profile of the Group.

The FVLCD was estimated at $6.187m which is below the carrying value of the CGU totalling $7.858m and, based on the underlying assumptions made, management and the Directors believe that the assets of the Group were impaired by $1.671m. The impairment has been allocated pro rata against PP&E assets ($1.048m) and ROU assets ($0.623m).

8. TRADE AND OTHER RECEIVABLES

	2022 $'000	2021 $'000
Trade receivables	983	21
Sundry receivables	1	3
GST receivable	112	34
Prepayments	75	26
Total	**1,171**	**84**

Notes to the Financial Statements

For the year ended 31 March 2022

9. INVENTORIES

	2022 $'000	2021 $'000
Raw materials and consumables	430	277
Work in progress	547	999
Goods in transit	585	-
Finished goods	183	1,023
Total	**1,745**	**2,299**

During the year $3,308k of inventory was expensed (2021: $2,617k). During the year no inventory was impaired (2021: none). At 31 March 2022, no inventory was carried at net realisable value (2021: $40k).

10. INVESTMENT IN SUBSIDIARIES

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

			Interests held by Company	
	Country of Incorporation	Principal Activities	31 March 2022	31 March 2021
Omega 3 New Zealand Limited	New Zealand	Non Trading	**100.0%**	100.0%
SeaDragon Marine Oils Limited	New Zealand	Omega-3 Oil Refining & Processing	**100.0%**	100.0%

11. SHARE OPTIONS

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

At 31 March 2022, terms and conditions of options to acquire shares granted by the Group are as follows:

Options Date of issue	Person Entitled	Number of Shares on Exercise of options	Vesting Conditions	Exercise Period	Exercise Price	Share Price
13/09/2019	Bryan Mogridge	2,959,972	Vesting on date of issue	13/09/19 to 30/09/23	$0.03	$0.06
		2,959,972				

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

Using the Black Scholes model, the options were revalued at $108k (2021: $87k). The increase of $21k has been included in the statement of profit or loss and other comprehensive income.

Notes to the Financial Statements

For the year ended 31 March 2022

11. SHARE OPTIONS (continued)

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

	Number of Options		Weighted Average exercise price	
	2022	**2021**	**2022**	**2021**
Options outstanding at 1 April	2,959,972	2,959,972	3 cents	50 cents
Issued during the period	-	-	-	-
Lapsed during the period	-	-	-	-
Change in exercise price	-	(2,959,972)	-	50 cents
Change in exercise price	-	2,959,972	-	3 cents
Exercised during the period	-	-	-	-
Expired during the period	-	-	-	-
Outstanding at end of period	**2,959,972**	**2,959,972**	**3 cents**	**3 cents**

Options outstanding at 31 March 2022 have a weighted average exercise price of 3 cents (2021: 3 cents) and a weighted average contractual life of 1.5 years (2021: 2.5 years).

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

12. TRADE AND OTHER PAYABLES

	2022 $'000	2021 $'000
Trade creditors	934	276
Accrued expenses	148	252
Employee entitlements	293	176
Other payables	46	57
Total	**1,421**	**761**

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

Notes to the Financial Statements

For the year ended 31 March 2022

13. RIGHT OF USE ASSETS AND LEASE LIABILITIES

Right of use assets

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

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

	Land and buildings $'000	Asset retirement obligation $'000	Total $'000
Cost			
Balance at 1 April 2020	2,250	179	2,429
Lease modifications [1]	2,416	-	2,416
Transfers from property, plant and equipment	-	55	55
Additions	10	-	10
Balance at 31 March 2021	4,676	234	4,910
Additions	23	-	23
Balance at 31 March 2022	**4,699**	**234**	**4,933**
Depreciation and impairment			
Balance at 1 April 2020	850	43	893
Lease modifications [1]	(92)	-	(92)
Depreciation for the year	327	3	330
Transfers from property, plant and equipment	-	88	88
Balance at 31 March 2021	1,085	134	1,219
Depreciation for the year	332	6	338
Impairment of right of use assets	623	-	623
Balance at 31 March 2022	**2,040**	**140**	**2,180**
Carrying amounts			
Balance at 31 March 2021	3,591	100	3,691
Balance at 31 March 2022	**2,659**	**94**	**2,753**

The right of use assets include an asset of $94k (2021: $100k) representing the present value of the estimated costs for the restoration of the leased refinery property, being $389k (2021: $336k), at the termination of the lease in 2037. There has been no addition, utilisation or release of the asset retirement provision (2021: nil).

[1] The right of use values were adjusted during the year, due to lease modifications for right to renew dates.

	2022 $'000	2021 $'000
Lease liabilities		
Current	273	242
Non-current	3,765	4,017
Total	**4,038**	**4,259**

Notes to the Financial Statements

For the year ended 31 March 2022

13. RIGHT OF USE ASSETS AND LEASE LIABILITIES (continued)

	2022 $'000	2021 $'000
Amounts recognised in profit and loss		
Depreciation expense on right of use assets	338	330
Interest expense on lease liabilities	371	389
Future minimum rental payable for leases of low value items as at 31 March		
Within one year	-	2
After one year but not more than five years	-	-
More than 5 years	-	-
Total	**-**	**2**

The Group has no other commitments at reporting date (2021: Nil).

14. FINANCIAL INSTRUMENTS

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

	2022 $'000	2021 $'000
Financial assets at amortised cost		
Cash and cash equivalents	1,326	1,631
Trade receivables	983	21
Sundry receivables	-	3
Total financial assets at amortised cost	**2,309**	**1,655**
Total financial assets	**2,309**	**1,655**
Financial liabilities at amortised cost		
Trade creditors	(934)	(276)
Accrued expenses	(148)	(252)
Employee entitlements	(293)	(176)
Other payables	(46)	(57)
Interest-bearing loans	(2,608)	(559)
Total financial liabilities at amortised cost	**(4,029)**	**(1,320)**
Total financial liabilities	**(4,029)**	**(1,320)**

Notes to the Financial Statements

For the year ended 31 March 2022

14. FINANCIAL INSTRUMENTS (continued)

Market risk

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

Foreign currency risk

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

Denominated in foreign currency

The Group's exposure to foreign currency at 31 March 2022 is detailed below :

	2022 USD'000	2021 USD'000
Cash and cash equivalents	489	669
Trade and other receivables	633	-
Trade and other payables	(449)	(9)

Foreign currency sensitivity

The following table demostrates the sensitivity to a reasonably possible change in USD exchange rates, with all other variables held constant. The impact on the Group's loss before income tax is due to changes in the value of financial instruments that are denominated in foreign currency, after adjusting for forward exchange contracts in place as at 31 March 2022.

	Change in USD rate	Effect on loss before tax USD'000	Effect on pre-tax equity USD'000
2022	+10%	(48)	(48)
	-10%	59	59
2021	+10%	(70)	(70)
	-10%	86	86

Interest rate risk

The Group manages its interest rate risk by maintaining minimal variable rate cash balances. Excess cash resources are placed into fixed rate term deposits where appropriate. The Group considers that there is an immaterial interest rate risk in existence at 31 March 2022. Interest rate exposures of the Group are shown in Note 4 and Note 15.

Notes to the Financial Statements

For the year ended 31 March 2022

14. FINANCIAL INSTRUMENTS (continued)

Credit risk

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

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

Liquidity risk

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

As at 31 March 2022 the Group is dependent on the securing of additional funding to meet its obligations. Refer to Notes 15 and 17 for further information.

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

	Statement of financial position $'000	Contractual cash flows $'000	3 months or less $'000	4 months to 12 months $'000	Greater than 12 months $'000
2022					
Trade creditors	934	934	934	-	-
Accrued expenses	148	148	148	-	-
Lease liabilities	4,038	7,294	156	468	6,670
Total non-derivative liabilities	**5,120**	**8,376**	**1,238**	**468**	**6,670**
2021					
Trade creditors	276	276	276	-	-
Accrued expenses	252	252	252	-	-
Lease liabilities	4,259	7,884	153	459	7,272
Total non-derivative liabilities	**4,787**	**8,412**	**681**	**459**	**7,272**

Capital Management

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

The Group's capital includes share capital, reserves and accumulated losses. As part of the Board's regular review of capital requirements they assess the current and forecasted cash flow position of the Group and then consider the need for additional funding. Refer to Notes 15 and 17 for further information.

Notes to the Financial Statements

For the year ended 31 March 2022

15. RELATED PARTY INFORMATION

General

All subsidiaries of the Group are considered to be related parties of SeaDragon Limited. Dry Food NZ Limited (DFNZ) is considered to be a related party of SeaDragon Limited as it is 50% owned by Pescado, SeaDragon's majority shareholder.

Sales of $33k to DFNZ for consulting services are included in the year (2021: Nil) and the amount due from DFNZ as at 31 March 2022 was $10k (2021: Nil)

Key management personnel and members of the Board of Directors

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

Key management compensation			2022 $'000	2021 $'000
Short term benefits to Directors (Directors fees)			92	118
Short term benefits to senior management			789	852
Fair value of share options granted to Directors			21	43
Total			**902**	**1,013**
Interest-bearing loans	Interest rate	Maturity		
2020 secured loan	12%	31 December 2022	608	559
2021 secured loan	10%	30 September 2022	1,500	-
2022 secured loan	10%	30 September 2022	500	-
Total			**2,608**	**559**

The 2020 secured loan of $0.5m was signed on 4 May 2020 and has a repayment date of 31 December 2022. Interest on the 2020 secured loan is capitalised every six months, following the deduction of resident withholding tax.

The 2021 secured loan of $1.5m was signed on 30 October 2021 and has a repayment date of 30 September 2022. Interest on the 2021 secured loan is accrued and payable on the loan repayment date.

The 2022 secured loan of $0.5m was signed on 4 March 2022 and has a repayment date of 30 September 2022. Interest on the 2022 secured loan is accrued and payable on the loan repayment date.

All of the interest-bearing loans are secured loan agreements with majority shareholder, Pescado. SeaDragon Director Mark Stewart is the majority owner and a director of Pescado. Refer to Note 17. Pescado also holds notes of $528k with the company. Refer to Note 4 for further information.

16. CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 March 2022 (2021: $Nil).

17. SUBSEQUENT EVENTS

On 10 May 2022, the Group signed a $500k secured loan agreement with its majority shareholder, Pescado. The interest rate of the loan is 10% per annum and the repayment date is 30 September 2022.

On 21 June 2022, the Group signed a $500k secured loan agreement with its majority shareholder, Pescado. The interest rate of the loan is 10% per annum and the repayment date is 30 September 2022.

Company Directory

Registered Office	Postal Address	Company Number
12 Nayland Road Stoke, Nelson 7011	12 Nayland Road Stoke, Nelson 7011	310577
Incorporated	**Securities Issued as at 31 March 2022**	**Share Registrar**
31 July 1986	231,836,888 Ordinary Shares	Link Market Services PO Box 91976 Auckland 1142
Solicitors	**Auditor**	**Bankers**
Flacks & Wong 70 Shortland Street Auckland 1140	Baker Tilly Staples Rodway Level 4, 354 Victoria Street Hamilton 3240	Bank of New Zealand PO Box 1075 Wellington 6140

Board of Directors – Current

Bryan Mogridge	Executive Chairman	Appointed 1 February 2019
Stuart Macintosh	Independent, Non-executive	Appointed 29 June 2015
Craig Patch	Independent, Non-executive	Appointed 1 October 2019
Jeremy Curnock Cook	Non-executive	Appointed 15 October 2012
Mark Sadd	Non-executive	Appointed 22 November 2017
Jake Silverstein	Non-executive	Appointed 11 December 2020
Mark Stewart	Non-executive	Appointed 22 November 2017
Richard Carey	Alternate for Jake Silverstein	Appointed 11 December 2020
Warwick Webb	Alternate for Mark Stewart	Appointed 22 November 2017

Financial Calendar

Annual Meeting:	29 September 2022

YOUR NOTES:

SEADRAGON

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