

Jessica Zhang

From: Rachel Barclay <RBarclay@steinpag.com.au>
Sent: Tuesday, 14 September 2021 4:00 PM
To: s 22
Cc: s 22 Roger Steinepreis
Subject: RE: This is an External email::: Dragonfly Biosciences Limited - Prospectus [SEC=OFFICIAL:Sensitive] [SP-ACTIVE.FID149198]

s 22

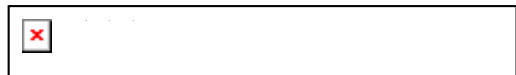
Hi s 22,

Confirming receipt of the extension.

Thanks,

Rachel Barclay

Associate

**Perth | Melbourne**

Level 4, The Read Buildings, 16 Milligan Street, Perth WA 6000 Australia

Tel: +61 8 9321 4000 | Fax: +61 8 9321 4333 | Mob: 0421 563 692 | Email: rbarclay@steinpag.com.au| www.steinpag.com.au

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From: s 22
Sent: Tuesday, 14 September 2021 1:48 PM
To: Rachel Barclay <RBarclay@steinpag.com.au>
Cc: s 22
Subject: RE: This is an External email::: FW: Dragonfly Biosciences Limited - Prospectus [SEC=OFFICIAL:Sensitive]

Dear Rachel

As discussed, please find the Notice of extension of exposure period attached.

Could you please confirm receipt.

Thank you

Kind regards

s 22

Australian Securities and Investments Commission

s 22

From: Rachel Barclay <RBarclay@steinpag.com.au>

Sent: Monday, 13 September 2021 4:02 PM

To: S 22

Cc: S 22

Subject: RE: This is an External email:::: FW: Dragonfly Biosciences Limited - Prospectus [SEC=OFFICIAL:Sensitive]

Hi S 22,

Confirming receipt of the below comments.

We will provide responses to the comments to you as soon as possible.

Thanks,

Rachel Barclay

Associate



Perth | Melbourne

Level 4, The Read Buildings, 16 Milligan Street, Perth WA 6000 Australia

Tel: +61 8 9321 4000 | Fax: +61 8 9321 4333 | Mob: 0421 563 692 | Email: rbarclay@steinpag.com.au

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From: S 22

Sent: Monday, 13 September 2021 12:57 PM

To: Rachel Barclay <RBarclay@steinpag.com.au>

Cc: S 22

Subject: This is an External email:::: FW: Dragonfly Biosciences Limited - Prospectus [SP-ACTIVE.FID149207]
[SEC=OFFICIAL:Sensitive]

Dear Rachel

As discussed, please find ASIC's further comments below in relation to the Prospectus. Please note that these are secondary comments in addition to the concerns identified and provided to you on 10 September 2021.

Could you please confirm receipt of this email. We look forward to submissions regarding our initial and secondary comments.

Following receipt and review of the Company's responses, we will be in touch should you wish to discuss further.

Thank you

Kind regards

S 22

Acquisition

We consider the status of the Company having acquired the UK operations, and the entity holding these operations, appears unclear and potentially misleading.

The Prospectus notes a condition of acquisition at Section 9.1.2 at page 103:

'(h) the Company receiving valid applications for a minimum of \$10,000,000 under the Offer; ... '

Section 3 at page 8 of the Prospectus notes:

'On 27 May 2021, the Company entered into the Acquisition Agreement pursuant to which it acquired 100% of the issued capital of Dragonfly Biosciences Limited (UK Company No.10842065) in consideration for a total of 403,429,476 Shares (the Acquisition). The Acquisition has been completed and the Shares have been issued.'

It appears, according to the above, that the information in Section 9.1.2(h) and Section 3 of the Prospectus is conflicting, and that the Company may not have undertaken an acquisition.

Please provide submissions regarding the above apparent discrepancy.

Business Operations and Company Officers

Section 1 at page 2 of the Prospectus notes:

'Dragonfly will launch a range of products across the Asia Pacific ("APAC") (Indo-Pacific) region and the United States of America (USA) in the coming months, following the completion of strategic plans that meet compliance and provide access to multiple channels in these markets, managed by our local distributors and partners.'

Please advise on what basis the Company expects to launch in APAC and USA. Please highlight the specific legal requirements met, the specific business activities that will begin and the expected starting date for these operations.

Section 1 at page 2 of the Prospectus also notes:

'...the Company has developed a planned route to the Australian market by partnering with an Australian company, Healthhouse International Limited, to assist in achieving Therapeutics Goods Administration (TGA) approval to distribute its products.'

We note the Prospectus does not appear to provide detail with respect to the partnering entity, the specific terms of the agreement or the basis and timeframes in which it expects to achieve approval from the TGA.

Section 3 A at page 8 of the Prospectus summarises the Company's historical activities. It is unclear if the Company continues to operate any other business activities, other than that of the business operated by recently acquired UK entity Dragonfly Biosciences Ltd, or holds any other assets. It appears that the Company's primary activity is operating the business only. If so, this should be clearly identified in the Prospectus.

Section 7.3 at page 84 of the Prospectus notes:

'The Company is not currently engaged in any litigation.'

The above statement appears to conflict with the statements at Section 10.1 at page 108 of the Prospectus which notes under the heading of 'Litigation':

'A claim has been brought against the Company by Mark Nicholas Grenside in the High Court in the United Kingdom in relation to a proposed breach of contract (Grenside Claim).'

Section 5.2.3 at page 30 of the Prospectus titled "The Products" states that "products are formulated in an EU-GMP pharma grade facility". However, the section also states that Company "intends to apply for EU-GMP accreditation for the facility in 2021". Please confirm:

- whether the statement "products are formulated in an EU-GMP pharma grade facility" applies to current products or future products or both;

- if the statement applies to current products, please explain how products are currently “formulated in an EU-GMP pharma grade facility” (as referred to in Section 5.2.3 of the Prospectus) if the Company does not have EU-GMP accreditation for the facility; and
- if the Company is exclusively referring to EU-GMP accreditation regarding future products, please provide further details in relation to the application, including when the Company intends to make the application and when it is likely to be received.

Directors

We consider a summary of the interests held by Directors should be included earlier in the Prospectus in the Investment Overview.

Use of Funds

We consider a summary of the Use of Funds should be included earlier in the Prospectus, in the Investment Overview.

We note that the Use of Funds at Section 5.4 at page 43 of the Prospectus does not appear to include allocations in the case that oversubscription (Maximum Offer) is received. We consider this should be included.

We note the statement under ‘Commissions payable’ at Section 4.13 at page 25 of the Prospectus:

‘The Company reserves the right to pay a commission of up to 5% (exclusive of goods and services tax) of amounts subscribed through any licensed securities dealers or Australian financial services licensee in respect of any valid applications lodged and accepted by the Company and bearing the stamp of the licensed securities dealer or Australian financial services licensee.’

We note that the commissions payable does not appear to have been accounted for in the Use of Funds.

Lead Manager

We note the statement at Section 4.6 at page 22 of the Prospectus:

‘In consideration for providing lead manager services in connection with the Offer, the Lead Manager will receive 5,000,000 Shares at \$0.20 per share.’

We understand that the Lead Manager will receive these securities in consideration for services provided. As currently stated, we consider it open to interpretation that the Lead Manager may be subscribing for shares, rather than receiving these shares for services provided.

Capital Structure

We refer to ‘Key Statistics of the Offer’ at page 6 and Section 5.5 ‘Capital Structure’ at page 44 of the Prospectus. We note the difference between these two sections as they relate to the capital structure of the Company.

We consider it unclear as to the specific securities of the Company as at the date of the Offer and on completion of the Offer.

We further note, it is unclear as to security types (for example, options or convertible notes) that are currently issued or will be issued. For example, it does not appear that the options noted at page 6 that are to be novated, are disclosed at Section 5.5. Neither of these sections appear to disclose the terms of the options or terms of the convertible note. The risk of potential dilution does not appear to be disclosed.

Please provide submissions with respect to the above observations.

s 22

Australian Securities and Investments Commission

s 22

From: s 22

Sent: Friday, 10 September 2021 2:34 PM

To: 'Rachel Barclay' <RBarclay@steinpag.com.au>

Cc: s 22

Subject: RE: Dragonfly Biosciences Limited - Prospectus [SP-ACTIVE.FID149207] [SEC=OFFICIAL:Sensitive]

Good Afternoon Rachel

We refer to the Dragonfly Biosciences Limited (**Dragonfly**) prospectus (the **Prospectus**) lodged on 7 September 2021.

We have not completed our review. However, we have identified some key **preliminary** queries and comments which Dragonfly may wish to consider prior to our finalising our comments. These preliminary queries and comments are noted below.

History of Entity and Operations

We are concerned that the history of the Dragonfly entity, and progression from the exploration operations to current operations and (including the related name changes) has not been clearly disclosed early in the document.

We are also concerned with the nomenclature used in the prospectus; it should clearly define the relevant entities and operations early in the document for the benefit of readers. This should include, though not be restricted to, disclosing all entities (including the full name of the private UK entity purchased) and clearly delineating between entities and operations (for example, the term Dragonfly may be considered confusing given the it may relate to the business, the UK private company vended into Siburan Resources Limited, or the Dragonfly Biosciences Limited entity.)

We consider a suitable clear and concise history of the entity should be noted early in the document.

Financial Information

Historical time frames and assurance

The historical consolidated statements of profit or loss and other comprehensive income for the Company is stated as being based upon the most recent two years of audited financial information (see:6.6.1 '...the historical audited consolidated statements of profit or loss and other comprehensive income of Dragonfly for the financial year ended 31 December 2019 and 31 December 2020.')

The historical consolidated statements of cash flows for Dragonfly is stated as being based upon the most recent two years, but does not appear to note whether these are based upon audited accounts. (see: 6.6.2 'The table below presents the historical consolidated statements of cash flows of Dragonfly for the year ended 31 December 2019 and 31 December 2020.')

We refer to Regulatory Guide (RG) 228: *Prospectuses: Effective disclosure for retail investors* which provides guidance on financial information in prospectuses (see: Section F).

RG 228.87 notes:

Except in the circumstances outlined in RG 228.102, for your business or a business you propose to acquire, you should include in your prospectus:

- (a) a consolidated audited statement of financial position for the most recent financial year (or audited or reviewed half-year depending on the date of your prospectus: see RG 228.89) showing the major asset, liability and equity groups and a corresponding pro-forma statement of financial position showing the effect of the offer and any acquisitions;*
- (b) the following audited financial information for at least the three most recent financial years (or two years of audited information and a half year of reviewed information, depending on the date of your prospectus: see RG 228.89):*
 - (i) a consolidated income statement showing major revenues and expense items, and profit or loss, including EBIT and net profit after tax (NPAT);*
 - (ii) a consolidated cash flow statement showing, at a minimum, operating and investing cash flows*

RG 228.91 notes:

The preparation and audit or review of historical financial information to be included in your prospectus should be conducted, for entities in Australia, in compliance with Ch 2M and, for entities from foreign countries, in substantial equivalence to Ch 2M.

We are concerned that the Prospectus relies upon financial information that is based on less than three years audited or (two years of audited and a half year of reviewed information) accounts.

We are further concerned that the preparation and audit/review of accounts relied upon may not have been conducted in compliance, or substantial compliance, with Ch 2M of the Corporations Act 2001 (the **Act**).

Please provide submissions for all financial information relied upon, detailing:

- the specific accounts used;
- the basis, if any, for providing financial information relying on less than three years audited or (two years of audited and a half year of reviewed information) accounts;
- the specific assurance status (audited or reviewed) for each of the accounts used (and the related providers of this assurance); and
- the basis for the Company's view that the preparation and audit/review of accounts relied upon have been conducted in compliance, or substantial compliance, with Ch 2M of the Act.

Selection of financial information

Section 6.2.1.1 of the Prospectus notes:

The Financial Information presented in Section 6.6.1 and 6.6.2 does not include the historical financial information for Siburan Resources Limited. The Directors have determined that the historical financial information performance of Siburan Resources Limited prior to the acquisition date is not relevant to an informed assessment of the Group's financial performance or prospects.

The financial results for Dragonfly Biosciences Limited are included within the consolidated financial information for year ended 31 December 2020.

The Prospectus does not appear to specifically note the basis for not including Siburan Resources Limited financial statements; to the extent that they are not relevant, it should be clearly explained in the Prospectus as to why this is the case and the relevant accounts relied upon.

Further, the Historical and Pro Forma Historical Statements of Financial Position appear to then contradict the above statements in the Prospectus, as they are noted as being based upon the 'Reviewed historical Siburan Resources Limited 31 December 2020' accounts (see: Table at 6.6.3).

We are further concerned, as accounts used relate to balance dates of 31 December 2020, but no apparent adjustments have been to adjust for changes to accounts subsequent to these dates, noting that the date of the Prospectus is circa nine months post the balance dates used.

We query if adjustments should be made to assist the readers to understand recent changes in financial performance, or alternatively, given the expected significant changes associated noted in the 'Current Trading and Outlook' section of the Prospectus, whether the Company considered if more up-to-date audited/reviewed financial statements should have been prepared to include in the Prospectus given the stated increase in recent trading (see: RG 228.90).

Please provide submissions on the above queries and concerns.

Historical consolidated statements of profit or loss and other comprehensive income for the Company

We note the 'Gross profit' metric and the 'Results from operating activities' line items in the consolidated statements of profit or loss and other comprehensive income. We consider it unclear as to the reason that these are separate items in the financial statement and are concerned that, without reasonable explanation, this may obscure a reasonable understanding of the performance of the business.

Cash Flow Statement - Negative Operating Cash Flows

We note the negative operating cash flows summarised in the historical consolidated statements of cash flows. Given the quantum of negative net cash flow in operations for both of the periods, we consider there is insufficient detail and explanation of the cash flows as they relate to operational revenues, sales and expenditures.

We further note that it is unclear at section 6.6.2 if the consolidated statements of cash flow are derived from audited accounts.

Subsequent Events

We refer to section 6.6.8. and note that a number of post 31 December 2020 events have been disclosed. We consider it unclear if or how these events have been accounted for in the financial information presented. Please provide submissions on this point.

s 22

Australian Securities and Investments Commission

s 22

From: Rachel Barclay <RBarclay@steinpag.com.au>

Sent: Thursday, 9 September 2021 2:16 PM

To: s 22

Cc: s 22

Subject: RE: Dragonfly Biosciences Limited - Prospectus [SEC=OFFICIAL:Sensitive] [SP-ACTIVE.FID149207]

EXTERNAL EMAIL: Do not click any links or open any attachments unless you trust the sender and know the content is safe.

Thanks s 22

Kind regards

Rachel Barclay

Associate



Perth | Melbourne

Level 4, The Read Buildings, 16 Milligan Street, Perth WA 6000 Australia

Tel: +61 8 9321 4000 | Fax: +61 8 9321 4333 | Mob: 0421 563 692 | Email: rbarclay@steinpag.com.au | www.steinpag.com.au

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From: s 22

Sent: Thursday, 9 September 2021 2:15 PM

To: Rachel Barclay <RBarclay@steinpag.com.au>

Cc: s 22

Subject: Dragonfly Biosciences Limited - Prospectus [SEC=OFFICIAL:Sensitive]

Dear Rachel

We acknowledge receipt of the Prospectus for Dragonfly Biosciences Limited ACN 137 176 393 (**Company**) lodged with ASIC on 7 September 2021.

If you have any questions, please contact me directly using the details below.

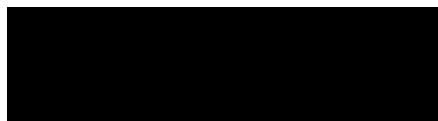
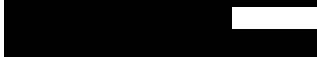
Kind regards

s 22



Australian Securities and Investments Commission

s 22



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ASIC
Australian Securities &
Investments Commission

**Australian Securities
and Investments Commission**

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Mail address for Perth office:
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www.asic.gov.au

Our Reference: CAS-83976-L0D3J6

14 September 2021

By Email: RBarclay@steinpag.com.au

The Directors
Dragonfly Biosciences Limited
ACN 137 176 393
C/- Ms Rachel Barclay
Steinepreis Paganin
Level 4, 16 Milligan Street
PERTH WA 6000

Attention: Rachel Barclay

Dear Directors

**DRAGONFLY BIOSCIENCES LIMITED ACN 137 176 393
PROSPECTUS DATED 7 SEPTEMBER 2021
NOTICE TO EXTEND EXPOSURE PERIOD**

I refer to the prospectus ("Prospectus") lodged with the Australian Securities and Investments Commission ("ASIC") on 7 September 2021 in relation to an offer of securities by Dragonfly Biosciences Limited ACN 137 176 393 ("Company").

Relevant Legislation and Regulatory Guidance

Subsection 727(3) of the *Corporations Act 2001* (the "Act") relevantly provides:

"A person must not accept an application for, or issue or transfer, non-quoted securities offered under a disclosure document until the period of 7 days after lodgment of the disclosure document has ended. ASIC may extend the period by notice in writing to the person offering the securities. The period as extended must end no more than 14 days after the lodgment."

ASIC Regulatory Guide 254 *Offering securities under a disclosure document* ("RG 254") provides guidance about ASIC's policy in relation to when ASIC will extend the

exposure period and your responsibility to provide access to the Prospectus. A copy of RG 254 may be obtained from the ASIC website at www.asic.gov.au.

Notice to Extend Exposure Period

ASIC has, by the enclosed notice, extended the period under subsection 727(3) of the Act for seven days to end on Tuesday, 21 September 2021 as it appears that the prospectus may be defective.

ASIC's concerns are set out in the enclosed Statement of Preliminary Concerns.

Right to a Review of ASIC's Decision

You have certain rights connected with this decision. For example, the Administrative Appeals Tribunal and the Commonwealth Ombudsman may be able to review the decision. You can also apply to ASIC for access to documents about the decision.

Information on your rights is set out in the enclosed information sheet ASIC Decisions - your rights ("INFO 9").

Enquiries

Should you wish to discuss the above matter please contact me on s 22

Yours faithfully

s 22

s 22

Australian Securities and Investments Commission

- Encl.
1. Notice of Extension
 2. Statement of Preliminary Concerns
 3. INFO 9

FORM 7109

**Australian Securities and Investments Commission
*Corporations Act 2001 - Subsection 727(3) – Notice of Extension***

Pursuant to subsection 727(3) of the *Corporations Act 2001* notice is hereby given that the Australian Securities and Investments Commission ("ASIC") extends the period within which a person must not accept an application for, or issue or transfer, non-quoted securities offered under the disclosure document described in Schedule A to the period set out in Schedule B.

Schedule A

The prospectus lodged by Dragonfly Biosciences Limited ACN 137 176 393 with ASIC on 7 September 2021 in relation to an offer of securities.

Schedule B

Fourteen (14) days after lodgment of the disclosure document described in Schedule A.

Dated: **14 September 2021**

Signed:

s 22

s 22

as a delegate of the Australian Securities and Investments Commission

DRAGONFLY BIOSCIENCES LIMITED
ACN 137 176 393

Prospectus lodged with the Australian Securities and Investments Commission on 7 September 2021 ("Prospectus") relating to an offer of securities by Dragonfly Biosciences Limited ACN 137 176 393 ("Company").

STATEMENT OF PRELIMINARY CONCERNS

At this stage, ASIC has identified the following issues noted below as being of preliminary concern. Please note that additional concerns may arise during the conduct of ASIC's review. If additional concerns are identified, these will be communicated to the Company.

History of Company and operations

- 1 ASIC considers that the history of the Company (including its related name changes) and its progression from previous operations to current operations is not explained in a "*clear, concise and effective manner*", in accordance with section 715A(1) of the Act.
- 2 The explanation does not appear to include include, without limitation, disclosure of all entities in relation to the Company, full details of the entity that the Company purchased in the United Kingdom (**UK**) and clear distinctions between all entities in relation to the Company and their specific operations.
- 3 ASIC considers that investors and professional advisers would reasonably require this information to make an informed assessment of the offer. Accordingly, ASIC considers that any offer of securities by the Company under the Prospectus may contravene subsection 728(1)(b) of the Act.

Financial Information

- 4 Section 6 of the Prospectus details the Company's financial information.
- 5 Section 6.6.1 appears to provide the historical consolidated statements of profit or loss and other comprehensive income for the Company. Section 6.6.2 appears to provide historical consolidated statements of cash flows for the Company. These appear to be based upon financial accounts of the UK entity for the two most recent financial years, specifically the financial year ended 31 December 2019 and 31 December 2020.
- 6 ASIC considers that, where applicable, the consolidated income statement and consolidated cash flow statement should include audited financial information for at least the three most recent financial years (or two years of audited

information and a half year of reviewed information). Accordingly, any offer of securities by the Company under the Prospectus may contravene subsection 728(1)(b) of the Act.

- 7 Section 6.6.1 identifies "Gross profit" and the "Results from operating activities" as separate line items in the consolidated statements of profit or loss and other comprehensive income. ASIC considers that without explanation this may obscure a reasonable understanding of the performance of the Company. Accordingly, any offer of securities by the Company under the Prospectus may contravene subsection 728(1)(b) of the Act.
- 8 Section 6.6.2 appears to provide the historical consolidated statements of cash flows for the Company but does not note whether they are based on audited accounts. ASIC considers that financial information provided should be based on audited accounts and disclosed as such. Accordingly, any offer of securities by the Company under the Prospectus may contravene subsection 728(1)(b) of the Act.
- 9 ASIC is concerned that the Prospectus has not identified and disclosed that the preparation and audit or review of accounts relied on in the Prospectus has been conducted in compliance with Chapter 2M of the Act. Accordingly, any offer of securities by the Company under the Prospectus may contravene subsection 728(1)(b) of the Act.
- 10 Section 6.6.2 highlights substantial negative net cash flow in operations for both periods in the historical consolidated statements of cash flows. ASIC considers that insufficient detail and explanation of the cash flows as they relate to operational revenues, sales and expenditures in the Cash Flow Statement is provided in Section 6.6.2. Accordingly, any offer of securities by the Company under the Prospectus may contravene subsection 728(1)(b) of the Act.
- 11 ASIC understands the Company was previously known as Siburan Resources Limited (**Siburan**). Section 6.2.1.1 notes that "*The Financial Information presented in Section 6.6.1 and 6.6.2 does not include the historical financial information for Siburan Resources Limited.*"
- 12 Section 6 of the Prospectus does not explain why the Company does not consider it should be included. ASIC considers that investors and professional advisers would reasonably require this information to make an informed assessment of the offer. Accordingly, any offer of securities by the Company under the Prospectus may contravene subsection 728(1)(b) of the Act.
- 13 Section 6.6.3 provides the historical and pro forma historical statements of financial position (**Pro-Forma Statements**). ASIC considers that the structure of the Pro-Forma Statements, including adjustments made, are unclear. It appears that no adjustments have been made to adjust for changes to accounts after 31 December 2020 to reflect the date of Prospectus issuance.
- 14 ASIC considers that adjustments should be made to assist investors and professional advisers understand recent changes in the Company's financial

position to make an informed assessment of the offer. Accordingly, ASIC considers that any offer of securities by the Company under the Prospectus may contravene subsection 728(1)(b) of the Act.

- 15 Section 6.6.8 appears to disclose a number events after the last balance date of accounts, being 31 December 2020. ASIC considers that insufficient detail has been provided to explain if, or how, these subsequent events have been accounted for in the financial information provided. Accordingly, ASIC considers that any offer of securities by the Company under the Prospectus may contravene subsection 728(1)(b) of the Act.

Acquisition

- 16 ASIC considers that the disclosure in the Prospectus in relation to the Company's acquisition of UK operations, and the entity holding these operations, is unclear and may be misleading.
- 17 ASIC notes the following:
- a. Section 3 states *"On 27 May 2021, the Company entered into the Acquisition Agreement pursuant to which it acquired 100% of the issued capital of Dragonfly Biosciences Limited (UK Company No.10842065) in consideration for a total of 403,429,476 Shares (the Acquisition). The Acquisition has been completed and the Shares have been issued."*
 - b. However, Section 9.1.2(h) states as a condition of acquisition *"the Company receiving valid applications for a minimum of \$10,000,000 under the Offer"*.
- 18 ASIC considers that this apparent discrepancy may mislead potential investors and professional advisers as to the current position of the Company. Accordingly, ASIC considers that any offer of securities by the Company under the Prospectus may contravene subsection 728(1)(a)(i) of the Act.

Business operations and Company officers

- 19 Section 1 notes that the Company *"will launch a range of products across the Asia Pacific ("APAC") (Indo-Pacific) region and the United States of America (USA) in the coming months, following the completion of strategic plans that meet compliance and provide access to multiple channels in these markets, managed by our local distributors and partners"*.
- 20 ASIC considers that inadequate detail is provided in the Prospectus in relation to the Company's launch in APAC and USA. We consider the Prospectus does not provide sufficient information including, without limitation, the specific legal requirements the Company complied with, the specific business activities that will begin and the expected starting date for these operations. Accordingly, ASIC considers that any offer of securities by the Company under the Prospectus may contravene subsection 728(1)(b) of the Act.

- 21 Section 1 notes that "*...the Company has developed a planned route to the Australian market by partnering with an Australian company, Healthhouse International Limited, to assist in achieving Therapeutics Goods Administration (TGA) approval to distribute its products*".
- 22 ASIC considers that inadequate detail is provided in the Prospectus in relation to the partnering entity Healthhouse International Limited, the specific terms of the agreement, or the basis and timeframes in which the Company expects to achieve approval from the TGA. Accordingly, ASIC considers that any offer of securities by the Company under the Prospectus may contravene subsection 728(1)(b) of the Act.
- 23 Section 3 summarises the Company's historical activities. ASIC considers that it is unclear if the Company continues to operate any other business activities, other than that of the business operated by recently acquired UK entity Dragonfly Biosciences Ltd or holds any other assets. Accordingly, ASIC considers that any offer of securities by the Company under the Prospectus may contravene subsection 728(1)(b) of the Act.
- 24 Section 5.2.3 provides information about the Company's products. The section notes that "*products are formulated in an EU-GMP pharma grade facility*". However, the section also states that the Company "*intends to apply for EU-GMP accreditation for the facility in 2021*". These statements appear to conflict. Accordingly, ASIC considers that any offer of securities by the Company under the Prospectus may contravene subsection 728(1)(a)(i) of the Act.
- 25 Section 7.3 notes that "*The Company is not currently engaged in any litigation*." However, Section 10.1 titled "*Litigation*" notes that "*A claim has been brought against the Company by Mark Nicholas Grenside in the High Court in the United Kingdom in relation to a proposed breach of contract (Grenside Claim)*." These statements appear to conflict. Accordingly, ASIC considers that any offer of securities by the Company under the Prospectus may contravene subsection 728(1)(a)(i) of the Act.

Use of funds

- 26 Section 5.4 sets out the Company's intended use of funds raised from the offer and does not appear to include allocations in the case that oversubscription (being the "Maximum Offer") is received. Accordingly, ASIC considers that any offer of securities by the Company under the Prospectus may contravene subsection 728(1)(b) of the Act.
- 27 Section 4.13 titled "*Commissions payable*" notes that "*The Company reserves the right to pay a commission of up to 5% (exclusive of goods and services tax) of amounts subscribed through any licensed securities dealers or Australian financial services licensee in respect of any valid applications lodged and accepted by the Company and bearing the stamp of the licensed securities dealer or Australian financial services licensee*."

- 28 ASIC notes that the commissions payable do not appear to have been accounted for in Section 5.4 in the Company's intended use of funds. Accordingly, ASIC considers that any offer of securities by the Company under the Prospectus may contravene subsection 728(1)(b) of the Act.

Capital Structure

- 29 Section 5.5, under "Capital Structure", details the capital structure of the Company. Section 2, under "Key Statistics", also provides a summary of capital structure of the Company.
- 30 ASIC considers it unclear as to the specific quantum and type (for example, ordinary shares, options and/or convertible notes) of securities the Company has issued as at the date of the Prospectus, and will have on issue on completion of the Offer. The Prospectus does not appear to disclose the terms of relevant options or convertible notes, or advise of the potential dilutive effect of these securities. The Prospectus does not appear to disclose in Section 5.5 the previously described novated options identified in the notes of Section 2.
- 31 Accordingly, ASIC considers that any offer of securities by the Company under the Prospectus may contravene subsection 728(1)(b) of the Act.

Australian Securities and Investments Commission

14 September 2021



ASIC
Australian Securities &
Investments Commission

ASIC decisions: Your rights

ASIC makes many decisions about corporations, securities and financial products and services that might affect you. If we have made a decision that directly affects you, you may have rights connected with the decision. This information sheet sets out an overview of your rights and how to exercise them. You may have other rights in addition to those discussed here.

Note: Under certain circumstances ASIC can waive late lodgement fees. If your inquiry is about withdrawing a late lodgement fee, you can find more details in the information sheet, [Fee waivers](#) (INFO 87).

What can you find out from us?

<p>Talk to us about the decision</p>	<p>ASIC decision maker—If you need to clarify anything relating to the decision, you may find it helpful to discuss it with the ASIC staff member who made the decision.</p> <p>Administrative Law Team—You can also contact the Senior Manager - Administrative Law Team by email to senior.manager.alt@asic.gov.au or by mail to:</p> <p>Senior Manager, Administrative Law Team Australian Securities and Investments Commission GPO Box 9827 Brisbane QLD 4001</p> <p>The Senior Manager - Administrative Law Team can explain how to exercise the rights set out in this information sheet. It would be best to do this promptly because there is a 28-day time limit on some applications.</p>
<p>Get our reasons in writing</p>	<p>If we have not told you why we made the decision when we notified you about it, you may be entitled to ask for a written statement of reasons.</p> <p>How to apply You must write to the person who made the decision within 28 days of being told about the decision.</p>

Ask for access to other documents	<p>You may seek access to documents about the decision under the <i>Freedom of Information Act 1982</i>.</p> <p>How to apply You must apply to ASIC in writing stating clearly which documents you want to obtain. You may send your application by email to FOIrequest@asic.gov.au or by mail to:</p> <p style="padding-left: 40px;">Senior Manager, FOI Team Australian Securities and Investments Commission GPO Box 9827 Brisbane QLD 4001</p> <p>Charge may be imposed for the time spent in searching for and retrieving relevant document, decision-making time, photocopying and postage.</p> <p>For more information contact the FOI Team at FOIrequest@asic.gov.au</p>
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Can you get an independent review?

You may have a right to seek review of the decision by the Administrative Appeals Tribunal (AAT). The AAT is an independent body which can review some of ASIC's decisions. The AAT can, among other things:

- confirm our decision;
- vary our decision; or
- set our decision aside and replace it with its own decision.

How to apply to the AAT

In writing	You must apply to the AAT for review in writing. This can be done via letter or email. Alternatively, the AAT has an application form which you may choose to use. The AAT website contains further details on how to apply to the AAT for review of a decision.
In time	You must apply for the review within 28 days of being told why the decision was made.
Pay the fee	<p>You must enclose the <u>application fee</u> with your application.</p> <p>If you want to apply for the application fee to be reduced or waived you can obtain the application form from the AAT.</p>

We have also published Regulatory Guide 57 *Notification of rights of review* ([RG 57](#)) which gives more detail about your rights of review. You can also contact the Administrative Law Team to obtain a copy.

If you have any questions about the AAT's procedures and requirements, see www.aat.gov.au, call the AAT on 1300 366 700 or write to the AAT at GPO Box 9955 in your capital city.

If you are unhappy with how we handled your matter

Talk to us	If you have a complaint about the way we have handled a matter, you may wish to bring your concerns to the attention of a more senior ASIC staff member than the officer with whom you have been dealing.
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Take it further	You may also have the right to complain to the Commonwealth Ombudsman. However, the Ombudsman usually prefers that you discuss your complaint with ASIC first. There is an office of the Commonwealth Ombudsman in each capital city see your local <i>White Pages</i> . For further information call 1300 362 072 or visit www.ombudsman.gov.au .
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Where can I get more information?

- ASIC on 1300 300 630
- Administrative Appeal Tribunal website at www.aat.gov.au
- Commonwealth Ombudsman website at www.ombudsman.gov.au
- Office of the Australian Information Commissioner website at www.oaic.gov.au

This **Information Sheet 9 (INFO 9)** revised August 2020 Information Sheet provide concise guidance on a specific process or compliance issue or an overview of detailed guidance.

Jessica Zhang

From: s 22
Sent: Friday, 17 September 2021 3:58 PM
To: Rachel Barclay
Cc: s 22 Roger Steinepreis
Subject: RE: This is an External email::: Dragonfly Biosciences Limited - Prospectus [SP-ACTIVE.FID149198] [SEC=OFFICIAL:Sensitive]
Attachments: 20210916 - ASIC Comments - Responses to ASIC Queries on Dragonfly Prospectus (16 09 21) (2771895.2).pdf

s 22

Dear Rachel

I refer to your email on 16 September 2021 attaching the Company's responses to each of ASIC's queries in relation to the Prospectus (**Responses**).

Request for Financial Information

To further assist with our review it would be appreciated if you would please provide all financial information referred to in the Responses, including (without limitation) the following:

1. Financial statements (including Income Statement, Statement of Financial Position, Cash Flow Statement) for:
 - a. Dragonfly Biosciences Limited (UK) for the period ended 31 December 2018, 31 December 2019 and 31 December 2020; and
 - b. Siburan Resources Limited for the period ended 31 December 2018, 31 December 2019 and 31 December 2020.
2. The audit reports provided by BDO LLP and PKF Perth in relation to each of the relevant financial statements for the period ended 31 December 2018, 31 December 2019 and 31 December 2020.

ASIC's Further Comments

Please also find **attached** ASIC's further comments in red to the Responses. To assist, a brief **summary** of ASIC's comments to the Responses are below.

- **History of Entity and Operations** – ASIC continues to be concerned due to:
 - Inconsistent and conflicting nomenclature used in the Prospectus.
 - The lack of definition and interchangeable usage of "the Company" and "Dragonfly" in the Chairman's Letter and non-referral to its previous name Siburan Resources Limited.
 - Non-distinction between "Dragonfly" and "Company" in the Investment Overview, where the Prospectus defines the terms "Company" and "Dragonfly" as being one and the same, rather than separate terms.
 - Lack of definition for "Dragonfly" in the Glossary.
 - Potentially misleading naming convention in Section 6.6.3 statement of financial position.
 - Non-disclosure of the history of the Company and progression to current operations early in the Prospectus.
- **Financial information** – ASIC continues to be concerned as:
 - The Prospectus does not include audited financial information for the three most recent financial years (or two years of audited information and a half-year of reviewed information) for the cash flow statement provided. It is unclear in the Prospectus as to who prepared the cash flow statement accounts relied upon, if they are audited accounts, and if so, who conducted the audit. No audited financial information has been provided in the Prospectus for the period to 31 December 2018.

- The Prospectus does not include audited financial information for the three most recent financial years (or two years of audited information and a half-year of reviewed information) for the historical consolidated statements of profit or loss and other comprehensive income. No audited financial information has been provided in the Prospectus for the period to 31 December 2018.
 - The scope of the Independent Limited Assurance Report prepared by Mazars Audit (QLD) Pty Limited relates only to the two years ended, or as at, 31 December 2019 and 31 December 2020.
 - There is insufficient clarification in relation to any adjustments for recent changes in financial performance and/or position.
- **Business Operations and Company Officers** – ASIC continues to be concerned due to:
 - Insufficient detail regarding the APAC/USA product launch. To the extent that it is considered relevant to disclose launch, we consider the product the Prospectus should provide detail, including, though not restricted to, the specific legal requirements, business activities and the expected time-frames for operations.
 - Ambiguity in relation to the current nature of operations, specifically whether the Company is currently operating a single business or any other business activities.
 - **EU-GMP Pharma Grade Facility** - ASIC continues to be concerned due to:
 - Insufficient disclosure and clarification of the distinction between formulation and extraction, and whether the Company intends to apply for accreditation in relation to extraction and the allocation of funds raised to do so.
 - **Lead Manager** – ASIC has no further comments.
 - **Capital Structure** – ASIC continues to be concerned due to:
 - The terms of the options and the risk of potential dilution has not been disclosed. (We note, separately, that the Company proposes to make corrective disclosure to include options on issue in Section 5.5).
 - **Corrective disclosure** – ASIC notes that the Company intends to make corrective disclosure in relation to:
 - The nature of the Acquisition.
 - Litigation - ASIC notes that the Litigation risk and details of the claim should be included earlier in the document in addition to the corrective disclosure proposed by the Company.
 - Disclosure of directors interests in the Investment Overview.
 - Disclosure regarding allocations in the case of oversubscription in the Investment Overview. ASIC notes that the Company has not responded to queries regarding commissions payable.

Kind regards

s 22

s 22

Australian Securities and Investments Commission

s 22

From: Rachel Barclay <RBarclay@steinpag.com.au>

Sent: Thursday, 16 September 2021 3:16 PM

To: s 22

Cc: s 22

Roger Steinepreis <roger@steinpag.com.au>

Subject: RE: This is an External email::: Dragonfly Biosciences Limited - Prospectus [SEC=OFFICIAL:Sensitive] [SP-ACTIVE.FID149198]

Hi s 22

On behalf of the Company, we hereby submit the **attached** document which contains the Company's responses to each of ASIC's queries on the Dragonfly prospectus (as set out below in earlier emails addressed to myself).

Please do not hesitate myself or Roger if there are any queries.

Kind regards

Rachel Barclay

Associate

Perth | Melbourne

Level 4, The Read Buildings, 16 Milligan Street, Perth WA 6000 Australia

Tel: +61 8 9321 4000 | Fax: +61 8 9321 4333 | Mob: 0421 563 692 | Email: rbarclay@steinpag.com.au | www.steinpag.com.au

Note: This email is confidential and legally privileged. If you are not the intended addressee please delete this message. Steinepreis Paganin take no responsibility for any changes made to this message or any attachment to it by any person or for the effect of those changes on the meaning of the message or the attachment.

s 22

Responses to ASIC Queries on Dragonfly Prospectus

We refer to the emails dated 10 September 2021 and 13 September 2021 sent by s 22 to R Barclay containing ASIC's comments on the prospectus lodged by Dragonfly Biosciences Limited (the **Company**) dated 7 September 2021.

The Company provides the following responses to each of the comments provided by ASIC.

Relevant Section	ASIC Comments	Company responses
History of Entity and Operations	<p>We are concerned that the history of the Dragonfly entity, and progression from the exploration operations to current operations and (including the related name changes) has not been clearly disclosed early in the document.</p> <p>We are also concerned with the nomenclature used in the prospectus; it should clearly define the relevant entities and operations early in the document for the benefit of readers. This should include, though not be restricted to, disclosing all entities (including the full name of the private UK entity purchased) and clearly delineating between entities and operations (for example, the term Dragonfly may be considered confusing given the it may relate to the business, the UK private company vended into Siburan Resources Limited, or the Dragonfly Biosciences Limited entity.)</p> <p>We consider a suitable clear and concise history of the entity should be noted early in the document.</p>	<p>At the outset, we note the following:</p> <ul style="list-style-type: none"> (a) "the Company" is the Australian entity which was previously called "Siburan Resources Limited" and was previously listed on the ASX (prior to being delisted on 26 January 2021); (b) "Dragonfly" is the UK entity, being the entity in respect of which the Company acquired 100% of the issued capital pursuant to the Acquisition (as defined in the Prospectus); and (c) as set out in Section 6 of the Prospectus, on 19 July 2021, following the Acquisition, the Company's name was changed to Dragonfly Biosciences Limited. The Company undertook this name change because, upon completion of the Acquisition, the operations of the Company will primarily be those of Dragonfly, meaning that the Board considers "Dragonfly" a more appropriate name in line with the operations of the Company moving forward. <p>In light of the above, all references to the Company are to the Australian entity originally named Siburan Resources Limited and now renamed Dragonfly Biosciences Limited. All references to Dragonfly are to the UK entity which is the subject of the Acquisition.</p> <p>We submit that Section 5 (Company and Projects Overview) contains a clear and concise summary of the Company's previous and future/proposed operations. In support of this, we provide the below specific reasons and examples of disclosures contained in the prospectus which address the queries raised by ASIC.</p>

		<p>As clearly set out in Section 5.2 (Background to the Company), the Company was previously incorporated as an exploration company. Please refer to the first statement of Section 5.2, which is <i>"The Company's previous focus was exploration with tungsten and gold projects in Australia, New Zealand and Papua New Guinea"</i>. To be clear, this is the Australian entity, which was previously listed on the ASX.</p> <p>The Company chose not to include further details on its previous exploration operations, given the limited relevance of the operations to investors at IPO – the fact that the Company no longer has any operations related to mining/exploration and, following the acquisition of Dragonfly and upon listing, the operations of the listco will essentially be those of Dragonfly, being primarily the production and retail of CBD products. The Company considers this approach consistent with ASIC RG 228 and refers to the guidance contained in Part B of RG 228 ('Clear, Concise and Effective': Does your prospectus help retail investors make informed investment decisions?), which points out the importance of focusing on the information of most relevance to investors in the prospectus (which the previous operations, further than the disclosure included as set out above, do not constitute). By focusing on the operations relevant to investors, the Company considers the disclosure in the prospectus to be "effective" in terms of its relevance to investors.</p> <p>As discussed on a call between ASIC, the Company, Steinepreis Paganin and Mazars on 13/09/21, this transaction is effectively a backdoor listing in the sense that the UK company being vended into the Australian delisted company is the relevant entity in terms of operations. Given this, the prospectus contains statements which are standard for a backdoor transaction in relation to the previous operations, the delisting (being the equivalent of a suspension in the context of a backdoor) and the consideration of potential new acquisitions. We refer to the following statement included in Section 5.2:</p> <p><i>"The Company was delisted from the ASX on 26 February 2021. Following a review of the commercial viability of the Dragonfly business model and platform, the Company's recent focus has been on identifying suitable</i></p>
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		<p><i>acquisition and investment opportunities to create value for its shareholders."</i></p> <p>In summary, in response to the ASIC queries, the Company submits that it is clear from the disclosures contained in Section 5 of the Prospectus that:</p> <ul style="list-style-type: none"> (a) the Company previously conducted exploration activities; (b) the Company no longer conducts such operations and, since being delisted, has effectively been dormant as there have been no active operations; (c) whilst having no active operations, the Company has been considering other acquisition opportunities; and (d) following such considerations, the Company is now acquiring 100% of Dragonfly and will assume the operations of the Company at listing. <p>In regard to the relevant entities, the prospectus contains the full name of the UK entity. In this respect, we refer to the third paragraph of Section 5.2, "Dragonfly Biosciences Ltd (Company Registration Number 10842065) (Dragonfly Ltd) is a private company limited by shares, which was incorporated on 29 June 2017 in the United Kingdom." By including the full name of the UK entity, together with the Company Registration number and the date of incorporation, the Company considers that it has clearly disclosed the details of the UK entity. This is the relevant entity for the purposes of explaining the Company's proposed business operations. For the reasons set out above in relation to the transaction effectively being a backdoor listing, the remainder of Section 5 then follows to explain, in a detailed but concise manner, the operations of the Company (at listing). This includes, by way of example, a description of each of the products (refer Section 5.2.3) and the business model (refer Section 5.3).</p>
Financial Information		
(a) Historical time frames and assurance	The <i>historical consolidated statements of profit or loss and other comprehensive income for the Company</i> is stated as	Underlying information prepared by Dragonfly comprised statements of profit or loss and other comprehensive income, statements of financial position, and statements of changes in equity, but did not include

	<p>being based upon the most recent two years of audited financial information (see: 6.6.1 '<i>...the historical audited consolidated statements of profit or loss and other comprehensive income of Dragonfly for the financial year ended 31 December 2019 and 31 December 2020.</i>')</p> <p>The historical consolidated statements of cash flows for Dragonfly is stated as being based upon the most recent two years, but does not appear to note whether these are based upon audited accounts. (see: 6.6.2 '<i>The table below presents the historical consolidated statements of cash flows of Dragonfly for the year ended 31 December 2019 and 31 December 2020.</i>')</p> <p>We refer to Regulatory Guide (RG) 228: <i>Prospectuses: Effective disclosure for retail investors</i> which provides guidance on financial information in prospectuses (see: Section F).</p> <p>RG 228.87 notes:</p> <p style="padding-left: 40px;"><i>Except in the circumstances outlined in RG 228.102, for your business or a business you propose to acquire, you should include in your prospectus:</i></p> <p style="padding-left: 80px;"><i>(a) a consolidated audited statement of</i></p>	<p>statements of cash flows. The statement of cash flows used for the financial information in the prospectus was prepared by accountants advising Dragonfly for the transaction and then reviewed by Mazars as part of the ILAR assignment. The statement of cash flows is based upon the last three years of financial statements which have been audited.</p> <p>The financial information prepared and underlying the prospectus included audited financial reports for 31 December 2018, 31 December 2019, and 31 December 2020.</p> <p>The three financial statements were audited by BDO LLP. The BDO LLP audit reports refer to the application of International Standards of Auditing, as adopted in the UK. Given that Australian auditing standards under s.336 are also consistent with International Standards of Auditing, our professional opinion is that the audits were conducted in accordance with the requirements of Chapter 2M. Further, Mazars have reviewed the audit files for BDO LLP for the three relevant years, being 2018, 2019, and 2020, and our professional view is that the audits were conducted in accordance with our expectations for an audit under the Corporations Act 2001.</p> <p>In terms of preparation of the financial statements, they are stated as compliant with the UK Generally Accepted Accounting Practice ("GAAP"). Mazars have reviewed the underlying audit files and confirm that the recognition and measurement requirements of Australian GAAP are consistent with those used for the preparation of the information on which the prospectus is based. On this basis, our view is that the preparation of the financial statements is substantially in compliance with the requirements of the Act.</p>
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	<p><i>financial position for the most recent financial year (or audited or reviewed half-year depending on the date of your prospectus: see RG 228.89) showing the major asset, liability and equity groups and a corresponding pro-forma statement of financial position showing the effect of the offer and any acquisitions;</i></p> <p><i>(b) the following audited financial information for at least the three most recent financial years (or two years of audited information and a half year of reviewed information, depending on the date of your prospectus: see RG 228.89):</i></p> <p><i>(i) a consolidated income statement showing major revenues and expense items, and profit or loss, including EBIT and</i></p>	
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	<p>net profit after tax (NPAT); (ii) a consolidated cash flow statement showing, at a minimum, operating and investing cash flows</p> <p>RG 228.91 notes:</p> <p><i>The preparation and audit or review of historical financial information to be included in your prospectus should be conducted, for entities in Australia, in compliance with Ch 2M and, for entities from foreign countries, in substantial equivalence to Ch 2M.</i></p> <p>We are concerned that the Prospectus relies upon financial information that is based on less than three years audited or (two years of audited and a half year of reviewed information) accounts.</p> <p>We are further concerned that the preparation and audit/review of accounts relied upon may not have been conducted in compliance, or substantial compliance, with Ch 2M of the Corporations Act 2001 (the Act).</p>	
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	<p>Please provide submissions for all financial information relied upon, detailing:</p> <ul style="list-style-type: none"> (a) the specific accounts used; (b) the basis, if any, for providing financial information relying on less than three years audited or (two years of audited and a half year of reviewed information) accounts; (c) the specific assurance status (audited or reviewed) for each of the accounts used (and the related providers of this assurance); and (d) the basis for the Company's view that the preparation and audit/review of accounts relied upon have been conducted in compliance, or substantial compliance, with Ch 2M of the Act. 	<p>The Company submits that:</p> <ul style="list-style-type: none"> (a) Audited financial statements of Dragonfly Biosciences Limited (UK) for the period ended 31 December 2018, 31 December 2019, and 31 December 2020, as audited by BDO LLP; (b) The last two years of operations, being 2019 and 2020 were considered most relevant to potential investors, given that the 2018 financial period recorded minimal gross profit and approximately £1.3 million in administrative costs during the first 18 months of the company's life, after being established in June 2017; (c) Audited financial statements of Dragonfly Biosciences Limited (UK) for the period ended 31 December 2018, 31 December 2019, and 31 December 2020, as audited by BDO LLP; and (d) Refer above.
(b) Selection of financial information	<p>Section 6.2.1.1 of the Prospectus notes:</p> <p><i>The Financial Information presented in Section 6.6.1 and 6.6.2 does not include the historical financial information for Siburan Resources Limited. The Directors have determined that the historical financial information performance of Siburan Resources Limited prior to the acquisition date is not relevant to an informed assessment of the</i></p>	<p>Mazars has reviewed the underlying audit / review files of the formerly named Siburan Resources. Mazars has reviewed the underlying audit files of Dragonfly Resources Limited (UK). The bulk of the financial information contained in the prospectus is derived from the audited information of the UK entity, however, the financial position of the former Siburan is contained within section 6.6.3 as the initial balance sheet of the entity that was subject to the reverse takeover.</p> <p>In summary, the performance related information (income statement and cash flows) is based on the UK entity and the position information (balance sheet) is based on the combined position the two entities are expected to present on a proforma basis.</p>

	<p><i>Group's financial performance or prospects.</i></p> <p><i>The financial results for Dragonfly Biosciences Limited are included within the consolidated financial information for year ended 31 December 2020.</i></p> <p>The Prospectus does not appear to specifically note the basis for not including Siburan Resources Limited financial statements; to the extent that they are not relevant, it should be clearly explained in the Prospectus as to why this is the case and the relevant accounts relied upon.</p> <p>Further, the Historical and Pro Forma Historical Statements of Financial Position appear to then contradict the above statements in the Prospectus, as they are noted as being based upon the 'Reviewed historical Siburan Resources Limited 31 December 2020' accounts (see: Table at 6.6.3).</p> <p>We are further concerned, as accounts used relate to balance dates of 31 December 2020, but no apparent adjustments have been to adjust for changes to accounts subsequent to these dates, noting that the date of the Prospectus is circa nine months post the balance dates used.</p>	
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	<p>We query if adjustments should be made to assist the readers to understand recent changes in financial performance, or alternatively, given the expected significant changes associated noted in the 'Current Trading and Outlook' section of the Prospectus, whether the Company considered if more up-to-date audited/reviewed financial statements should have been prepared to include in the Prospectus given the stated increase in recent trading (see: RG 228.90).</p> <p>Please provide submissions on the above queries and concerns.</p>	
(e) Historical consolidated statements of profit or loss and other comprehensive income for the Company	<p>We note the 'Gross profit' metric and the 'Results from operating activities' line items in the consolidated statements of profit or loss and other comprehensive income. We consider it unclear as to the reason that these are separate items in the financial statement and are concerned that, without reasonable explanation, this may obscure a reasonable understanding of the performance of the business.</p>	<p>Gross profit is a common performance metric for trading companies and its inclusion in the financial information is consistent with this basis of presentation of financial statements and the company submits that this is consistent with the allowances under ASIC RG 230 <i>Disclosing non-IFRS financial information</i>. In the context of the financial information, the gross profit metric is given no more prominence than other key metrics in section 6.6.1.</p>
(f) Cash Flow Statement	<p>We note the negative operating cash flows summarised in the historical consolidated statements of cash flows. Given the quantum of negative net cash flow in operations for both of the periods, we consider there is insufficient detail and explanation of the cash flows as</p>	<p>In respect of the cash flows being derived from audited financial statements, please refer earlier comments regarding the underlying information for the prospectus.</p>

	<p>they relate to operational revenues, sales and expenditures.</p> <p>We further note that it is unclear at section 6.6.2 if the consolidated statements of cash flow are derived from audited accounts.</p>	
(g) Subsequent Events	<p>We refer to section 6.6.8. and note that a number of post 31 December 2020 events have been disclosed. We consider it unclear if or how these events have been accounted for in the financial information presented. Please provide submissions on this point.</p>	<p>The two 'Subsequent Events' disclosed in the prospectus are:</p> <p>(a) On 22 February 2021, Dragonfly acquired the remaining 49% of its CBD extraction joint venture company, Premium Extraction Services Limited (PES), which is now a wholly owned subsidiary of Dragonfly.</p> <p>(b) The elimination of the Dragonfly Convertible Notes of A\$11.3 million in the proforma adjustments reflects the conversion to equity following the acquisition of Dragonfly Biosciences Limited by Siburan on 19 July 2021.</p> <p>With respect to (a), the Company has been able reduce the cost of extraction and hence improve its gross margin.</p> <p>With respect to (b), converting the loan notes to equity eliminated the interest expense going forward.</p> <p>Both subsequent events have been considered and accounted for. At the time of completion of the prospectus, the financial performance of Dragonfly was consistent with the forecast set out in section 6.11.1.</p>
Acquisition	<p>We consider the status of the Company having acquired the UK operations, and the entity holding these operations, appears unclear and potentially misleading.</p> <p>The Prospectus notes a condition of acquisition at Section 9.1.2 at page 103:</p>	<p>The Company submits that the Acquisition has completed. Under the terms of the Acquisition Agreement, it was originally agreed that a condition precedent to the Acquisition would be, as noted in Section 9.1.2 (h), the receipt of valid applications for a minimum of \$10,000,000. However, the parties later agreed that the Acquisition had settled prior to this (as the Shares had been issued), the effect of which being that this condition precedent was waived at law as a condition to completion of the Acquisition. The Company therefore submits that both</p>

	<p>'(h) the Company receiving valid applications for a minimum of \$10,000,000 under the Offer; ... '</p> <p>Section 3 at page 8 of the Prospectus notes:</p> <p>'On 27 May 2021, the Company entered into the Acquisition Agreement pursuant to which it acquired 100% of the issued capital of Dragonfly Biosciences Limited (UK Company No.10842065) in consideration for a total of 403,429,476 .Shares (the Acquisition). The Acquisition has been completed and the Shares have been issued.'</p> <p>It appears, according to the above, that the information in Section 9.1.2(h) and Section 3 of the Prospectus is conflicting, and that the Company may not have undertaken an acquisition.</p> <p>Please provided submissions regarding the above apparent discrepancy.</p>	<p>the statements at Section 9.1.2 and Section 3 in relation to completion of the Acquisition are accurate, however concedes that this is a technical point which may require further clarification in the prospectus.</p> <p>Accordingly, the Company will amend the relevant statements to provide further clarification on this point in the supplementary disclosure lodgement to be lodged with ASIC.</p>
Business Operations and Company Officers	<p>Section 1 at page 2 of the Prospectus notes:</p> <p>'Dragonfly will launch a range of products across the Asia Pacific ("APAC") (Indo-Pacific) region and the United States of America (USA) in the coming months, following the completion of strategic plans that meet</p>	<p>The Company has developed a planned route to the Australian market by partnering with an Australian company, Healthhouse International Limited, to assist in achieving Therapeutics Goods Administration (TGA) approval to distribute its products. On 2 July 2021 the Company received approval for two of its main products from the TGA via the 'Special Access Scheme". Since 2 July, the products have been imported to Australia and are available onshore via prescription. The products are being distributed through Healthhouse International's long standing distribution network of medical practitioners and pharmacies in Australia.</p>

	<p>compliance and provide access to multiple channels in these markets, managed by our local distributors and partners.'</p> <p>Please advise on what basis the Company expects to launch in APAC and USA. Please highlight the specific legal requirements met, the specific business activities that will begin and the expected starting date for these operations.</p> <p>Section 1 at page 2 of the Prospectus also notes:</p> <p>'...the Company has developed a planned route to the Australian market by partnering with an Australian company, Healthhouse International Limited, to assist in achieving Therapeutics Goods Administration (TGA) approval to distribute its products.'</p> <p>We note the Prospectus does not appear to provide detail with respect to the partnering entity, the specific terms of the agreement or the basis and timeframes in which it expects to achieve approval from the TGA.</p>	<p>Healthhouse is currently preparing a formal Australian product launch for the approved two Dragonfly products and is due to 'go live' in early October 2021. There are strict laws in Australia governing the advertising of medicines, as such, the proposed product launch is specifically designed to target the prescribing doctors and dispensing pharmacies. These two stakeholders are the 'gatekeepers' to consumers and sales.</p> <p>In August 2021, the Company entered into a commercial arrangement with ASX listed eCargo to ship, store and distribute Dragonfly products into the Asia region through its extensive freight and logistics network. The aim of the arrangement is to leverage off eCargo's expertise in the region to drive product presence and sales growth in these untapped markets. At the time of the prospectus, the company, in conjunction with eCargo, is continuing to investigate the legal requirements in multiple Asian jurisdictions. There is no ETA or commencement date to start shipping products and this commercial arrangement has not been considered in the forecast contained within the prospectus.</p> <p>In September 2020, Dragonfly entered into a manufacturing and distribution agreement with GaXtracts LLC based in Atlanta Georgia to launch Dragonfly North America LLC, supporting channel opportunities in Mexico and legal North American states. This is the foundation of the Company's strategic push into the USA. There have been no core activities undertaken as at the date of the prospectus. Furthermore, this strategic initiative has not been considered in preparing the forecast in the prospectus.</p>
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		<p>Agreement</p> <p>On 1 April 2021, the Company entered into a supply and distribution agreement with Health House International Pty Ltd (ACN 161 601 083) (Health House) for the distribution of the Company's products within Australia and New Zealand on a non-exclusive basis (Supply and Distribution Agreement).</p> <p>The Supply and Distribution Agreement is for a term of two (2) years, or until terminated (Term).</p> <p>Provided it has not been terminated, the parties agreed that the Term of the Supply and Distribution Agreement will automatically renew for another period of two (2) years.</p> <p>The Company agreed to provide its products to Health House on a consignment basis and to pay Health House for the products sold and paid for by customers in the month prior on the third business day of each month.</p> <p>Response to ASIC Query</p> <p>The Company did not provide further detail related to the partnering entity, Healthhouse International Limited, because it does not consider the agreement 'material' to the Company's operations. In reaching this conclusion, the Company considered the points set out in RG 228.63 and RG 228.64 and ultimately concluded that it did not constitute a 'material contract' because:</p> <ul style="list-style-type: none"> (a) it is not critical to the Company's ability to make money and generate income or capital growth for investors; and (b) it does not contact significant obligations or restrictions on the Company's ability to achieve its objectives. <p>As set out in RG 228, the materiality of a contract to the operations of a Company is clearly, to a large extent, at the discretion of the Company.</p>
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		The Company exercised this discretion in arriving at the above conclusion.
Historical Activities	Section 3 A at page 8 of the Prospectus summarises the Company's historical activities. It is unclear if the Company continues to operate any other business activities, other than that of the business operated by recently acquired UK entity Dragonfly Biosciences Ltd, or holds any other assets. It appears that the Company's primary activity is operating the business only. If so, this should be clearly identified in the Prospectus.	<p>The Company does not continue to operate any business activities other than those of the recently acquired UK entity Dragonfly Biosciences Ltd and does not hold any other assets. The Company considers that this is clearly articulated in the prospectus such that a retail investor is easily able to discern this. We refer to Section 5.2 (Background to the Company) and specifically the following statements:</p> <ul style="list-style-type: none"> • <i>"The Company's previous focus was exploration with tungsten and gold projects in Australia, New Zealand and Papua New Guinea".</i> • <i>"The Company was delisted from the ASX on 26 February 2021. Following a review of the commercial viability of the Dragonfly business model and platform, the Company's recent focus has been on identifying suitable acquisition and investment opportunities to create value for its shareholders."</i> <p>As set out clearly in the response to the first of ASIC's query above, and as discussed on the call between ASIC, the Company, Steinepreis Paganin and Mazars on 13/09/21, this transaction is effectively a backdoor listing in the sense that the UK company being vended into the Australian delisted company is the relevant entity in terms of operations. Given this, the prospectus contains statements which are standard for a backdoor transaction in relation to the previous operations, the delisting (being the equivalent of a suspension in the context of a backdoor) and the consideration of potential new acquisitions.</p> <p>In summary, in response to the ASIC queries, the Company submits that it is clear from the disclosures contained in Section 5 of the Prospectus that:</p> <p>(a) the Company previously conducted exploration activities;</p>

		<p>(b) the Company no longer conducts such operations and, since being delisted, has effectively been dormant as there have been no active operations;</p> <p>(c) whilst having no active operations, the Company has been considering other acquisition opportunities; and</p> <p>(d) following such considerations, the Company is now acquiring 100% of Dragonfly and will assume the operations of the Company at listing.</p>
Litigation	<p>Section 7.3 at page 84 of the Prospectus notes:</p> <p>'The Company is not currently engaged in any litigation.'</p> <p>The above statement appears to conflict with the statements at Section 10.1 at page 108 of the Prospectus which notes under the heading of 'Litigation':</p> <p>'A claim has been brought against the Company by Mark Nicholas Grenside in the High Court in the United Kingdom in relation to a proposed breach of contract (Grenside Claim).'</p>	<p>There is a typo in Section 7.4 – it should read 'The Company is not currently engaged in any litigation <i>other than as set out in Section 10.1.</i>'</p> <p>The Company will amend the statement in Section 7.3 at page 84 of the prospectus in a supplementary disclosure document to be lodged, such that the statements regarding litigation are consistent throughout the prospectus.</p>
EU-GMP Pharma Grade Facility	<p>Section 5.2.3 at page 30 of the Prospectus titled "The Products" states that "products are formulated in an EU-GMP pharma grade facility". However, the section also states that Company "intends to apply for EU-GMP accreditation for the facility in 2021". Please confirm:</p> <ul style="list-style-type: none"> whether the statement "products are formulated in an EU-GMP pharma grade 	<p>The Company considers that it is clearly articulated that the relevant facility has not yet received EU-GMP accreditation, however that it was built with the intention of applying for such accreditation and therefore to a standard which the Company believes is consistent with achieving such accreditation. The Company intends to apply part of the funds raised under the Offer towards applying for EU-GMP accreditation. This is reflected within the funds to be attributed towards "infrastructure."</p> <p>In this regard, the Company refers to the following bolded statement, which is included immediately following the statement referred to in ASIC's query – both statements included below.</p>

	<p>facility" applies to current products or future products or both;</p> <ul style="list-style-type: none"> • if the statement applies to current products, please explain how products are currently "formulated in an EU-GMP pharma grade facility" (as referred to in Section 5.2.3 of the Prospectus) if the Company does not have EU-GMP accreditation for the facility; and • if the Company is exclusively referring to EU-GMP accreditation regarding future products, please provide further details in relation to the application, including when the Company intends to make the application and when it is likely to be received. 	<p><i>"Dragonfly intends to apply for EU-GMP accreditation for the facility in 2021 (the facility was built with the intention of applying for this accreditation and therefore to a standard which Dragonfly believes is consistent with achieving such accreditation)."</i></p> <p>The Company notes the difference between extraction and formulation. In regard to extraction, the Company submits that, as clearly set out above, the facility does not have EU-GMP certification.</p> <p>However, Vetprom, which has current and valid EU-GMP certification is currently responsible for the formulation activities across all Dragonfly products. The Company has no intention of changing or terminating the relationship with VetProm for formulation services.</p>
Directors	We consider a summary of the interests held by Directors should be included earlier in the Prospectus in the Investment Overview.	Noted – in the supplementary disclosure document to be lodged with ASIC, the Company will amend the investment overview such that it includes a summary of the interests held by directors.
Use of Funds	<p>We consider a summary of the Use of Funds should be included earlier in the Prospectus, in the Investment Overview.</p> <p>We note that the Use of Funds at Section 5.4 at page 43 of the Prospectus does not appear to include allocations in the case that oversubscription (Maximum</p>	Noted – in the supplementary disclosure document to be lodged with ASIC, the Company will amend the investment overview such that it includes allocations in the case of oversubscriptions of up to an additional \$1,000,000 are received.

	<p>Offer) is received. We consider this should be included.</p> <p>We note the statement under 'Commissions payable' at Section 4.13 at page 25 of the Prospectus:</p> <p>'The Company reserves the right to pay a commission of up to 5% (exclusive of goods and services tax) of amounts subscribed through any licensed securities dealers or Australian financial services licensee in respect of any valid applications lodged and accepted by the Company and bearing the stamp of the licensed securities dealer or Australian financial services licensee.'</p> <p>We note that the commissions payable does not appear to have been accounted for in the Use of Funds.</p>	
Lead Manager	<p>We note the statement at Section 4.6 at page 22 of the Prospectus:</p> <p>'In consideration for providing lead manager services in connection with the Offer, the Lead Manager will receive 5,000,000 Shares at \$0.20 per share.'</p> <p>We understand that the Lead Manager will receive these securities in consideration for services provided. As currently stated, we consider it open to interpretation that the Lead Manager may be subscribing for shares, rather</p>	<p>The Lead Manager will receive these securities in consideration for services provided. It is essentially reserving the right to payment of a fee. There is nothing in the prospectus that suggest the lead manager will be required to subscribe for its shares, and the Company submits that it is a standard arrangement in relation to an adviser receiving securities in consideration for services provided in connection with the Offer.</p>

	than receiving these shares for services provided.																																								
Capital Structure	<p>We refer to 'Key Statistics of the Offer' at page 6 and Section 5.5 'Capital Structure' at page 44 of the Prospectus. We note the difference between these two sections as they relate to the capital structure of the Company.</p> <p>We consider it unclear as to the specific securities of the Company as at the date of the Offer and on completion of the Offer.</p> <p>We further note, it is unclear as to security types (for example, options or convertible notes) that are currently issued or will be issued. For example, it does not appear that the options noted at page 6 that are to be novated, are disclosed at Section 5.5. Neither of these sections appear to disclose the terms of the options or terms of the convertible note. The risk of potential dilution does not appear to be disclosed.</p>	<p>For ease of review, we have included below the two relevant sections in respect of which ASIC has made the query.</p> <p><u>Discrepancies in Capital Structure</u></p> <p>KEY STATISTICS OF THE OFFER</p> <table> <tr> <th></th><th>Full Subscription (\$10,000,000)¹</th><th>Oversubscriptions (\$11,000,000)²</th></tr> <tr> <td>Offer Price per Share</td><td>\$0.20</td><td>\$0.20</td></tr> <tr> <td>Shares on issue prior to the Acquisition³</td><td>15,956,659</td><td>15,956,659</td></tr> <tr> <td>Shares issued to Dragonfly Convertible Noteholders under Acquisition Agreement⁴</td><td>93,260,247</td><td>93,260,247</td></tr> <tr> <td>Shares issued to Dragonfly Shareholders under Acquisition Agreement⁴</td><td>310,169,229</td><td>310,169,229</td></tr> <tr> <td>Options currently on issue⁵</td><td>10,562,109</td><td>10,562,109</td></tr> <tr> <td>Shares to be issued under the Public Offer</td><td>50,000,000</td><td>55,000,000</td></tr> <tr> <td>Shares to be issued under Broker Offer⁶</td><td>5,000,000</td><td>5,000,000</td></tr> <tr> <td>Gross Proceeds of the Offer</td><td>\$10,000,000</td><td>\$11,000,000</td></tr> <tr> <td>Shares on issue Post-Listing (undiluted)^{5,7}</td><td>474,386,135</td><td>479,386,135</td></tr> <tr> <td>Market Capitalisation Post-Listing (undiluted)⁸</td><td>\$94,877,227</td><td>\$95,877,227</td></tr> <tr> <td>Shares on issue Post-Listing (fully diluted)^{5,7}</td><td>484,948,244</td><td>489,948,244</td></tr> <tr> <td>Market Capitalisation Post-Listing (fully diluted)⁸</td><td>\$96,989,649</td><td>\$97,989,649</td></tr> </table>		Full Subscription (\$10,000,000) ¹	Oversubscriptions (\$11,000,000) ²	Offer Price per Share	\$0.20	\$0.20	Shares on issue prior to the Acquisition ³	15,956,659	15,956,659	Shares issued to Dragonfly Convertible Noteholders under Acquisition Agreement ⁴	93,260,247	93,260,247	Shares issued to Dragonfly Shareholders under Acquisition Agreement ⁴	310,169,229	310,169,229	Options currently on issue ⁵	10,562,109	10,562,109	Shares to be issued under the Public Offer	50,000,000	55,000,000	Shares to be issued under Broker Offer ⁶	5,000,000	5,000,000	Gross Proceeds of the Offer	\$10,000,000	\$11,000,000	Shares on issue Post-Listing (undiluted) ^{5,7}	474,386,135	479,386,135	Market Capitalisation Post-Listing (undiluted) ⁸	\$94,877,227	\$95,877,227	Shares on issue Post-Listing (fully diluted) ^{5,7}	484,948,244	489,948,244	Market Capitalisation Post-Listing (fully diluted) ⁸	\$96,989,649	\$97,989,649
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5.5 Capital structure

The capital structure of the Company following completion of the Offer (assuming both Minimum Subscription and Maximum Subscription under the Offer) is summarised below:

	Minimum Subscription	Maximum Subscription
Shares currently on issue	419,386,135	419,386,135
Shares to be issued pursuant to the Capital Raising	50,000,000	55,000,000
Shares to be issued to the Lead Manager	5,000,000	5,000,000
Total	474,386,135	479,386,135

In response to ASIC's query, the Company submits the following points:

- the Company has included the more comprehensive, full form, capital structure earlier in the document to ensure it is clearly disclosed to investors upfront;
- in the table at page 6, the Company has included the effect of the Acquisition on the securities of the Company (i.e. shown the securities issued to the Dragonfly Shareholders and Con Note Holders given the Acquisition has completed recently and the Acquisition is referred to several times throughout the prospectus. Most importantly, this effect is included because the Company considers that it is material to an investors' understanding of the capital structure of the Company as at the date of the Prospectus;
- it is clear in the table at page 6 that the issued to the Dragonfly Shareholders under the Acquisition are distinguished from those to be issued under the Offer;
- as is considered standard for a prospectus of this nature, and as is stated in the opening line to Section 5.5 (preceding the table), the capital structure is "**summarised below**", hence it does not include the extent of detail included in the earlier table.

Convertible Notes

In relation to the convertible note, the Company notes the following:

		<ul style="list-style-type: none">• at no time has there been any convertible notes on issue in the Company. Rather, there were previously convertible notes on issue in Dragonfly (the UK entity); and• these Convertible Notes were converted into shares in Dragonfly, and Shares (in the Company) were then issued in consideration for the convertible notes. <p>For the above reasons, the Company does not consider it would be appropriate to include the convertible notes in the capital structure.</p> <p><u>Options</u> The Company will amend Section 5.5 to include the options on issue (as noted in the overview) in the supplementary disclosure document.</p>
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Responses to ASIC Queries on Dragonfly Prospectus – ASIC responses on 17 September 2021 provided in red

We refer to the emails dated 10 September 2021 and 13 September 2021 sent by s 22 to R Barclay containing ASIC's comments on the prospectus lodged by Dragonfly Biosciences Limited (the **Company**) dated 7 September 2021.

The Company provides the following responses to each of the comments provided by ASIC.

Relevant Section	ASIC Comments	Company responses
History of Entity and Operations	<p>We are concerned that the history of the Dragonfly entity, and progression from the exploration operations to current operations and (including the related name changes) has not been clearly disclosed early in the document.</p> <p>We are also concerned with the nomenclature used in the prospectus; it should clearly define the relevant entities and operations early in the document for the benefit of readers. This should include, though not be restricted to, disclosing all entities (including the full name of the private UK entity purchased) and clearly delineating between entities and operations (for example, the term Dragonfly may be considered confusing given the it may relate to the business, the UK private company vended into Siburan Resources Limited, or the Dragonfly Biosciences Limited entity.)</p> <p>We consider a suitable clear and concise history of the entity should be noted early in the document.</p>	<p>At the outset, we note the following:</p> <p>(a) "the Company" is the Australian entity which was previously called "Siburan Resources Limited" and was previously listed on the ASX (prior to being delisted on 26 January 2021);</p> <p>The definition of "the Company" when defined in the Chairman's Letter is not identified as being the previously named Siburan Resources Ltd entity. The Chairman's Letter uses the term "the Company" and "Dragonfly" interchangeably and offers no definition of "Dragonfly".</p> <p>The Prospectus at Section 3 in the Investment Overview specifically defines the issuer of the Prospectus as being "Dragonfly Biosciences Limited (ACN 137 176 393) (Company or Dragonfly).". That is, the Prospectus defines the terms "Company" and "Dragonfly" as being one and the same, rather than separate terms.</p> <p>We note that the Prospectus does not appear to define "Dragonfly" in the Glossary at Section 12.</p> <p>We continue to be concerned regarding the conflicting and inconsistent nomenclature used in the Prospectus.</p> <p>(b) "Dragonfly" is the UK entity, being the entity in respect of which the Company acquired 100% of the issued capital pursuant to the Acquisition (as defined in the Prospectus); and</p>

		<p>As noted above the Prospectus at Section 3 in the Investment Overview defines the terms "Company" and "Dragonfly" as being one and the same. There is no apparent alternate definition of "Dragonfly" in the Prospectus. Given these observations, it appears that "Dragonfly" does not solely refer to the UK entity.</p> <p>Further, the Company's own responses to our queries below note that the UK entity has been defined not as "Dragonfly", but as "Dragonfly Ltd" as follows:</p> <p><i>"In regard to the relevant entities, the prospectus contains the full name of the UK entity. In this respect, we refer to the third paragraph of Section 5.2, "Dragonfly Biosciences Ltd (Company Registration Number 10842065) (Dragonfly Ltd) is a private company limited by shares, which was incorporated on 29 June 2017 in the United Kingdom."</i></p> <p>Further, "Dragonfly Biosciences Limited" is used in 6.6.3 in the statement of financial position (third column from the left), as a header to pro forma adjustments which we understate actually relates to the UK entity.</p> <p>We continue to be concerned regarding the conflicting and inconsistent nomenclature used throughout the Prospectus.</p> <p>(c) as set out in Section 6 of the Prospectus, on 19 July 2021, following the Acquisition, the Company's name was changed to Dragonfly Biosciences Limited. The Company undertook this name change because, upon completion of the Acquisition, the operations of the Company will primarily be those of Dragonfly, meaning that the Board considers "Dragonfly" a more appropriate name in line with the operations of the Company moving forward.</p>
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		<p>In light of the above, all references to the Company are to the Australian entity originally named Siburan Resources Limited and now renamed Dragonfly Biosciences Limited. All references to Dragonfly are to the UK entity which is the subject of the Acquisition.</p> <p>For reasons noted in our previous comments, it does not appear that references to Dragonfly are exclusively related to the UK entity which is the subject of the Acquisition.</p> <p>We continue to be concerned regarding the conflicting and inconsistent nomenclature used in the Prospectus.</p> <p>We submit that Section 5 (Company and Projects Overview) contains a clear and concise summary of the Company's previous and future/proposed operations. In support of this, we provide the below specific reasons and examples of disclosures contained in the prospectus which address the queries raised by ASIC.</p> <p>We are concerned that the history of the Company and progression from the exploration operations to current operations has not been clearly disclosed early in the Prospectus.</p> <p>In conjunction with the comments noted above, we continue to be concerned that the history of the Company, and progression from the exploration operations to current operations and (including the related name changes) has not been clearly disclosed, and disclosure that has been provided is not clearly identified early in the Prospectus.</p> <p>As clearly set out in Section 5.2 (Background to the Company), the Company was previously incorporated as an exploration company. Please refer to the first statement of Section 5.2, which is "<i>The Company's previous focus was exploration with tungsten and gold projects in Australia, New Zealand and Papua New Guinea</i>". To be clear, this is the Australian entity, which was previously listed on the ASX.</p>
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		<p>The Company chose not to include further details on its previous exploration operations, given the limited relevance of the operations to investors at IPO – the fact that the Company no longer has any operations related to mining/exploration and, following the acquisition of Dragonfly and upon listing, the operations of the listco will essentially be those of Dragonfly, being primarily the production and retail of CBD products. The Company considers this approach consistent with ASIC RG 228 and refers to the guidance contained in Part B of RG 228 ('Clear, Concise and Effective': Does your prospectus help retail investors make informed investment decisions?'), which points out the importance of focusing on the information of most relevance to investors in the prospectus (which the previous operations, further than the disclosure included as set out above, do not constitute). By focusing on the operations relevant to investors, the Company considers the disclosure in the prospectus to be "effective" in terms of its relevance to investors.</p> <p>As discussed on a call between ASIC, the Company, Steinepreis Paganin and Mazars on 13/09/21, this transaction is effectively a backdoor listing in the sense that the UK company being vended into the Australian delisted company is the relevant entity in terms of operations. Given this, the prospectus contains statements which are standard for a backdoor transaction in relation to the previous operations, the delisting (being the equivalent of a suspension in the context of a backdoor) and the consideration of potential new acquisitions. We refer to the following statement included in Section 5.2:</p> <p><i>"The Company was delisted from the ASX on 26 February 2021. Following a review of the commercial viability of the Dragonfly business model and platform, the Company's recent focus has been on identifying suitable acquisition and investment opportunities to create value for its shareholders."</i></p>
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		<p>In summary, in response to the ASIC queries, the Company submits that it is clear from the disclosures contained in Section 5 of the Prospectus that:</p> <ul style="list-style-type: none">(a) the Company previously conducted exploration activities;(b) the Company no longer conducts such operations and, since being delisted, has effectively been dormant as there have been no active operations;(c) whilst having no active operations, the Company has been considering other acquisition opportunities; and(d) following such considerations, the Company is now acquiring 100% of Dragonfly and will assume the operations of the Company at listing. <p>As noted previously, in conjunction with the issues of nomenclature, we continue to be concerned that the history of the Company, and progression to current operations and (including the related name changes) has not been clearly disclosed, and disclosure that has been provided is not clearly identified early in the Prospectus.</p> <p>In regard to the relevant entities, the prospectus contains the full name of the UK entity. In this respect, we refer to the third paragraph of Section 5.2, "Dragonfly Biosciences Ltd (Company Registration Number 10842065) (Dragonfly Ltd) is a private company limited by shares, which was incorporated on 29 June 2017 in the United Kingdom." By including the full name of the UK entity, together with the Company Registration number and the date of incorporation, the Company considers that it has clearly disclosed the details of the UK entity. This is the relevant entity for the purposes of explaining the Company's proposed business operations. For the reasons set out above in relation to the transaction effectively being a backdoor listing, the remainder of Section 5 then follows to explain, in a detailed but concise manner, the operations of the Company (at listing). This includes, by way of example, a description of each of the products (refer Section 5.2.3) and the business model (refer Section 5.3).</p>
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		For reasons noted in our previous comments, it does not appear that references to "Dragonfly" are to the UK entity which is the subject of the Acquisition.
Financial Information		
(a) Historical time frames and assurance	<p>The <i>historical consolidated statements of profit or loss and other comprehensive income for the Company</i> is stated as being based upon the most recent two years of audited financial information (see: 6.6.1 '<i>...the historical audited consolidated statements of profit or loss and other comprehensive income of Dragonfly for the financial year ended 31 December 2019 and 31 December 2020.</i>')</p> <p>The historical consolidated statements of cash flows for Dragonfly is stated as being based upon the most recent two years, but does not appear to note whether these are based upon audited accounts. (see: 6.6.2 '<i>The table below presents the historical consolidated statements of cash flows of Dragonfly for the year ended 31 December 2019 and 31 December 2020.</i>')</p> <p>We refer to Regulatory Guide (RG) 228: <i>Prospectuses: Effective disclosure for retail investors</i> which provides guidance on financial information in prospectuses (see: Section F).</p>	<p>Underlying information prepared by Dragonfly comprised statements of profit or loss and other comprehensive income, statements of financial position, and statements of changes in equity, but did not include statements of cash flows. The statement of cash flows used for the financial information in the prospectus was prepared by accountants advising Dragonfly for the transaction and then reviewed by Mazars as part of the ILAR assignment. The statement of cash flows is based upon the last three years of financial statements which have been audited.</p> <p>The financial information prepared and underlying the prospectus included audited financial reports for 31 December 2018, 31 December 2019, and 31 December 2020.</p> <p>The Prospectus does not state that the included consolidated cash flow statement has been audited. Further, the cash flow statement provided in the Prospectus includes only the most recent two financial years. We are concerned that the financial information disclosed in the Prospectus is deficient.</p> <p>The Prospectus does not include audited financial information for the three most recent financial years (or two years of audited information and a half-year of reviewed information) for the historical consolidated statements of profit or loss and other comprehensive income. No audited financial information has been provided in the Prospectus for the period to 31 December 2018. We are concerned that the financial information disclosed in the Prospectus is deficient.</p>

	<p>RG 228.87 notes:</p> <p><i>Except in the circumstances outlined in RG 228.102, for your business or a business you propose to acquire, you should include in your prospectus:</i></p> <p>(a) <i>a consolidated audited statement of financial position for the most recent financial year (or audited or reviewed half-year depending on the date of your prospectus: see RG 228.89) showing the major asset, liability and equity groups and a corresponding pro-forma statement of financial position showing the effect of the offer and any acquisitions;</i></p> <p>(b) <i>the following audited financial information for at least the three most recent financial years (or two years of audited information and a half year of reviewed information, depending on the</i></p>	<p>Further, the scope of the Independent Limited Assurance Report prepared by Mazars Audit (QLD) Pty Limited relates only to the two years ended, or as at, 31 December 2019 and 31 December 2020.</p> <p>The three financial statements were audited by BDO LLP. The BDO LLP audit reports refer to the application of International Standards of Auditing, as adopted in the UK. Given that Australian auditing standards under s.336 are also consistent with International Standards of Auditing, our professional opinion is that the audits were conducted in accordance with the requirements of Chapter 2M. Further, Mazars have reviewed the audit files for BDO LLP for the three relevant years, being 2018, 2019, and 2020, and our professional view is that the audits were conducted in accordance with our expectations for an audit under the Corporations Act 2001.</p> <p>In terms of preparation of the financial statements, they are stated as compliant with the UK Generally Accepted Accounting Practice ("GAAP"). Mazars have reviewed the underlying audit files and confirm that the recognition and measurement requirements of Australian GAAP are consistent with those used for the preparation of the information on which the prospectus is based. On this basis, our view is that the preparation of the financial statements is substantially in compliance with the requirements of the Act.</p>
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	<p>date of your prospectus: see RG 228.89):</p> <p>(i) a consolidated income statement showing major revenues and expense items, and profit or loss, including EBIT and net profit after tax (NPAT);</p> <p>(ii) a consolidated cash flow statement showing, at a minimum, operating and investing cash flows</p> <p>RG 228.91 notes:</p> <p><i>The preparation and audit or review of historical financial information to be included in your prospectus should be conducted, for entities in Australia, in compliance with Ch 2M and, for entities from foreign countries, in substantial equivalence to Ch 2M.</i></p> <p>We are concerned that the Prospectus relies upon financial information that is</p>	
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	<p>based on less than three years audited or (two years of audited and a half year of reviewed information) accounts.</p> <p>We are further concerned that the preparation and audit/review of accounts relied upon may not have been conducted in compliance, or substantial compliance, with Ch 2M of the Corporations Act 2001 (the Act).</p>	
	<p>Please provide submissions for all financial information relied upon, detailing:</p> <ul style="list-style-type: none"> (a) the specific accounts used; (b) the basis, if any, for providing financial information relying on less than three years audited or (two years of audited and a half year of reviewed information) accounts; (c) the specific assurance status (audited or reviewed) for each of the accounts used (and the related providers of this assurance); and (d) the basis for the Company's view that the preparation and audit/review of accounts relied upon have been conducted in compliance, or substantial compliance, with Ch 2M of the Act. 	<p>The Company submits that:</p> <ul style="list-style-type: none"> (a) Audited financial statements of Dragonfly Biosciences Limited (UK) for the period ended 31 December 2018, 31 December 2019, and 31 December 2020, as audited by BDO LLP; (b) The last two years of operations, being 2019 and 2020 were considered most relevant to potential investors, given that the 2018 financial period recorded minimal gross profit and approximately £1.3 million in administrative costs during the first 18 months of the company's life, after being established in June 2017; (c) Audited financial statements of Dragonfly Biosciences Limited (UK) for the period ended 31 December 2018, 31 December 2019, and 31 December 2020, as audited by BDO LLP; and (d) Refer above. <p>Please advise as to the specific financial statements (Income Statement, Cash Flow Statement, Statement of Financial Position) relied upon and for each, who prepared the accounts (for example, Dragonfly UK or other party) and who provided audit opinions.</p>
(b) Selection of financial information	Section 6.2.1.1 of the Prospectus notes:	Mazars has reviewed the underlying audit / review files of the formerly named Siburan Resources. Mazars has reviewed the underlying audit files of Dragonfly Resources Limited (UK). The bulk of the financial

	<p><i>The Financial Information presented in Section 6.6.1 and 6.6.2 does not include the historical financial information for Siburan Resources Limited. The Directors have determined that the historical financial information performance of Siburan Resources Limited prior to the acquisition date is not relevant to an informed assessment of the Group's financial performance or prospects.</i></p> <p><i>The financial results for Dragonfly Biosciences Limited are included within the consolidated financial information for year ended 31 December 2020.</i></p> <p>The Prospectus does not appear to specifically note the basis for not including Siburan Resources Limited financial statements; to the extent that they are not relevant, it should be clearly explained in the Prospectus as to why this is the case and the relevant accounts relied upon.</p> <p>Further, the Historical and Pro Forma Historical Statements of Financial Position appear to then contradict the above statements in the Prospectus, as they are noted as being based upon the 'Reviewed historical Siburan Resources</p>	<p>information contained in the prospectus is derived from the audited information of the UK entity, however, the financial position of the former Siburan is contained within section 6.6.3 as the initial balance sheet of the entity that was subject to the reverse takeover.</p> <p>In summary, the performance related information (income statement and cash flows) is based on the UK entity and the position information (balance sheet) is based on the combined position the two entities are expected to present on a proforma basis.</p> <p><i>The responses above do not appear to address our query on if any adjustments to the statement of financial position should be made to reflect significant changes after the 31 December 2020 balance date.</i></p>
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	<p><i>Limited 31 December 2020' accounts (see: Table at 6.6.3).</i></p> <p>We are further concerned, as accounts used relate to balance dates of 31 December 2020, but no apparent adjustments have been to adjust for changes to accounts subsequent to these dates, noting that the date of the Prospectus is circa nine months post the balance dates used.</p> <p>We query if adjustments should be made to assist the readers to understand recent changes in financial performance, or alternatively, given the expected significant changes associated noted in the 'Current Trading and Outlook' section of the Prospectus, whether the Company considered if more up-to-date audited/reviewed financial statements should have been prepared to include in the Prospectus given the stated increase in recent trading (see: RG 228.90).</p> <p>Please provide submissions on the above queries and concerns.</p>	
(e) Historical consolidated statements of profit or loss and other comprehensive	<p>We note the 'Gross profit' metric and the 'Results from operating activities' line items in the consolidated statements of profit or loss and other comprehensive income. We consider it unclear as to the reason that these are separate items in the financial statement and are</p>	<p>Gross profit is a common performance metric for trading companies and its inclusion in the financial information is consistent with this basis of presentation of financial statements and the company submits that this is consistent with the allowances under ASIC RG 230 <i>Disclosing non-IFRS financial information</i>. In the context of the financial information, the gross profit metric is given no more prominence than other key metrics in section 6.6.1.</p>

income for the Company	concerned that, without reasonable explanation, this may obscure a reasonable understanding of the performance of the business.	No further comment or queries.
(f) Cash Flow Statement	<p>We note the negative operating cash flows summarised in the historical consolidated statements of cash flows. Given the quantum of negative net cash flow in operations for both of the periods, we consider there is insufficient detail and explanation of the cash flows as they relate to operational revenues, sales and expenditures.</p> <p>We further note that it is unclear at section 6.6.2 if the consolidated statements of cash flow are derived from audited accounts.</p>	<p>In respect of the cash flows being derived from audited financial statements, please refer earlier comments regarding the underlying information for the prospectus.</p> <p>The response above does not appear to address our queries. Please detail who specifically prepared the cash flow statement accounts, if these accounts were audited, and if so, who conducted the audit. We consider it unclear at section 6.6.2 if the consolidated statements of cash flow are derived from audited accounts. We consider the Prospectus should clearly disclose these details.</p>
(g) Subsequent Events	We refer to section 6.6.8. and note that a number of post 31 December 2020 events have been disclosed. We consider it unclear if or how these events have been accounted for in the financial information presented. Please provide submissions on this point.	<p>The two 'Subsequent Events' disclosed in the prospectus are:</p> <ul style="list-style-type: none"> (a) On 22 February 2021, Dragonfly acquired the remaining 49% of its CBD extraction joint venture company, Premium Extraction Services Limited (PES), which is now a wholly owned subsidiary of Dragonfly. (b) The elimination of the Dragonfly Convertible Notes of A\$11.3 million in the proforma adjustments reflects the conversion to equity following the acquisition of Dragonfly Biosciences Limited by Siburan on 19 July 2021. <p>With respect to (a), the Company has been able reduce the cost of extraction and hence improve its gross margin.</p> <p>With respect to (b), converting the loan notes to equity eliminated the interest expense going forward.</p>

		Both subsequent events have been considered and accounted for. At the time of completion of the prospectus, the financial performance of Dragonfly was consistent with the forecast set out in section 6.11.1.
Acquisition	<p>We consider the status of the Company having acquired the UK operations, and the entity holding these operations, appears unclear and potentially misleading.</p> <p>The Prospectus notes a condition of acquisition at Section 9.1.2 at page 103:</p> <p>‘(h) the Company receiving valid applications for a minimum of \$10,000,000 under the Offer; ... ‘</p> <p>Section 3 at page 8 of the Prospectus notes:</p> <p>‘On 27 May 2021, the Company entered into the Acquisition Agreement pursuant to which it acquired 100% of the issued capital of Dragonfly Biosciences Limited (UK Company No.10842065) in consideration for a total of 403,429,476 .Shares (the Acquisition). The Acquisition has been completed and the Shares have been issued.’</p> <p>It appears, according to the above, that the information in Section 9.1.2(h) and Section 3 of the Prospectus is conflicting, and that the Company may not have undertaken an acquisition.</p>	<p>The Company submits that the Acquisition has completed. Under the terms of the Acquisition Agreement, it was originally agreed that a condition precedent to the Acquisition would be, as noted in Section 9.1.2 (h), the receipt of valid applications for a minimum of \$10,000,000. However, the parties later agreed that the Acquisition had settled prior to this (as the Shares had been issued), the effect of which being that this condition precedent was waived at law as a condition to completion of the Acquisition. The Company therefore submits that both the statements at Section 9.1.2 and Section 3 in relation to completion of the Acquisition are accurate, however concedes that this is a technical point which may require further clarification in the prospectus.</p> <p>Accordingly, the Company will amend the relevant statements to provide further clarification on this point in the supplementary disclosure lodgement to be lodged with ASIC.</p> <p>We note that the Company proposes to make corrective disclosure. We note that it should be clear throughout the Prospectus that the Acquisition has completed.</p>

	Please provided submissions regarding the above apparent discrepancy.	
Business Operations and Company Officers	<p>Section 1 at page 2 of the Prospectus notes:</p> <p>'Dragonfly will launch a range of products across the Asia Pacific ("APAC") (Indo-Pacific) region and the United States of America (USA) in the coming months, following the completion of strategic plans that meet compliance and provide access to multiple channels in these markets, managed by our local distributors and partners.'</p> <p>Please advise on what basis the Company expects to launch in APAC and USA. Please highlight the specific legal requirements met, the specific business activities that will begin and the expected starting date for these operations.</p> <p>Section 1 at page 2 of the Prospectus also notes:</p> <p>'...the Company has developed a planned route to the Australian market by partnering with an Australian company, Healthhouse International Limited, to assist in achieving Therapeutics Goods Administration (TGA) approval to distribute its products.'</p>	<p>The Company has developed a planned route to the Australian market by partnering with an Australian company, Healthhouse International Limited, to assist in achieving Therapeutics Goods Administration (TGA) approval to distribute its products. On 2 July 2021 the Company received approval for two of its main products from the TGA via the 'Special Access Scheme'. Since 2 July, the products have been imported to Australia and are available onshore via prescription. The products are being distributed through Healthhouse International's long standing distribution network of medical practitioners and pharmacies in Australia. Healthhouse is currently preparing a formal Australian product launch for the approved two Dragonfly products and is due to 'go live' in early October 2021. There are strict laws in Australia governing the advertising of medicines, as such, the proposed product launch is specifically designed to target the prescribing doctors and dispensing pharmacies. These two stakeholders are the 'gatekeepers' to consumers and sales.</p> <p>In August 2021, the Company entered into a commercial arrangement with ASX listed eCargo to ship, store and distribute Dragonfly products into the Asia region through its extensive freight and logistics network. The aim of the arrangement is to leverage off eCargo's expertise in the region to drive product presence and sales growth in these untapped markets. At the time of the prospectus, the company, in conjunction with eCargo, is continuing to investigate the legal requirements in multiple Asian jurisdictions. There is no ETA or commencement date to start shipping products and this commercial arrangement has not been considered in the forecast contained within the prospectus.</p> <p>In September 2020, Dragonfly entered into a manufacturing and distribution agreement with GaXtracts LLC based in Atlanta Georgia to launch Dragonfly North America LLC, supporting channel opportunities in Mexico and legal North American states. This is the foundation of the Company's strategic push into the USA. There have been no core activities undertaken as at the date of the prospectus. Furthermore, this</p>

	<p>We note the Prospectus does not appear to provide detail with respect to the partnering entity, the specific terms of the agreement or the basis and timeframes in which it expects to achieve approval from the TGA.</p>	<p>strategic initiative has not been considered in preparing the forecast in the prospectus.</p> <p>Agreement On 1 April 2021, the Company entered into a supply and distribution agreement with Health House International Pty Ltd (ACN 161 601 083) (Health House) for the distribution of the Company's products within Australia and New Zealand on a non-exclusive basis (Supply and Distribution Agreement).</p> <p>The Supply and Distribution Agreement is for a term of two (2) years, or until terminated (Term).</p> <p>Provided it has not been terminated, the parties agreed that the Term of the Supply and Distribution Agreement will automatically renew for another period of two (2) years.</p> <p>The Company agreed to provide its products to Health House on a consignment basis and to pay Health House for the products sold and paid for by customers in the month prior on the third business day of each month.</p> <p>Response to ASIC Query The Company did not provide further detail related to the partnering entity, Healthhouse International Limited, because it does not consider the agreement 'material' to the Company's operations. In reaching this</p>
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		<p>conclusion, the Company considered the points set out in RG 228.63 and RG 228.64 and ultimately concluded that it did not constitute a 'material contract' because:</p> <ul style="list-style-type: none"> (a) it is not critical to the Company's ability to make money and generate income or capital growth for investors; and (b) it does not contact significant obligations or restrictions on the Company's ability to achieve its objectives. <p>As set out in RG 228, the materiality of a contract to the operations of a Company is clearly, to a large extent, at the discretion of the Company. The Company exercised this discretion in arriving at the above conclusion.</p> <p>We continue to be concerned that the Prospectus provides insufficient detail. To the extent that it is considered relevant to disclose that the company will launch a range of products across APAC and the USA, we consider the basis for this should be disclosed and details provided in the Prospectus, including, though not restricted to, the specific legal requirements met, the specific business activities that will begin and the expected time-frames for operations.</p>
Historical Activities	<p>Section 3 A at page 8 of the Prospectus summarises the Company's historical activities. It is unclear if the Company continues to operate any other business activities, other than that of the business operated by recently acquired UK entity Dragonfly Biosciences Ltd, or holds any other assets. It appears that the Company's primary activity is operating the business only. If so, this should be clearly identified in the Prospectus.</p>	<p>The Company does not continue to operate any business activities other than those of the recently acquired UK entity Dragonfly Biosciences Ltd and does not hold any other assets. The Company considers that this is clearly articulated in the prospectus such that a retail investor is easily able to discern this. We refer to Section 5.2 (Background to the Company) and specifically the following statements:</p> <ul style="list-style-type: none"> • <i>"The Company's previous focus was exploration with tungsten and gold projects in Australia, New Zealand and Papua New Guinea".</i>

		<ul style="list-style-type: none"> • <i>"The Company was delisted from the ASX on 26 February 2021. Following a review of the commercial viability of the Dragonfly business model and platform, the Company's recent focus has been on identifying suitable acquisition and investment opportunities to create value for its shareholders."</i> <p><i>We note the statement "... the Company's recent focus has been on identifying suitable acquisition and investment opportunities to create value for its shareholders." We consider the Company should clearly state that it is currently operating a single business.</i></p> <p>As set out clearly in the response to the first of ASIC's query above, and as discussed on the call between ASIC, the Company, Steinepreis Paganin and Mazars on 13/09/21, this transaction is effectively a backdoor listing in the sense that the UK company being vended into the Australian delisted company is the relevant entity in terms of operations. Given this, the prospectus contains statements which are standard for a backdoor transaction in relation to the previous operations, the delisting (being the equivalent of a suspension in the context of a backdoor) and the consideration of potential new acquisitions.</p> <p>In summary, in response to the ASIC queries, the Company submits that it is clear from the disclosures contained in Section 5 of the Prospectus that:</p> <ul style="list-style-type: none"> (a) the Company previously conducted exploration activities; (b) the Company no longer conducts such operations and, since being delisted, has effectively been dormant as there have been no active operations; (c) whilst having no active operations, the Company has been considering other acquisition opportunities; and (d) following such considerations, the Company is now acquiring 100% of Dragonfly and will assume the operations of the Company at listing.
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		Our query related to Section 3A at page 8 of the Prospectus (the Investment Overview). This section provides readers with a summary of the Company. It does not note if the Company continues to operate any other business activities, other than that of the business operated by recently acquired UK entity Dragonfly Biosciences Ltd, or holds any legacy assets.
Litigation	<p>Section 7.3 at page 84 of the Prospectus notes:</p> <p>'The Company is not currently engaged in any litigation.'</p> <p>The above statement appears to conflict with the statements at Section 10.1 at page 108 of the Prospectus which notes under the heading of 'Litigation':</p> <p>'A claim has been brought against the Company by Mark Nicholas Grenside in the High Court in the United Kingdom in relation to a proposed breach of contract (Grenside Claim).'</p>	<p>There is a typo in Section 7.4 – it should read 'The Company is not currently engaged in any litigation <i>other than as set out in Section 10.1.</i>'</p> <p>The Company will amend the statement in Section 7.3 at page 84 of the prospectus in a supplementary disclosure document to be lodged, such that the statements regarding litigation are consistent throughout the prospectus.</p> <p>We consider that the Prospectus should clearly note the 'Litigation' risk, and details of the claim, earlier in the document.</p>
EU-GMP Pharma Grade Facility	<p>Section 5.2.3 at page 30 of the Prospectus titled "The Products" states that "products are formulated in an EU-GMP pharma grade facility". However, the section also states that Company "intends to apply for EU-GMP accreditation for the facility in 2021". Please confirm:</p> <ul style="list-style-type: none"> whether the statement "products are formulated in an EU-GMP pharma grade facility" applies to current 	<p>The Company considers that it is clearly articulated that the relevant facility has not yet received EU-GMP accreditation, however that it was built with the intention of applying for such accreditation and therefore to a standard which the Company believes is consistent with achieving such accreditation. The Company intends to apply part of the funds raised under the Offer towards applying for EU-GMP accreditation. This is reflected within the funds to be attributed towards "infrastructure."</p> <p>In this regard, the Company refers to the following bolded statement, which is included immediately following the statement referred to in ASIC's query – both statements included below.</p>

	<p>products or future products or both;</p> <ul style="list-style-type: none"> • if the statement applies to current products, please explain how products are currently “formulated in an EU-GMP pharma grade facility” (as referred to in Section 5.2.3 of the Prospectus) if the Company does not have EU-GMP accreditation for the facility; and • if the Company is exclusively referring to EU-GMP accreditation regarding future products, please provide further details in relation to the application, including when the Company intends to make the application and when it is likely to be received. 	<p><i>“Dragonfly intends to apply for EU-GMP accreditation for the facility in 2021 (the facility was built with the intention of applying for this accreditation and therefore to a standard which Dragonfly believes is consistent with achieving such accreditation).</i>”</p> <p>The Company notes the difference between extraction and formulation. In regard to extraction, the Company submits that, as clearly set out above, the facility does not have EU-GMP certification.</p> <p>However, Vetprom, which has current and valid EU-GMP certification is currently responsible for the formulation activities across all Dragonfly products. The Company has no intention of changing or terminating the relationship with VetProm for formulation services.</p> <p><i>We consider that Section 5.2.3 of the Prospectus should clearly distinguish between extraction and formulation by specifying that the Company intends to apply for EU-GMP certification in relation to extraction. As it currently stands, the paragraph is considered confusing as it does not delineate between extraction and formulation.</i></p> <p><i>As the Company notes above that it intends to apply part of the funds raised under the offer towards applying for EU-GMP accreditation, this also should be specified.</i></p> <p><i>Further, it is stated that the Company intends to apply part of the funds raised under the Offer towards applying for EU-GMP accreditation and that is reflected within the funds to be attributed towards “infrastructure”. It does not appear that “Infrastructure” is noted in the Use of Funds table at Section 5.4, or elsewhere in the document.</i></p>
Directors	<p>We consider a summary of the interests held by Directors should be included earlier in the Prospectus in the Investment Overview.</p>	<p>Noted – in the supplementary disclosure document to be lodged with ASIC, the Company will amend the investment overview such that it includes a summary of the interests held by directors.</p>

		We note that the Company proposes to make corrective disclosure.
Use of Funds	<p>We consider a summary of the Use of Funds should be included earlier in the Prospectus, in the Investment Overview.</p> <p>We note that the Use of Funds at Section 5.4 at page 43 of the Prospectus does not appear to include allocations in the case that oversubscription (Maximum Offer) is received. We consider this should be included.</p> <p>We note the statement under 'Commissions payable' at Section 4.13 at page 25 of the Prospectus:</p> <p>'The Company reserves the right to pay a commission of up to 5% (exclusive of goods and services tax) of amounts subscribed through any licensed securities dealers or Australian financial services licensee in respect of any valid applications lodged and accepted by the Company and bearing the stamp of the licensed securities dealer or Australian financial services licensee.'</p> <p>We note that the commissions payable does not appear to have been accounted for in the Use of Funds.</p>	<p>Noted – in the supplementary disclosure document to be lodged with ASIC, the Company will amend the investment overview such that it includes allocations in the case of oversubscriptions of up to an additional \$1,000,000 are received.</p> <p>We note that the Company proposes to make corrective disclosure.</p> <p>We note that the Company has not provided comment with regards to commissions payable.</p>
Lead Manager	<p>We note the statement at Section 4.6 at page 22 of the Prospectus:</p> <p>'In consideration for providing lead manager services in connection with the</p>	<p>The Lead Manager will receive these securities in consideration for services provided. It is essentially reserving the right to payment of a fee. There is nothing in the prospectus that suggest the lead manager will be required to subscribe for its shares, and the Company submits that it is a</p>

	<p>Offer, the Lead Manager will receive 5,000,000 Shares at \$0.20 per share.'</p> <p>We understand that the Lead Manager will receive these securities in consideration for services provided. As currently stated, we consider it open to interpretation that the Lead Manager may be subscribing for shares, rather than receiving these shares for services provided.</p>	<p>standard arrangement in relation to an adviser receiving securities in consideration for services provided in connection with the Offer.</p> <p>We offer no further comments or queries.</p>
Capital Structure	<p>We refer to 'Key Statistics of the Offer' at page 6 and Section 5.5 'Capital Structure' at page 44 of the Prospectus. We note the difference between these two sections as they relate to the capital structure of the Company.</p> <p>We consider it unclear as to the specific securities of the Company as at the date of the Offer and on completion of the Offer.</p> <p>We further note, it is unclear as to security types (for example, options or convertible notes) that are currently issued or will be issued. For example, it does not appear that the options noted at page 6 that are to be novated, are disclosed at Section 5.5. Neither of these sections appear to disclose the terms of the options or terms of the convertible note. The risk of potential dilution does not appear to be disclosed.</p>	<p>For ease of review, we have included below the two relevant sections in respect of which ASIC has made the query.</p> <p><u>Discrepancies in Capital Structure</u></p>

KEY STATISTICS OF THE OFFER

	Full Subscription (\$10,000,000) ¹	Oversubscriptions (\$11,000,000) ²
Offer Price per Share	\$0.20	\$0.20
Shares on issue prior to the Acquisition ³	15,956,659	15,956,659
Shares issued to Dragonfly Convertible Noteholders under Acquisition Agreement ⁴	93,260,247	93,260,247
Shares issued to Dragonfly Shareholders under Acquisition Agreement ⁴	310,169,229	310,169,229
Options currently on issue ⁵	10,562,109	10,562,109
Shares to be issued under the Public Offer	50,000,000	55,000,000
Shares to be issued under Broker Offer ⁴	5,000,000	5,000,000
Gross Proceeds of the Offer	\$10,000,000	\$11,000,000
Shares on issue Post-Listing (undiluted) ^{6,7}	474,386,135	479,386,135
Market Capitalisation Post-Listing (undiluted) ⁸	\$94,877,227	\$95,877,227
Shares on issue Post-Listing (fully diluted) ^{5,7}	484,948,244	489,948,244
Market Capitalisation Post-Listing (fully diluted) ⁸	\$96,989,649	\$97,989,649

5.5 Capital structure

The capital structure of the Company following completion of the Offer (assuming both Minimum Subscription and Maximum Subscription under the Offer) is summarised below:

	Minimum Subscription	Maximum Subscription
Shares currently on issue	419,386,135	419,386,135
Shares to be issued pursuant to the Capital Raising	50,000,000	55,000,000
Shares to be issued to the Lead Manager	5,000,000	5,000,000
Total	474,386,135	479,386,135

In response to ASIC's query, the Company submits the following points:

		<ul style="list-style-type: none"> the Company has included the more comprehensive, full form, capital structure earlier in the document to ensure it is clearly disclosed to investors upfront; in the table at page 6, the Company has included the effect of the Acquisition on the securities of the Company (i.e. shown the securities issued to the Dragonfly Shareholders and Con Note Holders given the Acquisition has completed recently and the Acquisition is referred to several times throughout the prospectus. Most importantly, this effect is included because the Company considers that it is material to an investors' understanding of the capital structure of the Company as at the date of the Prospectus; it is clear in the table at page 6 that the issued to the Dragonfly Shareholders under the Acquisition are distinguished from those to be issued under the Offer; as is considered standard for a prospectus of this nature, and as is stated in the opening line to Section 5.5 (preceding the table), the capital structure is "summarised below", hence it does not include the extent of detail included in the earlier table. <p>We have no further comments or queries.</p> <p><u>Convertible Notes</u></p> <p>In relation to the convertible note, the Company notes the following:</p> <ul style="list-style-type: none"> at no time has there been any convertible notes on issue in the Company. Rather, there were previously convertible notes on issue in Dragonfly (the UK entity); and these Convertible Notes were converted into shares in Dragonfly, and Shares (in the Company) were then issued in consideration for the convertible notes. <p>For the above reasons, the Company does not consider it would be appropriate to include the convertible notes in the capital structure.</p> <p>We have no further comments or queries.</p>
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		<p><u>Options</u></p> <p>The Company will amend Section 5.5 to include the options on issue (as noted in the overview) in the supplementary disclosure document.</p> <p>We note that the Company proposes to make corrective disclosure. In addition, as previously noted, we consider the terms of the options and the risk of potential dilution should be clearly disclosed in Section 5.5 and the Investment Overview in Section 3.</p>
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Jessica Zhang

From: Rachel Barclay <RBarclay@steinpag.com.au>
Sent: Monday, 1 November 2021 3:56 PM
To: s 22
Cc: Roger Steinepreis; s 22
Subject: ASIC Data Room - Confirmation [SP-ACTIVE.FID149207]

s 22

s 22

EXTERNAL EMAIL: Do not click any links or open any attachments unless you trust the sender and know the content is safe.

Hi s 22

You should have just received an email invitation to an imanage data room. In that data room, you will find the prospectus in word form. Could you please confirm that you have been able to access the data room and download the document?

As requested, the Company is also preparing the letter explaining each of the key changes and will provide that to you as soon as possible.

Kind regards,

Rachel Barclay

Associate



Perth | Melbourne

Level 4, The Read Buildings, 16 Milligan Street, Perth WA 6000 Australia

Tel: +61 8 9321 4000 | Fax: +61 8 9321 4333 | Mob: 0421 563 692 | Email: rbarclay@steinpag.com.au

| www.steinpag.com.au

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Jessica Zhang

From: Rachel Barclay <RBarclay@steinpag.com.au>
Sent: Wednesday, 3 November 2021 7:30 PM
To: s 22
Cc: s 22 Roger Steinepreis
Subject: RE: This is an External email::: Dragonfly Biosciences Limited - Prospectus
[SEC=OFFICIAL:Sensitive] [SP-ACTIVE.FID149198]

s 22

Hi s 22

I tried to called today however was unable to get through – we are seeking to confirm that you can access the replacement prospectus and the letter which we have uploaded to the shared data room.

Could you please confirm you are able to access the documents and will commence your review?

Kind regards

Rachel Barclay

Associate

**Perth | Melbourne**

Level 4, The Read Buildings, 16 Milligan Street, Perth WA 6000 Australia

Tel: +61 8 9321 4000 | Fax: +61 8 9321 4333 | Mob: 0421 563 692 | Email: rbarclay@steinpag.com.au | www.steinpag.com.au

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From: s 22
Sent: Wednesday, 13 October 2021 2:10 PM
To: Rachel Barclay <RBarclay@steinpag.com.au>
Cc: s 22 Roger Steinepreis <roger@steinpag.com.au>
Subject: RE: This is an External email::: Dragonfly Biosciences Limited - Prospectus [SP-ACTIVE.FID149198]
[SEC=OFFICIAL:Sensitive]

Hi Rachel

Please find the extended ISO attached. This order lasts until ASIC makes an order under subsection 739(1A) of the Act or until the interim order is revoked, whichever happens first.

Thanks

s 22

Australian Securities and Investments Commission

s 22

s 22
[REDACTED]

From: Rachel Barclay <RBarclay@steinpag.com.au>**Sent:** Tuesday, 12 October 2021 9:43 AM**To:** s 22**Cc:** [REDACTED] Roger Steinepreis <roger@steinpag.com.au>**Subject:** RE: This is an External email::: Dragonfly Biosciences Limited - Prospectus [SEC=OFFICIAL:Sensitive] [SP-ACTIVE.FID149198]

Hi s 22

Thank you for your email.

We confirm that the Company consents to extending the ISO. Could you please advise when it will be extended to?

Kind regards,

Rachel BarclayAssociate
[REDACTED]**Perth | Melbourne**

Level 4, The Read Buildings, 16 Milligan Street, Perth WA 6000 Australia

Tel: +61 8 9321 4000 | Fax: +61 8 9321 4333 | Mob: 0421 563 692 | Email: rbarclay@steinpag.com.au| www.steinpag.com.auNote: This email is confidential and legally privileged. If you are not the intended addressee please delete this message. Steinepreis Paganin take no responsibility for any changes made to this message or any attachment to it by any person or for the effect of those changes on the meaning of the message or the attachment.

From: s 22**Sent:** Tuesday, 12 October 2021 9:42 AM**To:** Rachel Barclay <RBarclay@steinpag.com.au>**Cc:** s 22 Roger Steinepreis <roger@steinpag.com.au>**Subject:** FW: This is an External email::: Dragonfly Biosciences Limited - Prospectus [SP-ACTIVE.FID149198] [SEC=OFFICIAL:Sensitive]

Dear Rachel

I refer to my email on 22 September 2021 and the ASIC Interim Stop Order dated 22 September 2021 (**ISO**) attached to that email in relation to the Dragonfly Biosciences Limited Prospectus.We note that the proposed hearing date is scheduled for 13 October 2021 at 2pm AEST (**Hearing**). ASIC has not been advised whether the Company intends to attend the Hearing.

I refer to your email on 21 September 2021 and various phone conversations with myself on 6 October 2021 and 11 October 2021. We understand that the Company intends to provide a replacement prospectus in mark up to ASIC to address ASIC's concerns and comments.

The ASIC delegate is willing to extend the ISO on the basis that the Company provides a replacement prospectus in the near future.

Please confirm by return email whether the Company consents to extending the ISO.

Thank you

Kind regards

s 22

Australian Securities and Investments Commission

s 22

From: s 22

Sent: Wednesday, 22 September 2021 11:40 AM

To: Rachel Barclay <RBarclay@steinpag.com.au>

Cc: s 22 Roger Steinepreis <roger@steinpag.com.au>

Subject: RE: This is an External email::: Dragonfly Biosciences Limited - Prospectus [SP-ACTIVE.FID149198]
[SEC=OFFICIAL:Sensitive]

Dear Rachel

As discussed, please find attached:

- The Interim Stop Order placed on the Prospectus until 13 October 2021
- Statement of Concerns; and
- ASIC Information Sheet 1

Please note that if ASIC's concerns remain unaddressed, they will be considered at a hearing arranged for 13 October 2021 at 2pm AEST. If you would like to proceed directly to a hearing on that date, please notify me via email by 5pm AEST on 6 October 2021.

Thank you

Kind regards

s 22

Australian Securities and Investments Commission

s 22

From: Rachel Barclay <RBarclay@steinpag.com.au>

Sent: Tuesday, 21 September 2021 2:03 PM

To: s 22

Cc: s 22 Roger Steinepreis <roger@steinpag.com.au>

Subject: RE: This is an External email::: Dragonfly Biosciences Limited - Prospectus [SEC=OFFICIAL:Sensitive] [SP-ACTIVE.FID149198]

Hi s 22

No problems. We will await the confirmation tomorrow and are currently preparing the replacement prospectus.

Kind regards

Rachel Barclay

Associate



Perth | Melbourne

Level 4, The Read Buildings, 16 Milligan Street, Perth WA 6000 Australia

Tel: +61 8 9321 4000 | Fax: +61 8 9321 4333 | Mob: 0421 563 692 | Email: rbarclay@steinpag.com.au | www.steinpag.com.au

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From: S 22

Sent: Tuesday, 21 September 2021 2:01 PM

To: Rachel Barclay <RBarclay@steinpag.com.au>

Cc: S 22 Roger Steinepreis <roger@steinpag.com.au>

Subject: FW: This is an External email::: Dragonfly Biosciences Limited - Prospectus [SP-ACTIVE.FID149198]
[SEC=OFFICIAL:Sensitive]

Dear Rachel

I refer to my email on 14 September 2021 and the ASIC Notice of extension of exposure period attached to that email in relation to the Dragonfly Biosciences Limited Prospectus.

ASIC notes that the extended exposure period ends today 21 September 2021.

The ASIC delegate has considered the matter and decided to place an interim stop order on the Prospectus (**ISO**).

We will provide you with the ISO and Statement of Concerns tomorrow morning.

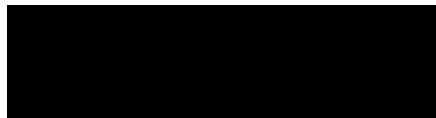
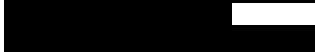
Kind regards

S 22



Australian Securities and Investments Commission

S 22



From: S 22

Sent: Monday, 20 September 2021 4:01 PM

To: Rachel Barclay <RBarclay@steinpag.com.au>; S 22

Cc: Roger Steinepreis <roger@steinpag.com.au>

Subject: RE: This is an External email::: Dragonfly Biosciences Limited - Prospectus [SP-ACTIVE.FID149198]
[SEC=OFFICIAL:Sensitive]

Good Afternoon Rachel,

Thank you for your email. We recognise the Company is working through responses and a replacement prospectus.

In response to your query, the matter will put to an ASIC delegate for consideration of an interim stop order.

Kind regards,

s 22

Australian Securities and Investments Commission

s 22



Apply for relief through the ASIC Regulatory Portal

The ASIC Regulatory Portal has replaced other channels as the primary way to submit [applications for relief](#) to ASIC.

Apply and lodge through the ASIC Regulatory Portal

The ASIC Regulatory Portal has replaced other channels as the primary way to submit [applications for relief](#) and various [fundraising and corporate finance](#) documents to ASIC.

From: Rachel Barclay <RBarclay@steinpag.com.au>

Sent: Monday, 20 September 2021 5:38 PM

To: s 22

Cc: Roger Steinepreis <roger@steinpag.com.au>

Subject: RE: This is an External email::: Dragonfly Biosciences Limited - Prospectus [SEC=OFFICIAL:Sensitive] [SP-ACTIVE.FID149198]

Hi s 22

The Company is still working through providing responses to ASIC queries. We will let you know as soon as we have an expected time to provide you with responses and a replacement prospectus.

Could you please confirm that an interim stop order will be imposed?

Thanks,

Rachel Barclay

Associate

Perth | Melbourne

Level 4, The Read Buildings, 16 Milligan Street, Perth WA 6000 Australia

Tel: +61 8 9321 4000 | Fax: +61 8 9321 4333 | Mob: 0421 563 692 | Email: rbarclay@steinpag.com.au | www.steinpag.com.au

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From: s 22

Sent: Monday, 20 September 2021 3:11 PM

To: Rachel Barclay <RBarclay@steinpag.com.au> s 22

Cc: Roger Steinepreis <roger@steinpag.com.au>

Subject: RE: This is an External email::: Dragonfly Biosciences Limited - Prospectus [SP-ACTIVE.FID149198]
[SEC=OFFICIAL:Sensitive]

Good Afternoon Rachel,

I refer to our email on Friday, 17 September 2021 which:

- noted our request for Financial Information; and
- provided further comments in relation to the Prospectus.

I also note our brief discussion this morning where we queried expected timing for any additional information or materials given the exposure period ends tomorrow, Tuesday, 21 September 2021.

We are currently unaware if the Company expects to provide additional information or materials for our consideration, and if so, when this would likely be provided.

Given we will need sufficient time prior to the exposure period ending to consider information or materials provided, we would appreciate if the Company would please advise if any additional materials are expected to be provided, and if so, when.

Kind regards,

s 22

Australian Securities and Investments Commission

s 22



Apply for relief through the ASIC Regulatory Portal

The ASIC Regulatory Portal has replaced other channels as the primary way to submit [applications for relief](#) to ASIC.

Apply and lodge through the ASIC Regulatory Portal

The ASIC Regulatory Portal has replaced other channels as the primary way to submit [applications for relief](#) and various [fundraising and corporate finance](#) documents to ASIC.

s 22



ASIC
Australian Securities &
Investments Commission

**Australian Securities
and Investments Commission**

Office address (inc courier deliveries):
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Perth WA 6000

Mail address for Perth office:
GPO Box 9827,
Brisbane QLD 4001

Tel: +61 1300 935 075
Fax: +61 1300 729 000

www.asic.gov.au

Our reference: CAS-83976-L0D3J6

22 September 2021

By email only: RBarclay@steinpag.com.au

The Directors
Dragonfly Biosciences Limited
ACN 137 176 393
C/- Ms Rachel Barclay
Steinepreis Paganin
Level 4, 16 Milligan Street
PERTH WA 6000

**ASIC has placed an interim stop order on the Prospectus dated
7 September 2021 because ASIC is concerned the Prospectus
breaches the Corporations Act**

- **You must not make any offers, issues, sales or transfers of securities in Dragonfly Biosciences Limited ACN 137 176 393 under the Prospectus for 21 days.**
- **If you promptly satisfy ASIC's concerns, ASIC may revoke the interim stop order to allow the offer to proceed.**
- **If ASIC's concerns remain unaddressed, they will be considered at a hearing arranged for 13 October 2021 at 2.00pm AEST. You will be able to make submissions at that hearing.**

Dear Directors

The Australian Securities and Investments Commission (**ASIC**) has reviewed the prospectus dated 7 September 2021 for Dragonfly Biosciences Limited ACN 137 176 393 (**Prospectus**) and made the enclosed interim stop order (**Interim Order**) under subsection 739(3) of the Corporations Act 2001 (Cth) (**Act**).

I refer to my telephone conversation with Rachel Barclay, on 22 September 2021 and confirm that Rachel Barclay agreed to accept service of this letter and its enclosures by email.

The purpose of this letter is to:

1. inform you of the concerns (described in the enclosed Statement of Concerns) which were the basis of the Interim Order and how these can be addressed;
2. offer you the opportunity to make written or oral submissions on the question of whether a Final Order should be made on the basis of ASIC's concerns; and
3. advise you that ASIC intends to hold a hearing under subsection 739(2) of the Act on this question, if our concerns are not satisfactorily addressed by the date scheduled for the hearing.

ASIC is concerned that the Prospectus does not meet legal requirements

Following review, ASIC believes that an offer of securities under the Prospectus would contravene section 728 of the Act and that any delay in making an order under subsection 739(1) of the Act (**Final Order**) pending the holding of a hearing would be prejudicial to the public interest. On the basis of this conclusion, an ASIC Delegate (**Delegate**) has placed the Interim Order on the Prospectus.

The effect of the Interim Order is that, **for 21 days after the date on which the Interim Order was made, unless it is revoked before then, there may be no offers, issues, sales or transfers of securities under the Prospectus.** A hearing has been scheduled to consider whether a Final Order should be placed on the Prospectus.

The Interim Order may be revoked prior to the hearing if ASIC's concerns in relation to the Prospectus are addressed.

What should you do now?

1. **Read this letter and the enclosed Statement of Concerns, carefully considering the matters set out.** The Statement of Concerns sets out the issues ASIC has identified with the Prospectus. You may wish to seek professional advice about how you want to address the concerns. Please note that it is not possible, at this time, to give an assurance that ASIC will not have additional concerns about the Prospectus in the future. Should additional concerns arise we will advise you promptly in writing.
2. **Speak to the ASIC Officers responsible for the matter** in relation to any questions you have. You can call:
 - s 22 [REDACTED] or
 - s 22 [REDACTED]
3. **Decide how you wish to proceed by:**
 - providing written submissions and/or a draft replacement/supplementary prospectus in mark up to the ASIC Officers responsible for the matter; or

- proceeding directly to a hearing by notifying s 22 [REDACTED] by **5.00pm AEST on 6 October 2021** that you will:
 - provide written submissions; and/or
 - attend the hearing in person.

Most interim stop order concerns are resolved through cooperative engagement

Most concerns ASIC raises in fundraising transactions are resolved through cooperative engagement between ASIC and the company.

When ASIC places an interim stop order, ASIC Officers work closely with the company to address ASIC's concerns. Often this means that the interim stop order can be revoked and the company is able to commence its offer.

If you wish to resolve the concerns and do not wish to progress to a hearing, please provide written submissions addressing ASIC's concerns, and/or a draft replacement/supplementary prospectus in mark up, directly to the ASIC Officers who are responsible for your matter as soon as possible, and prior to the commencement of the hearing.

The decision to revoke the Interim Order is a matter for the Delegate. While ASIC Officers will work closely with you to address ASIC's concerns, they cannot influence the Delegate's decision.

Hearing arrangements

If ASIC's concerns remain unresolved and the Interim Order is not revoked, the matter will proceed to a hearing. At the hearing, the Delegate will decide whether a Final Order should be made or whether the Interim Order should be revoked.

The effect of a Final Order is that no offers, issues, sales or transfers of securities under the Prospectus could be made while the order is in force.

If you do not wish to appear at the hearing, you may still choose to make written submissions and provide these prior to the commencement of the hearing. You may also attend the hearing and can choose to provide written submissions or other evidence at the hearing, or beforehand.

Written submissions should address ASIC's concerns and reasons why the Delegate should not make a Final Order or why the Interim order should be revoked. The Delegate will take these into account in reaching his or her decision.

The Delegate has set aside two hours on 13 October 2021 for you to give evidence or make submissions or both. The hearing will commence at 2.00pm AEST and be held via teleconference (details will be provided to you at a later date)

If these arrangements are not convenient or if you consider the period that the Delegate has allowed for the hearing is inappropriate, please let me know as soon as possible. If you require the assistance of an interpreter, you should let me know so that suitable arrangements can be made.

The hearing will be conducted in private and the Delegate and ASIC Officers responsible for your matter will be in attendance. If you do not wish to appear at the hearing or make any written submissions, a decision will be made on the information that the Delegate has before him or her, and may, without further consultation with you, make a Final Order.

What happens at a hearing?

ASIC's hearings are administrative proceedings which are conducted with informality and as expeditiously as possible. The rules of evidence do not apply, but ASIC is required to observe the rules of natural justice: section 59 of the *Australian Securities and Investments Commission Act 2001* (Cth) (**ASIC Act**).

For more information about the hearing process, please see the enclosed Information Sheet 1 *Administrative hearings*.

You have a right to legal representation: section 56 and subsection 59(8) of the ASIC Act. However, it is a matter for you to decide whether to have legal representation or not.

Yours faithfully



Australian Securities and Investments Commission

- Encl. 1. Interim Order
2. Statement of Concerns
3. Information Sheet 1 *Administrative hearings*

Document 4.2

AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION

**INTERIM ORDER
SUBSECTION 739(3)
*CORPORATIONS ACT 2001***

To: DRAGONFLY BIOSCIENCES LIMITED
ACN 137 176 393
Steinepreis Paganin
Level 4, 16 Milligan Street
PERTH WA 6000

Under subsection 739(3) of the *Corporations Act 2001* the Australian Securities and Investments Commission hereby makes an interim order that no offers, issues, sales or transfers of ordinary shares be made under the Prospectus dated 7 September 2021 while the interim order is in force. This order lasts for 21 days after the day on which it is made, unless revoked before then.

s 22

Signed by s 22
as a delegate of the Australian Securities and Investments Commission

Dated: 22 September 2021

Australian Securities and Investments Commission

STATEMENT OF CONCERNS

Grounds for hearing pursuant to subsection 739(2) of the *Corporations Act 2001*

DRAGONFLY BIOSCIENCES LIMITED

A. BACKGROUND

1. On 7 September 2021, Dragonfly Biosciences Limited ACN 137 176 393 (the "Company") lodged with the Australian Securities and Investments Commission ("ASIC") a Prospectus dated 7 September 2021 (the "Prospectus") pursuant to section 718 of the *Corporations Act 2001* (the "Act").
2. The Prospectus contains an offer to issue fully paid ordinary in the Company at \$0.20 per share to raise to raise between \$10,000,000 and \$11,000,000 (the "Offer").
3. The Prospectus stated that the purpose of the Offer was to raise funds to enable the Company to meet the admission requirements of Australian Securities Exchange (the "ASX") under Chapters 1 and 2 of ASX Listing Rules and provide the Company with additional funding for its proposed business programs and acquisition opportunities.

B. RELEVANT LEGISLATION

4. Unless otherwise specified, statutory references in this document are to the Act.
5. Subsection 728(1) provides:

"A person must not offer securities under a disclosure document if there is:

 - (a) a misleading or deceptive statement in:*
 - (i) the disclosure document; or*
 - (ii) any application form that accompanies the disclosure document; or*

- (iii) *any document that contains the offer if the offer is not in the disclosure document or the application form; or*
 - (b) *an omission from the disclosure document of material required by section 710, 711, 712, 713, 714 or 715; or*
 - (c) *a new circumstance that:*
 - (i) *has arisen since the disclosure document was lodged; and*
 - (ii) *would have been required by section 710, 711, 712, 713, 714 or 715 to be included in the disclosure document if it had arisen before the disclosure document was lodged".*
- 6. Subsection 728(2) relevantly provides:

"A person is taken to make a misleading statement about a future matter (including the doing of, or refusing to do, an act) if they do not have reasonable grounds for making the statement".
- 7. Subsection 710(1) relevantly provides:

"A prospectus for a body's securities must contain all the information that investors and their professional advisers would reasonably require to make an informed assessment of the matters set out in the table below. The prospectus must contain this information:

 - (a) only to the extent to which it is reasonable for investors and their professional advisers to expect to find the information in the prospectus; and*
 - (b) only if a person whose knowledge is relevant (see subsection (3)):*
 - (i) actually knows the information; or*
 - (ii) in the circumstances ought reasonably to have obtained the information by making enquiries".*

The matters set out in the table include:

- *"the rights and liabilities attaching to the securities offered"; and*
- *"the assets and liabilities, financial position and performance, profits and losses and prospects of the body that is to issue (or issued) the shares, debentures or interests" (see subsection 710(1), item 1).*

8. Subsection 715A(1) provides:

"The information in a disclosure document must be worded and presented in a clear, concise and effective manner."

C. ASIC'S CONCERNS

History of the Company

10. Section 5.2 at page 29 of the Prospectus notes:

"The Company is an Australian unlisted public company, which was incorporated in May 2009 and previously admitted to the Official List of ASX on 14 May 2010. The Company's previous focus was exploration with tungsten and gold projects in Australia, New Zealand and Papua New Guinea.

The Company was delisted from the ASX on 26 February 2021. Following a review of the commercial viability of the Dragonfly business model and platform, the Company's recent focus has been on identifying suitable acquisition and investment opportunities to create value for its shareholders."

11. ASIC notes that the Prospectus does not disclose the Company's change of name, from Siburan Resources Limited to Dragonfly Biosciences Limited, until Section 6.2.1.1 at page 50 of the Prospectus. Accordingly, ASIC considers the history of the Company is not disclosed in a "clear, concise and effective manner", in accordance with section 715A(1).
12. The Chairman's Letter at page 2 of the Prospectus defines the Company as: *"Dragonfly Biosciences Limited"*.
13. The Chairman's Letter uses the term *"the Company"* and *"Dragonfly"* interchangeably and offers no definition of *"Dragonfly"*.

14. Section 3 at page 8 of the Prospectus specifically defines the issuer of the Prospectus as being *“Dragonfly Biosciences Limited (ACN 137 176 393) (Company or Dragonfly).”* As a result, “Company” and “Dragonfly” are defined as being one and the same, rather than separate terms.
15. The Prospectus does not appear to define “Dragonfly” in the Glossary at page 117.
16. “Dragonfly” is described in section 6.2.1.1 at page 50 of the Prospectus as follows:

“Dragonfly is a London, UK based private company (Company Number 10842065) with operations in cannabidiol (“CBD”) oil production and sales.”
17. The term *“Dragonfly”* appears to be used inconsistently in the Prospectus to describe both the Company and the UK based entity acquired.
18. Section 6.6.3 at page 57 provides the historical and pro-forma historical statements of financial position. The third column from the left includes the *“Audited historical Dragonfly Biosciences Limited 31 December 2020”* financial information. ASIC understands that this is a reference to the UK entity, though could be confused with the Company itself, which has the same legal name.
19. ASIC considers the nomenclature used in the Prospectus to describe relevant entities is internally inconsistent and potentially misleading. Accordingly, ASIC is concerned that any offer for securities under the Prospectus may contravene paragraph 728(1)(a)(i).

Financial Forecasts

20. The Prospectus notes (under “Financial Forecasts” in the “Important Notice” section):

“The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain

such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.”

21. However, the Prospectus then provides earnings forecasts in the Prospectus at section 6.11 at page 67.
22. ASIC considers that this apparent discrepancy may mislead potential investors. Accordingly, any offer of securities by the Company under the Prospectus may contravene subsection 728(1)(a)(i).
23. Section 6.11.1 at page 69 and Section 6.11.2 at page 70 includes the ‘Pro Forma’ Income statements and cash flow statements. In both these financial statements a ‘budget’ and ‘forecast’ column is provided. It is unclear why including both ‘budget’ and ‘forecast’ is relevant to the reader and why there are differences between the two columns.
24. It is also unclear why the forecast financial information presented is described as ‘Pro Forma’. This term is usually used to describe adjustments to the statutory financials made for one-off events, or the effects of the fundraising / acquisitions. Where this term is used, it is generally expected a reconciliation between the ‘Pro Forma’ and Statutory forecast is provided. No such reconciliation is disclosed in the Prospectus.
25. Further, Section 6.11.6 at page 74 of the Prospectus provides a sensitivity analysis in relation to revenue. It is unclear from the narrative description what part of the forecast for 31 December 2021 the 25% increase / decrease in revenue has been applied to.
26. Based on paragraphs 62 to 65, ASIC is concerned that the information disclosed may contravene subsection 728(1)(a)(i), or alternatively, the forecast financial information is not disclosed in a "clear, concise and effective manner", in accordance with section 715A(1).

Financial Information

27. Section 6 at page 48 of the Prospectus details the Company's financial information.

28. Section 6.6.1 at page 55 of the Prospectus appears to provide the historical consolidated statements of profit or loss and other comprehensive income for the Company. These appear to be based upon financial accounts of the UK entity for the two most recent financial years, specifically the financial year ended 31 December 2019 and 31 December 2020.
29. Section 6.6.2 at page 56 of the Prospectus appears to provide historical consolidated statements of cash flows for the Company. These appear to be based upon financial accounts of the UK entity for the two most recent financial years, specifically the financial year ended 31 December 2019 and 31 December 2020.
30. ASIC considers that, where applicable, the consolidated income statement and consolidated cash flow statement should include audited financial information for at least the three most recent financial years (or two years of audited information and a half year of reviewed information). Accordingly, any offer of securities by the Company under the Prospectus may contravene subsection 728(1)(b).
31. Annexure B provides the Independent Limited Assurance Report prepared by Mazars Audit (QLD) Pty Limited (**ILAR**). However, the scope of the ILAR only relates to the two years ended, or as at, 31 December 2019 and 31 December 2020.
32. ASIC considers that, where applicable, the consolidated income statement and consolidated cash flow statement should include audited financial information for at least the three most recent financial years (or two years of audited information and a half year of reviewed information). Accordingly, any offer of securities by the Company under the Prospectus may contravene subsection 728(1)(b).
33. Section 6.6.2 at page 56 of the Prospectus appears to provide the historical consolidated statements of cash flows for the Company but does not note whether these are based on audited accounts.

34. ASIC considers that the audit status of the cash flow statements should also be clearly disclosed. Accordingly, any offer of securities by the Company under the Prospectus may contravene subsection 728(1)(b).
35. Section 6.6.3 at page 57 of the Prospectus provides the historical and pro forma historical statements of financial position (**Pro-Forma Statements**). ASIC considers that the structure of the Pro-Forma Statements, including the relevant adjustments made, are unclear. Specifically, no adjustments have been made to account for changes after 31 December 2020, to better approximate the position of the Company as at the date of Prospectus issuance.
36. ASIC considers that adjustments may be necessary to assist investors and professional advisers understand recent changes in the Company's financial position in making an informed assessment of the offer. Alternatively, the Company could use reviewed interim financials compiled at 30 June 2021 as the starting point of the Pro-Forma Statements. Accordingly, ASIC considers that any offer of securities by the Company under the Prospectus may contravene subsection 728(1)(b).

Acquisition

37. Section 3 at page 8 of the Prospectus notes that:

"On 27 May 2021, the Company entered into the Acquisition Agreement pursuant to which it acquired 100% of the issued capital of Dragonfly Biosciences Limited (UK Company No.10842065) in consideration for a total of 403,429,476 Shares (the Acquisition). The Acquisition has been completed and the Shares have been issued."

38. However, Section 9.1.2(h) at page 103 of the Prospectus notes as a condition of acquisition:

"the Company receiving valid applications for a minimum of \$10,000,000 under the Offer".

39. ASIC considers that this apparent discrepancy may mislead potential investors and professional advisers as to the current position of the Company.
40. ASIC considers that the disclosure in the Prospectus in relation to the Company's acquisition of its UK operations and the entity holding these operations is unclear and may be misleading.
41. Accordingly, ASIC is concerned that any offer for securities under the Prospectus may contravene paragraph 728(1)(a)(i).

Business operations and Company officers

42. Section 1 at page 2 of the Prospectus notes that the Company:

"will launch a range of products across the Asia Pacific ("APAC") (Indo-Pacific) region and the United States of America (USA) in the coming months, following the completion of strategic plans that meet compliance and provide access to multiple channels in these markets, managed by our local distributors and partners".

43. ASIC considers that inadequate detail is provided in the Prospectus in relation to the Company's launch in APAC and USA. The Prospectus does not provide sufficient information including, without limitation, the specific legal requirements the Company complied with, the specific business activities that will begin and the expected starting date for these operations. Accordingly, ASIC considers that any offer of securities by the Company under the Prospectus may contravene subsection 728(1)(b).

44. Section 1 at page 2 of the Prospectus further notes that:

"...the Company has developed a planned route to the Australian market by partnering with an Australian company, Healthhouse International Limited, to assist in achieving Therapeutics Goods Administration (TGA) approval to distribute its products".

45. ASIC considers that inadequate detail is provided in the Prospectus in relation to the partnering entity Healthhouse International Limited, the specific terms of the agreement or the basis and timeframes in which the Company expects to achieve approval from the TGA. Accordingly, ASIC considers that any offer of securities by the Company under the Prospectus may contravene subsection 728(1)(b).
46. Section 3 at page 8 of the Prospectus summarises the Company's historical activities.
47. ASIC considers that it is unclear if the Company continues to operate any other business activities, other than that of the business operated by recently acquired UK entity Dragonfly Biosciences Ltd or holds any other assets. Accordingly, ASIC considers that any offer of securities by the Company under the Prospectus may contravene subsection 728(1)(b).
48. Section 5.2.3 at page 30 of the Prospectus provides information about the Company's products. The section notes that:

“products are formulated in an EU-GMP pharma grade facility”

49. However, Section 5.2.3 also notes that the Company:

“intends to apply for EU-GMP accreditation for the facility in 2021”.

50. These statements appear to conflict. The Prospectus should clearly distinguish between extraction and formulation, and if relevant, specify that the Company intends to apply for EU-GMP certification in relation to extraction. Accordingly, ASIC considers that any offer of securities by the Company under the Prospectus may contravene subsection 728(1)(a)(i).

51. On 16 September 2021, in response to ASIC queries the Company noted that:

"The Company considers that it is clearly articulated that the relevant facility has not yet received EU-GMP accreditation, however that it was built with the intention of applying for such accreditation and therefore to a standard which the Company believes is consistent with achieving such accreditation. The Company intends to

apply part of the funds raised under the Offer towards applying for EU-GMP accreditation. This is reflected within the funds to be attributed towards "infrastructure."

52. Section 5.4 at page 43 of the Prospectus provides a "Use of funds" table. ASIC notes that "Infrastructure" is not noted in the table or elsewhere in the Prospectus.
53. Accordingly, ASIC is concerned that any offer for securities under the Prospectus may contravene paragraph 728(1)(b).

Litigation

54. Section 7.3 at page 84 of the Prospectus notes that:

"The Company is not currently engaged in any litigation."

55. However, Section 10.1 at page 108 of the Prospectus titled "Litigation" notes that:

"A claim has been brought against the Company by Mark Nicholas Grenside in the High Court in the United Kingdom in relation to a proposed breach of contract (Grenside Claim)."

56. These statements appear to conflict. Accordingly, ASIC considers that any offer of securities by the Company under the Prospectus may contravene subsection 728(1)(a)(i).

Use of funds

57. Section 4.13 at page 25 of the Prospectus titled "Commissions payable" notes that:

"The Company reserves the right to pay a commission of up to 5% (exclusive of goods and services tax) of amounts subscribed through any licensed securities dealers or Australian financial services licensee in respect of any valid applications lodged and accepted by the Company and bearing the

stamp of the licensed securities dealer or Australian financial services licensee."

58. ASIC notes that the commissions payable does not appear to have been accounted for in Section 5.4 in the Company's intended use of funds.
59. Accordingly, ASIC is concerned that any offer for securities under the Prospectus may contravene paragraph 728(1)(b).
60. ASIC also notes in the use of funds table at section 5.4 that 'expenses of the offer' is estimated to be \$100,000. While this table is included to describe how funds raised are being used, it would appear appropriate to reference here that Finexia Securities is to receive \$1 million as a fee paid in shares. Absent this clarification, ASIC is concerned that any offer of securities by the Company under the Prospectus may contravene subsection 728(1)(a)(i), or alternatively, the table is not disclosed in a "clear, concise and effective manner", in accordance with section 715A(1).

Capital Structure

61. Section 5.5 at page 44 of the Prospectus titled "Capital Structure" details the capital structure of the Company.
62. Section 2 at page 6 of the Prospectus, titled "*Key Statistics*", also provides a summary of capital structure of the Company.
63. ASIC is concerned that the terms of the options and risk of potential dilution to shareholders has not been disclosed consistently.
64. Accordingly, ASIC considers that any offer of securities by the Company under the Prospectus may contravene subsection 728(1)(b).

s 22

**as a delegate of the Australian Securities and Investments Commission
22 September 2021**

Document 4.4



Administrative hearings

This information sheet (INFO 1) briefly explains how we conduct administrative hearings. It covers the following topics:

- › [Why we conduct hearings](#)
- › [Telling you about a hearing](#)
- › [What you should do if you receive a notice of hearing](#)
- › [How hearings are conducted](#)
- › [Being represented at a hearing](#)
- › [Our role](#)
- › [Public or private hearings](#)
- › [Witnesses and documents](#)
- › [Costs](#)
- › [Reasons for our decision](#)

Why we conduct hearings

ASIC has a statutory obligation to give people a hearing in certain circumstances.

Part 4 of ASIC's [Hearings Practice Manual](#) (RG 8) summarises when this statutory obligation may arise. Information about how you can obtain a copy of the manual is set out at the end of this information sheet.

Telling you about a hearing

If you have a right to have a hearing we will give you a 'notice of hearing', which will tell you, among other things:

- under what law and provision/s we are conducting the hearing
- the purpose of the hearing
- the issues that are of concern to us

Note: In the case of s206F of the Corporations Act, the issues will be identified in a notice given to the person under s206F(1)(b)(i) requiring them to demonstrate why they should not be disqualified from managing a corporation. Arrangements for a hearing will be made if the person asks to be heard on why they should not be disqualified.

- who you can contact if you have questions about the hearing
- when the hearing will be held and how long we estimate it will take
- where the hearing will be held

- what happens if you do not respond, namely that we will make a decision based on the information we already have.

You can ask for copies of the documents that we rely on in relation to the issues that are of concern to you.

What you should do if you receive a notice of hearing

If you receive a notice of hearing you should carefully consider:

- the issues of concern to you
- any material we give you
- whether you want to appear in person at the hearing or send us a written submission
- what material you want to present to us
- whether you want to be represented at the hearing
- the consequences if you do not respond to the notice.

You normally have 28 days from the date of receiving the notice of hearing to appear at the hearing in person or to send us a written submission. If the date is not convenient or you consider that the time estimated is not sufficient you should contact us as soon as possible.

How hearings are conducted

Our administrative hearings are conducted informally and as promptly as possible. You may give us any relevant material, including giving evidence or making submissions verbally, or providing written statements, documents or submissions.

Do not think of our hearings as being a court or other judicial process. The rules of evidence and usual court rules of procedure and practice do not apply in our hearings. A hearing should not be approached on the basis of a contest between you and us.

Being represented at a hearing

You can choose whether you want a legal representative at the hearing. Your legal representative can assist you to prepare your submissions and to present any evidence that you want to give at the hearing.

We may allow you to be represented by an employee, a friend or a non-legal adviser. Whether they will be allowed to attend will depend on whether their presence will help the hearing, for example, by assisting you to present your evidence and to make a submission.

If you want to be represented by someone other than a lawyer, you should contact us as soon as possible after receiving the notice of hearing.

Our role

The hearing will be conducted by one of our staff members who has the power to hold the hearing (the delegate). If you decide to appear in person at the hearing, the delegate:

- will listen to your evidence and submissions
- may ask you, and any witness called, questions so that the evidence is clear
- having heard this evidence, will make a decision based on all the information.

The delegate will make their decision based on your material or submission and any other relevant material.

If you do not appear in person or do not send any written submissions, the delegate will make their decision on whatever relevant information they have.

Public or private hearings

Sometimes we must hold the hearing in private. On other occasions we can choose whether to hold it in public or private. The notice of hearing will tell you whether the delegate proposes to hold the hearing in public or private.

Witnesses and documents

Usually, it will not be necessary for witnesses to appear in person at a hearing as a written statement from them or a copy of relevant document will be sufficient. Before we agree to summon a witness we will need to be satisfied, among other things, that:

- the person can give relevant evidence and/or produce relevant documents
- it is necessary to summon them.

The person who asks for the summons must pay the fees, allowances and expenses of that witness.

Costs

We are responsible for our costs of the hearing. However, you must pay your own costs, those of your legal representative or other representative, if any, and of any witness you call.

Reasons for our decision

The delegate will usually give you the reasons for their decision when they tell you what their final decision is. If you do not get reasons at the time you are notified of the delegate's decision you can ask the delegate to give you the reasons for the decision. Your request must be made in writing within 28 days of our telling you the final outcome.

Where you can get more information

There is a full explanation of how we conduct our hearings in our Hearings Practice Manual (RG 8) available from our web site at www.asic.gov.au/hearingsmanual.

The general legislative provisions dealing with our administrative hearings are set out in Division 6 of Part 3 of the *Australian Securities and Investments Commission Act 2001*.

For more information call our Customer Contact Centre on 1300 300 630 or [contact us online](#).

Important notice

Please note that this information sheet is a summary giving you basic information about a particular topic. It does not cover the whole of the relevant law regarding that topic, and it is not a substitute for professional advice.

You should also note that because this information sheet avoids legal language wherever possible, it might include some generalisations about the application of the law. Some provisions of the law referred to have exceptions or important qualifications. In most cases your particular circumstances must be taken into account when determining how the law applies to you.

This is **Information Sheet 1 (INFO 1)**, issued in May 2021.

Document 4.5

AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION

**INTERIM ORDER
SUBSECTION 739(4)
*CORPORATIONS ACT 2001***

To: DRAGONFLY BIOSCIENCES LIMITED
ACN 137 176 393
Steinepreis Paganin
Level 4, 16 Milligan Street
PERTH WA 6000

Under subsection 739(4) of the *Corporations Act 2001* (**Act**) the Australian Securities and Investments Commission (**ASIC**) hereby makes an interim order that no offers, issues, sales or transfers of ordinary shares be made under the Prospectus dated 7 September 2021 while the interim order is in force. This order lasts until ASIC makes an order under subsection 739(1A) of the Act or until the interim order is revoked, whichever happens first.

s 22

Signed by s 22
as a delegate of the Australian Securities and Investments Commission

Dated: 13 October 2021

Jessica Zhang

Subject: Dragonfly Biosciences Limited - Meeting with ASIC [SEC=OFFICIAL:Sensitive]
Location: Microsoft Teams Meeting

Start: Mon 13/09/2021 12:00 PM
End: Mon 13/09/2021 1:00 PM
Show Time As: Tentative

Recurrence: (none)

Meeting Status: Not yet responded

Organizer: s 22
Required Attendees Rachel Barclay s 22

s 22

Hi Rachel

Please find meeting details below.

Thanks
s 22

Microsoft Teams meeting

Join on your computer or mobile app

[Click here to join the meeting](#)

Or call in (audio only)

[+61 2 8318 0074,,708553110#](#) Australia, Sydney

Phone Conference ID: 708 553 110#

[Find a local number](#) | [Reset PIN](#)

[Learn More](#) | [Meeting options](#)

Jessica Zhang

From: Rachel Barclay <RBarclay@steinpag.com.au>
Sent: Monday, 13 September 2021 11:54 AM
To: s 22
Subject: Accepted: This is an External email:::: Dragonfly Biosciences Limited - Meeting with ASIC
[SEC=OFFICIAL:Sensitive]

EXTERNAL EMAIL: Do not click any links or open any attachments unless you trust the sender and know the content is safe.

Jessica Zhang

From: Rachel Barclay <RBarclay@steinpaa.com.au>
Sent: Monday, 15 November 2021 12:15 PM
To: s 22
Cc: Roger Steinepreis; s 22
Subject: RE: Replacement Prospectus [SEC=OFFICIAL] [SP-ACTIVE.FID149207]

Yes sure.

Thank you

Rachel Barclay

Associate



Perth | Melbourne

Level 4, The Read Buildings, 16 Milligan Street, Perth WA 6000 Australia

Tel: +61 8 9321 4000 | Fax: +61 8 9321 4333 | Mob: 0421 563 692 | Email: rbarclay@steinpaa.com.au | www.steinpaa.com.au

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s 22

Jessica Zhang

From: Rachel Barclay <RBarclay@steinpag.com.au>
Sent: Monday, 15 November 2021 6:46 PM
To: s 22
Cc: Roger Steinepreis; s 22
Subject: RE: Replacement Prospectus [SEC=OFFICIAL] [SP-ACTIVE.FID149207]

s 22
[Redacted]

Hi s 22

Confirming we have just uploaded a replacement prospectus, in mark up against the original and in Microsoft format (as requested below), to the data room for your review.

We will follow with a letter explaining the changes.

Kind regards

Rachel Barclay

Associate



Perth | Melbourne

Level 4, The Read Buildings, 16 Milligan Street, Perth WA 6000 Australia

Tel: +61 8 9321 4000 | Fax: +61 8 9321 4333 | Mob: 0421 563 692 | Email: rbarclay@steinpag.com.au | www.steinpag.com.au

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s 22

Jessica Zhang

From: s 22
Sent: Friday, 19 November 2021 3:52 PM
To: Rachel Barclay
Cc: Jack Moore; Roger Steinepreis s 22
Subject: RE: Replacement Prospectus [SP-ACTIVE.FID149207] [SEC=OFFICIAL]

s 22

Dear Rachel

Thank you for delivering the USB to the ASIC Perth office – I am confirming receipt.

We will review the updated prospectus provided and contact you next week with any queries or comments.

Kind regards

s 22

Australian Securities and Investments Commission

s 22

From: Rachel Barclay <RBarclay@steinpag.com.au>

Sent: Friday, 19 November 2021 10:32 AM

To: s 22

Cc: Jack Moore <JMoore@steinpag.com.au>; Roger Steinepreis <roger@steinpag.com.au>

Subject: RE: Replacement Prospectus [SEC=OFFICIAL] [SP-ACTIVE.FID149207]

Hi s 22

Thank you for reviewing the updated prospectus. We confirm that it has been delivered to ASIC again this morning via USB as requested.

If ASIC have any further comments of the updated version of the replacement prospectus provided this morning, we would like to organise a call to discuss and settle. Given there has been ongoing correspondence for some time now, particularly in relation to certain recurring points of ASIC concern, our view is that any final comments would be most easily and effectively resolved via a phone call. We are able to make ourselves available to answer and provide explanations for any potential further comments – which we think would be the most efficient method of resolving outstanding queries for both ASIC and the Company at this point.

Of course, if there are no further comments, then no call will be required. Thank you in advance for your co-operation.

Kind regards

Rachel Barclay

Associate



Perth | Melbourne

Level 4, The Read Buildings, 16 Milligan Street, Perth WA 6000 Australia

Tel: +61 8 9321 4000 | Fax: +61 8 9321 4333 | Mob: 0421 563 692 | Email: rbarclay@steinpag.com.au

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From: s 22

Sent: Thursday, 18 November 2021 8:38 PM

To: Rachel Barclay <RBarclay@steinpag.com.au>; s 22

Cc: Jack Moore <JMoore@steinpag.com.au>; Roger Steinepreis <roger@steinpag.com.au>

Subject: RE: Replacement Prospectus [SP-ACTIVE.FID149207] [SEC=OFFICIAL]

Hi Rachel,

Thank you for your email; we will review the explanations and the updated prospectus.

With respect to discussions tomorrow, please advise of the specific points you would like to discuss, and we will send a meeting invite for a call.

Kind regards,

s 22

Australian Securities and Investments Commission

s 22



ASIC

Apply for relief through the ASIC Regulatory Portal

The ASIC Regulatory Portal has replaced other channels as the primary way to submit [applications for relief](#) to ASIC.

Apply and lodge through the ASIC Regulatory Portal

The ASIC Regulatory Portal has replaced other channels as the primary way to submit [applications for relief](#) and various [fundraising and corporate finance](#) documents to ASIC.

From: Rachel Barclay <RBarclay@steinpag.com.au>

Sent: Thursday, 18 November 2021 8:51 PM

To: s 22

Cc: Jack Moore <JMoore@steinpag.com.au>; Roger Steinepreis <roger@steinpag.com.au>; s 22

Subject: RE: Replacement Prospectus [SEC=OFFICIAL] [SP-ACTIVE.FID149207]

Hi s 22

The Company has now addressed each of the below queries – please see below in red for explanations as to how the Company has updated the RP to do so.

The updated prospectus has also now been uploaded to the data room – if you have difficulty accessing please ask your IT department to call us and we can sort out. Otherwise, we will drop down another USB first thing tomorrow morning.

Finally, could you please confirm what time tomorrow morning you and **S 22** are available for a call with Roger and I?

Thanks,

Rachel Barclay

Associate



Perth | Melbourne

Level 4, The Read Buildings, 16 Milligan Street, Perth WA 6000 Australia

Tel: +61 8 9321 4000 | Fax: +61 8 9321 4333 | Mob: 0421 563 692 | Email: rbarclay@steinpag.com.au | www.steinpag.com.au

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From: **S 22**
Sent: Thursday, 18 November 2021 9:17 AM
To: Rachel Barclay <RBarclay@steinpag.com.au>
Cc: Roger Steinepreis <roger@steinpag.com.au>; **S 22**
Subject: RE: Replacement Prospectus [SP-ACTIVE.FID149207] [SEC=OFFICIAL]

Dear Rachel

I refer to your email dated 17 November 2021, including explanatory comments (**Explanatory Email**), and the draft replacement prospectus provided to the ASIC Perth office via USB on 16 November 2021 (**Updated RP**).

We note the following in relation to the Updated RP (page and section references refer to the Updated RP):

1. **Convertible Notes**

Section 6.6.4(g) states "on 1 November 2021 the Company entered into a convertible note agreement for A\$1,900,000. These proceeds were subsequently utilised to acquire agricultural land near Sophia, Bulgaria on which the Company's current crop cultivation operations exist. The note matures 1 February 2022 whereupon the Company is able to repay the face value and accrued interest to the holder or elect to have the note convert to ordinary equity at A\$0.10 a share. Redemption of the note is at the sole discretion of the Company." (**Convertible Notes**)

However, the remainder of the Updated RP does not appear to have been updated to disclose the Convertible Notes. Examples include:

- Both notes in section 5.6 state in part "...there is no convertible securities on issue in the Company..."
We have removed this statement given the Company has recently issued convertible securities.
- The conversion price of the Convertible Notes do not appear to be disclosed in Note 9 at page 7.
We have now disclosed the conversion price (\$0.10) wherever the prospectus mentions the convertible notes.

Please note that ASIC expects the Company to review the entire document and ensure that the Updated RP does not contain inconsistent information in relation to the Convertible Notes that may mislead investors.

Please forward a corrected marked-up draft copy of the Replacement Prospectus.

Prior to our further review, we request the Company confirm it has considered this change in the remaining content of any draft provided and has made relevant adjustments.

2. Litigation

Our concerns in relation to the disclosure of the current litigation remain as page 15 states "**Dragonfly UK and the Company are *not currently engaged in any litigation* (other than as set out below in Section 10.1). The litigation set out in Section 10.1 relates to a claim brought by Mark Grenside against Dragonfly UK in relation to a proposed breach of contract. **Dragonfly UK is defending the claim.**" (our emphasis added in bold)**

The Company may consider addressing our disclosure concerns by including at page 15 the same, or substantially the same, material as that noted at section 10.1. **We have now included at page 15 the same material as that noted at section 10.1.**

"A claim has been brought against Dragonfly UK by Mark Nicholas Grenside in the High Court in the United Kingdom in relation to a proposed breach of contract (Grenside Claim). Mr Grenside is seeking a declaration from the High Court that, in addition to his existing services agreement (the January 2018 contract), a services agreement dated 12 February 2019 is binding with immediate effect and that, accordingly, he is entitled to a salary of circa £500,000 from November 2018 to June 2021, plus reimbursement of medical insurance costs and a bonus (to be determined). Dragonfly UK is defending the Grenside Claim. As at the date of this Prospectus, Dragonfly UK and the Company are not involved in any other legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against Dragonfly UK or the Company."

3. Use of Funds

We note that section 5.4 appears to have deleted reference to commissions payable. However, section 4.13 states that "The Company reserves the right to pay a commission of up to 5% (exclusive of goods and services tax) of amounts subscribed through any licensed securities dealers or Australian financial services licensee in respect of any valid applications lodged and accepted by the Company and bearing the stamp of the licensed securities dealer or Australian financial services licensee." **We have now removed this statement as no further commissions are payable by the Company. Given this, we do not consider it is necessary to provide submissions as requested below.**

We repeat our previous comment that to the extent that the commission referred to in Section 4.13 (see above) includes cash and/or scrip, this should be clearly identified by way of disclosure, including the quantum of each.

We consider any commission cash amount should be clearly identified under the 'Use of Funds' table at section 5.4 of the document.

We further request the Company provide submissions describing:

- i. the nature of the potential 5% commission (including if this is cash and/or scrip);
- ii. the potential quantum of the 5% commission for all funds raised (whether by way of cash and/or scrip); and
- iii. if the cash component has been reflected in the Use of Funds table of the Updated RP and how this has been calculated.

Please provide submissions with respect to the above.

4. Apparent errors in dates and other typographical errors

We have completed a final review of the entire prospectus and do not believe there any errors in dates and other typographical errors remain in the final replacement prospectus.

We note that apparent errors in dates and other typographical errors remain in the Updated RP (please see section 6.11.1 for example, where separate instances of dates are incomplete and incorrect).

Please note that ASIC expects the Company to review the entire document and ensure that the Updated RP does not contain errors in dates, or other typographical errors, which may mislead investors.

Please forward a corrected marked-up draft copy of the Replacement Prospectus.

Prior to our further review, we request the Company confirm it has considered all dates in the content of any draft provided and made relevant adjustments.

We look forward to receipt of the submissions requested above and a new marked-up draft copy of the Replacement Prospectus.

Kind regards

s 22

Australian Securities and Investments Commission

s 22

From: Rachel Barclay <RBarclay@steinpag.com.au>

Sent: Wednesday, 17 November 2021 11:26 AM

To: s 22

Cc: Roger Steinepreis <roger@steinpag.com.au>; s 22

Subject: RE: Replacement Prospectus [SEC=OFFICIAL] [SP-ACTIVE.FID149207]

Hi s 22

Please see below in red our explanatory comments to aid with ASIC's review of the replacement prospectus.

The comments explain how the Company addressed each of the queries set out in your email dated 11 Nov 2021.

Please call if any further queries.

Thanks

Rachel Barclay

Associate

Perth | Melbourne

Level 4, The Read Buildings, 16 Milligan Street, Perth WA 6000 Australia

Tel: +61 8 9321 4000 | Fax: +61 8 9321 4333 | Mob: 0421 563 692 | Email: rbarclay@steinpag.com.au

| www.steinpag.com.au

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From: s 22

Sent: Monday, 15 November 2021 9:14 AM

To: Rachel Barclay <RBarclay@steinpag.com.au>

Cc: Roger Steinepreis <roger@steinpag.com.au>; s 22
Subject: RE: Replacement Prospectus [SP-ACTIVE.FID149207] [SEC=OFFICIAL]

Hi Rachel

Thanks for confirming.

Could you please provide a marked up version to the original prospectus, preferably in MS Word format?

Kind regards

s 22

Australian Securities and Investments Commission

s 22

From: Rachel Barclay <RBarclay@steinpag.com.au>
Sent: Monday, 15 November 2021 7:43 AM
To: s 22
Cc: Roger Steinepreis <roger@steinpag.com.au>; s 22
Subject: RE: Replacement Prospectus [SEC=OFFICIAL] [SP-ACTIVE.FID149207]

Hi s 22

To confirm, the Company intends to provide a replacement prospectus today incorporating the comments provided below.

Did you want us to provide a marked up version to the original prospectus? Or only show the mark ups since the previous replacement prospectus was provided?

Thank you

Rachel Barclay
Associate



Perth | Melbourne

Level 4, The Read Buildings, 16 Milligan Street, Perth WA 6000 Australia

Tel: +61 8 9321 4000 | Fax: +61 8 9321 4333 | Mob: 0421 563 692 | Email: rbarclay@steinpag.com.au | www.steinpag.com.au

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From: s 22
Sent: Thursday, 11 November 2021 3:15 PM
To: Rachel Barclay <RBarclay@steinpag.com.au>
Cc: Roger Steinepreis <roger@steinpag.com.au>; s 22
Subject: RE: Replacement Prospectus [SP-ACTIVE.FID149207] [SEC=OFFICIAL]

Dear Rachel

I refer to the email dated 29 October 2021 which attached a replacement prospectus in PDF format (**PDF Version**) and Investigating Accountant's Report in PDF format (**IAR PDF Version**). I also refer to the replacement prospectus in MS Word format provided to the ASIC Perth office via USB on 4 November 2021 (**Word Version**).

We note that the PDF Version and Word Version appear to be different. Could you please provide a document highlighting the differences between the PDF Version and Word Version as soon as practicable?
We have now done so.

We note the following preliminary comments in relation to the draft Replacement Prospectus. Please note that references to the draft Replacement Prospectus and "document" refer to the Word Version, and page references and section references refer to the corresponding page numbers and sections in the Word Version when all mark-up to the document is displayed.

History of the Company

We continue to consider the nomenclature used in the draft Replacement Prospectus to describe relevant entities are, in some instances, internally inconsistent and potentially misleading.

For example, we note at page 8, under the 'Item' column heading, the statement:

"What is the Company's interest in Dragonfly?"

However, the draft replacement Prospectus defines 'Company' and 'Dragonfly' as one and the same (see: Glossary)

We note there appear to be other instances in Section 5 where the terms 'Dragonfly UK' and 'Dragonfly' are used interchangeably, despite being defined separate entities. We also note the term 'Company' appears to be used incorrectly.

By way of example, the draft Replacement Prospectus notes:

- page 42

"In September 2020, the Company secured an operating agreement whereby Dragonfly UK and GA Xtracts LLC, a company based in Georgia, agreed to form a 50:50 joint venture by forming Dragonfly North America LLC with the intention of distributing CBD products manufactured in the US by GA Xtracts under license from Dragonfly (<https://dragonflypure.com>)"

It appears that the Company could not have secured the agreement, but in fact it was Dragonfly UK.

- at page 44

"Dragonfly is the current holder of valid licenses to cultivate cannabis in Bulgaria, having successfully renewed the licenses in May 2021."

It appears that Dragonfly UK rather than Dragonfly that would have renewed the licenses.

- at page 45

"By virtue of the extensive retail distribution that Dragonfly has brought to commercial and operational fruition, in 2020, the company was awarded the best CBD product as voted by Boots customers. In July 2021, the company was shortlisted for the award as the Most Valuable Product as voted by UK pharmacists for the second year in a row."

It appears that Dragonfly UK, rather than Dragonfly, would have acted in 2020.

On broad review, there appear to be other instances where entity nomenclature is incorrectly or inconsistently referenced.

We have completed a further review of references to Dragonfly and the Company and have amended accordingly to satisfy the above ASIC feedback.

Financial Forecasts

Reasonable Basis

We note that the PDF Version still contains the following statement.

"The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection."

The above statement appears to have been deleted in the Word Version provided to ASIC on 4 November 2021. Please clarify this discrepancy.

This has been removed in response to the following feedback received by ASIC in points 20 to 22 of the letter dated 22 September 2021.

"20. The Prospectus notes (under "Financial Forecasts" in the "Important Notice" section):

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection."

21. However, the Prospectus then provides earnings forecasts in the Prospectus at section 6.11 at page 67.

22. ASIC considers that this apparent discrepancy may mislead potential investors. Accordingly, any offer of securities by the Company under the Prospectus may contravene subsection 728(1)(a)(i)."

In light of the above comment by ASIC, and in order to mitigate any potential to mislead investors, the Company decided to remove the statement.

Issuer Responsibility

To the extent that the directors of Dragonfly Biosciences Limited believe that that that they do not have a reasonable basis to forecast future earnings, as stated in the original Prospectus, we are concerned that the draft Replacement Prospectus includes forecasts.

We further note the following statement at section 6.11.3 at page 81:

"The Forecast Financial Information is based upon various best estimate assumptions concerning future events, including those set out below. In preparing the Forecast Financial Information, Dragonfly UK has had regard to its current operating performance and expectations with respect to future events and circumstances, including the establishment of new Funds.

Dragonfly UK believes that they have prepared the Forecast Financial Information with due care and attention and considers all assumptions when taken as a whole to be reasonable at the time of preparing this Offer Document, including each of the general assumptions set out in Section 6.11.4.

However, actual results are likely to vary from that forecast and any variation may be materially positive or negative. The assumptions upon which the Forecast Financial Information is based are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of Dragonfly UK and its Directors and are not reliably predictable.

Accordingly, none of Dragonfly UK, its Directors, or any other person can give any assurance that the Forecast Financial Information or any prospective statement contained in this Offer Document will be achieved. Events and outcomes may differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information. "

We note that it is the responsibility of the issuer (and its directors), being Dragonfly Biosciences Limited, rather than Dragonfly UK or its directors, to consider whether there are reasonable grounds to rely on and state prospective financial information.

The Prospectus should clearly state if the issuer and its directors consider there to be reasonable grounds for any prospective financial information included in the prospectus – for statements on estimates relating to the business operated by Dragonfly Biosciences Limited, we consider the directors should state why they believe the information provided is objectively reasonable.

The financial information section has been replaced.

Apparent Errors in Dates

We refer to section 6.11.1 titled "Forecast Income statement". We note that the Forecast Income Statement is listed and referred to variously as being for the year ending 30 June 2021. This date appears to be an error, and may refer to 30 June 2022.

The Word Version includes the Independent Limited Assurance Report on Dragonfly Biosciences Limited (**IAR Word Version**). The scope provided in the IAR Word Version appears to be different to the scope provided in the IAR PDF Version. Please clarify this discrepancy.

We also note that the IAR Word Version does not appear to include in the scope of the report the most recent updated financial reports.

The financial information section has been replaced.

Acquisition

Section 6.2.1.1 at page 56 states:

"On 19 July 2021, the acquisition of Dragonfly UK was completed in accordance with the terms of the Acquisition Agreement. The combined entity was renamed Dragonfly Biosciences Limited (ACN 137 176 393)."

We consider the date that the acquisition was completed should be clearly noted early in the replacement prospectus in the Investment Overview at page 8 to make it clear to investors the date at which Dragonfly UK was acquired by the issuer.

On page 8, "19 July 201" is included.

Litigation

We note the text in the table at page 99 under the heading 'Litigation Risk' states:

"The Company is exposed to possible litigation risks including native title claims, tenure disputes, environmental claims, occupational health and safety claims and employee claims. Further, the Company may be involved in disputes with other parties in the future which may result in litigation.

Any such claim or dispute if proven, may impact adversely on the Company's operations, reputation, financial performance and financial position. Dragonfly UK and the Company are not currently engaged in any litigation (other than as set out below in Section 10.1). The litigation set out in Section 10.1 relates to a claim brought by Mark Grenside against Dragonfly UK in relation to a proposed breach of contract. Dragonfly UK is defending the claim.

We consider this full paragraph may obfuscate disclosure of the current litigation.

We consider the current litigation should be separately identified and delineated from potential litigation, and noted earlier in the risk disclosure under 'Key Risks' in the Investment Overview.

We have separated the current litigation and the potential future litigation in both the Key Risks in the investment overview as well as in the risks section.

Use of Funds

Section 4.13 at page 26 titled "Commissions payable" continues to note that:

"The Company reserves the right to pay a commission of up to 5% (exclusive of goods and services tax) of amounts subscribed through any licensed securities dealers or Australian financial services licensee in respect of any valid applications lodged and accepted by the Company and bearing the stamp of the licensed securities dealer or Australian financial services licensee."

To the extent that the commission referred to in Section 4.13 includes cash and/or scrip, this should be clearly identified by way of disclosure, including the quantum of each. We consider any cash amount should be clearly identified under the 'Use of Funds' table at section 5.4 of the document.

We reiterate our previous comment in regard to the 'expenses of the offer' line item under the use of funds table at section 5.4. While this table is included to describe how funds raised are being used, it would appear appropriate to reference here that Finexia Securities is to receive \$1 million as a fee paid in shares.

We have amended the use of funds table to include increased disclosure around the \$1million fee payable to Finexia. We consider that it would be misleading to include the value of the securities in this particular table. This is because the table reflects the proposed use of **cash available to the Company (being the aggregate of existing cash and money raised under the Offer). It does not include the value of any securities the Company intends to issue. In order to address ASIC's comments, we have clarified that the expenses of the offer are **cash** expenses, and added a note explaining that additional **non-cash** payments (in the form of Shares) will be issued to Finexia. We have then referred investors to the relevant section whereby a summary of the lead manager mandate (including details of the share payment valued at \$1m) is provided. Please see below relevant extract for your ease of review.**

Funds Available	Amount (A\$) %Full Subscription		Oversubscriptions	
	Amount (A\$)	%	Amount (A\$)	%
Company cash balance as at 30 June 2021	754,734	7.02	<u>754,734</u>	<u>6.42</u>
Capital Raising funds	10,000,000	92.98	<u>11,000,000</u>	<u>93.58</u>
Completion of Capital Raising	<u>10,754,734</u>	<u>100%</u>	<u>11,754,734</u>	<u>100%</u>
New Product Development	1,500,000	13.95	<u>2,000,000</u>	<u>17.01</u>
Increase current production capacity	2,500,000	23.25	<u>2,500,000</u>	<u>21.27</u>
Marketing and distribution to new and existing markets	2,500,000	23.25	<u>3,000,000</u>	<u>25.52</u>
Acquisition opportunities (industry consolidation)	2,000,000	18.60	<u>2,000,000</u>	<u>17.01</u>
Cash Expenses of the offer (including broker fees) ¹	100,000 <u>430,660</u>	0.93 <u>4.00</u>	<u>499,972</u>	<u>4.25</u>
Working capital	<u>2,154,734</u> <u>1,824,074</u>	<u>20.04</u> <u>16.96</u>	<u>1,754,762</u>	<u>14.93</u>
Total	<u>10,754,734</u>	<u>100.00%</u>	<u>11,754,734</u>	<u>100.00%</u>

Notes:

1. In addition to these cash payments, the Company has agreed to issue \$1,000,000 worth of Shares to Finexia in consideration for providing lead manager services in connection with the Offer. Refer to Section 9.1.1 for further details of the Lead Manager Mandate pursuant to which this was agreed.

Capital Structure

We note our previous comment in relation to our concern that the terms of the options and risk of potential dilution to shareholders has not been disclosed.

We note the updated disclosure in Section 2 and Section 5.5 of the draft Replacement Prospectus. However, these do not appear to disclose the specific terms of the options (for example, though not limited to, option tranches and relevant expiry date, strike pricing and any other conditions).

The prospectus now include the terms of the options and the potential dilutionary effect upon exercise of the options.

Kind regards

s 22

Australian Securities and Investments Commission

s 22

From: Rachel Barclay <RBarclay@steinpag.com.au>

Sent: Friday, 29 October 2021 11:50 AM

To: s 22

Cc: Roger Steinepreis <roger@steinpag.com.au>; S 22

Subject: Replacement Prospectus [SP-ACTIVE.FID149207]

EXTERNAL EMAIL: Do not click any links or open any attachments unless you trust the sender and know the content is safe.

Hi S 22

As you are aware, we act for Dragonfly Biosciences Limited (ACN 137 176 393) (the **Company**).

In response to ASIC's statement of concerns dated 22 September 2021, the Company submits the **attached** replacement prospectus, together with the accompanying Investigating Accountant's Report, for ASIC review. The Company believes that the updates to the prospectus (shown in mark-up) address each of the queries made by ASIC in the statement of concerns.

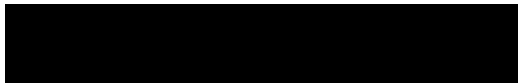
Please note that we have **attached** a PDF version as the word version exceeds the size limit of files accepted by ASIC. Could you please advise whether ASIC require the word version and if so, please advise the preferred method of service (other than email)? We often use image dropboxes and zip files when dealing with ASX and clients, for example, however please confirm ASIC's preferred method.

Feel do not hesitate to contact Roger or myself if there are any further queries.

Kind regards

Rachel Barclay

Associate



Perth | Melbourne

Level 4, The Read Buildings, 16 Milligan Street, Perth WA 6000 Australia

Tel: +61 8 9321 4000 | Fax: +61 8 9321 4333 | Mob: 0421 563 692 | Email: rbarclay@steinpag.com.au

| www.steinpag.com.au

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Jessica Zhang

From: Rachel Barclay <RBarclay@steinpag.com.au>
Sent: Monday, 22 November 2021 11:40 AM
To: s 22
Subject: Dragonfly

s 22

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Hi s 22

I am trying to call to confirm the correct version of the Dragonfly prospectus is being reviewed.

Please call me back at your earliest convenience.

Thanks

Rachel Barclay

Associate



Perth | Melbourne

Level 4, The Read Buildings, 16 Milligan Street, Perth WA 6000 Australia

Tel: +61 8 9321 4000 | Fax: +61 8 9321 4333 | Mob: 0421 563 692 | Email: rbarclay@steinpag.com.au | www.steinpag.com.au

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Jessica Zhang

From: s 22
Sent: Friday, 26 November 2021 1:50 PM
To: Rachel Barclay
Cc: Jack Moore; Roger Steinepreis; s 22
Subject: RE: Replacement Prospectus [SP-ACTIVE.FID149207] [SEC=OFFICIAL]
Attachments: 20211126 Dragonfly Biosciences Limited - Revocation of order made under s739(4).pdf

s 22

Dear Rachel

As discussed, please find a copy of the revocation order attached.

Please lodge a finalised version of the draft replacement prospectus provided to us on 22 November 2021 with ASIC.

Kind regards

s 22

Australian Securities and Investments Commission

s 22

s 22

AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION

NOTICE OF REVOCATION OF INTERIM ORDER

**SUBSECTION 739(4)
CORPORATIONS ACT 2001**

To: DRAGONFLY BIOSCIENCES LIMITED
ACN 137 176 393
Steinepreis Paganin
Level 4, 16 Milligan Street
PERTH WA 6000

Pursuant to subsection 739(4) of the Corporations Act 2001 the Australian Securities and Investments Commission hereby revokes the interim order made under that subsection on 13 October 2021 that no offers, issues, sales or transfers of ordinary shares be made under the Prospectus dated 7 September 2021.

s 22

Signed by s 22
as a delegate of the Australian Securities and Investments Commission

Dated: 26 November 2021

Jessica Zhang

From: Roger Steinepreis <roger@steinpag.com.au>
Sent: Friday, 26 November 2021 1:51 PM
To: s 22
Subject: Automatic reply: Replacement Prospectus [SP-ACTIVE.FID149207] [SEC=OFFICIAL]

s 22

Thank you for your email. I am currently away on leave for this Friday.

During this time I will be uncontactable so there will be a delay in my response until the weekend.

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Jessica Zhang

From: Rachel Barclay <RBarclay@steinpag.com.au>
Sent: Wednesday, 15 December 2021 6:40 PM
To: s 22
Cc: s 22 Roger Steinepreis
Subject: RE: Dragonfly Biosciences Limited ACN 137 176 393 - Company press release on 10 December 2021 [SEC=OFFICIAL] [SP-ACTIVE.FID149207]

s 22

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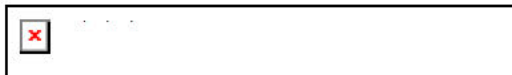
Hi s 22,

We have passed this onto the Company and will revert to you as soon as possible, in any event prior to 5pm on 16 December 2021.

Kind regards

Rachel Barclay

Associate



Perth | Melbourne

Level 4, The Read Buildings, 16 Milligan Street, Perth WA 6000 Australia

Tel: +61 8 9321 4000 | Fax: +61 8 9321 4333 | Mob: 0421 563 692 | Email: rbarclay@steinpag.com.au | www.steinpag.com.au

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From: s 22
Sent: Wednesday, 15 December 2021 8:18 AM
To: Rachel Barclay <RBarclay@steinpag.com.au>
Cc: s 22 Roger Steinepreis <roger@steinpag.com.au>
Subject: Dragonfly Biosciences Limited ACN 137 176 393 - Company press release on 10 December 2021 [SEC=OFFICIAL]

Dear Rachel

I refer to the replacement prospectus lodged with ASIC on 30 November 2021 by Dragonfly Biosciences Limited ACN 137 176 393 (**Company**). I also refer to the press release on the Company website titled "Dragonfly Biosciences UK Expects to Commence Trading under the Symbol DRF on the Australian Securities Exchange Ltd (ASX) early January 2022" (**Press Release**).

Please find attached a request for information from the Company with respect to the Press Release.

Please provide a response as early as practicable and **no later than 5pm AWST on 16 December 2021**.

Kind regards

s 22

Australian Securities and Investments Commission

s 22

A large rectangular area of the document is completely redacted with black ink, covering approximately the top third of the page content.

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ASIC
Australian Securities &
Investments Commission

**Australian Securities
and Investments Commission**

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Brisbane QLD 4001

Tel: +61 1300 935 075
Fax: +61 1300 729 000

www.asic.gov.au

Our reference: CAS-89730-F0C7Q2

15 December 2021

By email only: RBarclay@steinpag.com.au

The Directors
Dragonfly Biosciences Limited
ACN 137 176 393
C/- Ms Rachel Barclay
Steinepreis Paganin
Level 4, 16 Milligan Street
PERTH WA 6000

Attention: Rachel Barclay

Dear Directors

**DRAGONFLY BIOSCIENCES LIMITED ACN 137 176 393
REPLACEMENT PROSPECTUS – COMPANY PRESS RELEASE ON 10 DECEMBER 2021**

I refer to the replacement prospectus (**Replacement Prospectus**) lodged with the Australian Securities and Investments Commission (**ASIC**) on 30 November 2021 in relation to an offer of securities by Dragonfly Biosciences Limited ACN 137 176 393 (the **Company**).

I also refer to the press release on 10 December 2021 available on the Company's website (<https://dragonflybiosciences.com/press-releases>) titled "Dragonfly Biosciences UK Expects to Commence Trading under the Symbol DRF on the Australian Securities Exchange Ltd (ASX) early January 2022" (**Press Release**).

Policy position and statements under section 711 of the Corporations Act 2001 (Act)

ASIC's Regulatory Guide 254: *Offering securities under a disclosure document* (**RG 254**) outlines some of the form, content and procedure requirements that apply to a prospectus.

Relevantly, Table 3 of RG 254 notes in relation to section 711 of Act 2001 (**Act**):

"A prospectus must state that a copy of the prospectus has been lodged with ASIC and that **ASIC takes no responsibility for the content of the prospectus: s711(7)**" (emphasis added in bold)

Observations and concerns

We note the following observations in relation to the Press Release:

1. The Press Release prominently states in the first line:

*"**Prospectus Approved** by the Australian Securities and Investments Commission."* (emphasis added in bold)

2. The Press Release further states, in part:

*"Regan Saveall, Chief Executive at Dragonfly Biosciences UK commented, 'The **approval of our prospectus** and our imminent listing on the ASX is an incredible milestone for the company. These two events will raise awareness of our products and our brand, not only throughout South East Asia but the entire world.'"* (emphasis added in bold)

ASIC is concerned with the contents of the Press Release, as it appears to imply that the Replacement Prospectus has received specific approval and that ASIC has provided this approval.

Next steps

ASIC requests that the Company provide the following in relation to the Press Release:

1. Submissions specifically addressing ASIC's observations and concerns in relation to the Press Release; and
2. Any proposed remedial actions that the Company intends to take to address ASIC's concerns in relation to the Press Release.

ASIC requests a response as early as practicable and **no later than 5pm AWST on 16 December 2021**.

Enquiries

If you have any questions about this matter, please call me on s 22 .

Yours sincerely

s 22

s 22

Jessica Zhang

From: Rachel Barclay <RBarclay@steinpag.com.au>
Sent: Thursday, 16 December 2021 8:46 PM
To: s 22
Cc: s 22 Roger Steinepreis
Subject: RE: Dragonfly Biosciences Limited ACN 137 176 393 - Company press release on 10 December 2021 [SEC=OFFICIAL] [SP-ACTIVE.FID149207]

s 22

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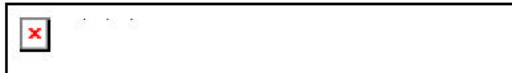
Hi s 22

The Company confirms that the Press Release referred to you in your below email has now **been removed from the Company website.**

Kind regards

Rachel Barclay

Associate



Perth | Melbourne

Level 4, The Read Buildings, 16 Milligan Street, Perth WA 6000 Australia

Tel: +61 8 9321 4000 | Fax: +61 8 9321 4333 | Mob: 0421 563 692 | Email: rbarclay@steinpag.com.au | www.steinpag.com.au

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s 22