

DRAGONFLY CBD



ACN 137 176 393

DRAGONFLY BIOSCIENCES LIMITED

REFRESH REPLACEMENT PROSPECTUS

For an offer of 15,000,000 Shares at an issue price of \$0.20 per Share to raise \$3,000,000, together with one (1) free-attaching Option for every two (2) Shares subscribed for exercisable at \$0.35 each on or before 31 December 2024 (Offer).

Oversubscriptions of up to a further 10,000,000 Shares at an issue price of \$0.20 per Share to raise up to a further \$2,000,000 may be accepted.

Joint Lead Managers

FINEXIA
SECURITIES

Finexia Securities Limited
(AFSL 485760)

rm Corporate Finance

RM Corporate Finance Pty Ltd
(AFSL 315235)



IMPORTANT NOTICE

This document is important and should be read in its entirety. If, after reading this Prospectus you have questions about the Securities being offered under this Prospectus or any other matter, then you should consult your professional advisers without delay.

The Securities offered by this Prospectus should be considered as highly speculative.

IMPORTANT NOTICE

This Refresh Replacement Prospectus is dated 27 June 2023 and was lodged with the ASIC on that date (**Prospectus**). The Prospectus replaces the original prospectus issued by the Company dated 12 April 2023 and lodged with the ASIC on that date (**Original Prospectus**). The ASIC, the ASX and their officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

This Prospectus is a "refresh document" as defined in Section 724(3H) of the Corporations Act as inserted by the ASIC Corporations (Minimum Subscription and Quotation Conditions) Instrument 2016/70 (**Instrument**) and has been lodged with ASIC in accordance with section 724(3G) of the Corporations Act as inserted by the Instrument.

No Securities may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that you read this Prospectus in its entirety and seek professional advice where necessary.

The Securities the subject of this Prospectus should be considered as highly speculative.

No offering where offering would be illegal

The distribution of this Prospectus in jurisdictions outside Australia or New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are a resident in countries other than Australia or New Zealand should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. It is important that investors read this Prospectus in its entirety and seek professional advice where necessary.

No action has been taken to register or qualify the Securities or the offer, or to otherwise permit a public offering of the Securities in any jurisdiction outside Australia or New Zealand. This Prospectus has been prepared for publication in Australia and New Zealand and may not be released or distributed in the United States of America.

Information for New Zealand Residents

The Offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

The Offer and the content of this Prospectus are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and the regulations made under that Act set out how the Offer must be made.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to the Offer. If you need to make a complaint about the Offer, please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand

regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

US securities law matters

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the US. In particular, the Securities have not been, and will not be, registered under the United States Shares Act of 1933, as amended (the US Securities Act), and may not be offered or sold in the US or to, or for the account or benefit of, US Persons (as defined in Regulation S under the US Securities Act) unless an exemption is available from the registration requirements of the US Securities Act.

Each applicant will be taken to have represented, warranted and agreed as follows:

- (a) it understands that the Securities have not been, and will not be, registered under the US Securities Act and may not be offered, sold or resold in the US, except in a transaction exempt from, or not subject to, registration under the US Securities Act and any other applicable securities laws;
- (b) it is not in the US;
- (c) it has not and will not send this Prospectus or any other material relating to the Offer to any person in the US; and
- (d) it will not offer or sell the Securities in the US or in any other jurisdiction outside Australia or New Zealand except in transactions exempt from, or not subject to, registration under the US Securities Act and in compliance with all applicable laws in the jurisdiction in which the Securities are offered and sold.

Target Market Determination

In accordance with the design and distribution obligations under the Corporations Act, the Company has determined the target market for the offer of Options issued under this Prospectus. The Company and the Lead Managers will only distribute this Prospectus to those investors who fall within the target market determination (TMD) as set out on the Company's website (<https://dragonflybiosciences.com/s/the-Company-Target-Market-Determination-TMD-202304121.pdf>). By making an application under the Offer, you warrant that you have read and understood the TMD and that you fall within the target market set out in the TMD.

Electronic Prospectus

A copy of this Prospectus can be downloaded from the website of the Company at Finexia.com.au/dragonfly. If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Australian or New Zealand resident and must only access this Prospectus from within Australia or New Zealand.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. You may obtain a hard copy of this Prospectus free of charge by contacting the Company by phone on 1300 886 103 during office hours.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

Company Website

No document or other information available on the Company's website is incorporated into this Prospectus by reference.

No cooling-off rights

Cooling-off rights do not apply to an investment in Securities issued under the Prospectus. This means that, in most circumstances, you cannot withdraw your application once it has been accepted.

No Investment Advice

The information contained in this Prospectus is not financial product advice or investment advice and does not take into account your financial or investment objectives, financial situation or particular needs (including financial or taxation issues). You should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding to subscribe for Securities under this Prospectus to determine whether it meets your objectives, financial situation and needs.

Risks

You should read this document in its entirety and, if in any doubt, consult your professional advisers before deciding whether to apply for Securities. There are risks associated with an investment in the Company. The Securities offered under this Prospectus carry no guarantee with respect to return on capital investment, payment of

dividends or the future value of the Securities. Refer to Section D of the Investment Overview, as well as Section 7, for details relating to some of the key risk factors that should be considered by prospective investors. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

Forward-looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and the Company's management.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

These forward-looking statements are subject to various risk factors that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 7.

Continuous disclosure obligations

Following admission of the Company to the Official List, the Company will be a "disclosing entity" (as defined in section 111AC of the Corporations Act) and, as such, will be subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company will be required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Securities.

Price sensitive information will be publicly released through the ASX before it is disclosed to Shareholders and market participants. Distribution of other information to Shareholders and market participants will also be managed through disclosure to the ASX. In addition, the Company will post this information on its website after the ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.

Refresh replacement prospectus

This Prospectus is a refresh replacement prospectus and makes changes to the Original Prospectus as well as been issued for the purpose of refreshing:

- (a) the period to raise the Minimum Subscription under the Offer from four (4) months from the date of the Original Prospectus to four (4) months from the date of this Prospectus in accordance with section 724(3G)(c) of the Corporations Act; and
- (b) the period for admission to quotation of Shares and Options offered under this Prospectus from three (3) months from the date of the Original Prospectus to three (3) months from the date of lodgement of the Original Prospectus in accordance with section 724(3G)(d) of the Corporations Act.

The material changes made to the Original Prospectus were:

- (a) amendments to the Chairman's letter;
- (b) amendments to the Timetable to reflect the lodgement of this replacement Prospectus;
- (c) significant amendments to Section 5 (Company and Projects Overview);

- (d) significant amendments to Section 6 (Financial Information);
- (e) amendments to Section 7 (Risk Factors), including re-arranging the ordering of the risk factors;
- (f) amendments to Section 8 (Board, Management and Corporate Governance), including the addition of further disclosure;
- (g) significant amendments to Section 9 (Material Contracts) to include further contracts;
- (h) inclusion of additional terms of Options in Section 10.4; and
- (i) consequential updates to the Glossary given each of the above updates.

Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will apply to participate in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company.

Electronic sub-registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with statements (similar to a bank account statement) that set out the number of Securities issued to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Electronic sub-registers also mean ownership of securities can be transferred without having to rely upon paper documentation. Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

Photographs and Diagrams

Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person shown endorses the Prospectus or its contents or that the assets shown in them are

owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

Definitions and Time

Unless the contrary intention appears or the context otherwise requires, words and phrases contained in this Prospectus have the same meaning and interpretation as given in the Corporations Act and capitalised terms have the meaning given in the Glossary in Section 12.

All references to time in this Prospectus are references to Australian Eastern Standard Time.

Privacy statement

If you complete an Application Form, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your Securities in the context of takeovers, regulatory bodies including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the share registry.

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the share registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Securities, the Company may not be able to accept or process your application.

Enquiries

If you are in any doubt as to how to deal with any of the matters raised in this Prospectus, you should consult with your broker or legal, financial or other professional adviser without

delay. Should you have any questions about the Offer or how to accept the Offer please call the Company Secretary on 1300 886 103.



CORPORATE DIRECTORY

Directors

Regan Saveall
Chief Executive Officer

Radost Draganova
Executive Director and Chairperson

Chris Wronski
Executive Director

Dale Klynhout
Non-Executive Director

Warren Goward
Non-Executive Director

Dr Julian Karadjov
Non-Executive Director

Company Secretary

Dale Klynhout

Registered Office

Suite 2 Level 18
264 George Street
SYDNEY NSW 2000

Email: info@dragonflycbd.com
Website: www.dragonflybiosciences.com

Australian Legal advisers

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

Share Registry¹

Automatic Registry Services
Level 5
126 Phillip Street
SYDNEY NSW 2000
Telephone: 1300 288 664

Investigating Accountant

Mazars
Level 11
307 Queen Street
BRISBANE QLD 4000

Auditor¹

PKF Perth
Level 4
35 Havelock Street
WEST PERTH WA 6005

PKF Littlejohn LLP
15 Westferry Circus
LONDON E14 4HD
UNITED KINGDOM

Cannabis Legal Report Solicitors

Harper James
Floor 5, Cavendish House
39-41 Waterloo Street
BIRMINGHAM B2 5PP

Gabriel Biris Partner
Biris Goran SPARL
47 Viatorial Boulevard
RO-011853, BUCHAREST, ROMANIA

Djingov, Gouginski, Kyutchukov and
Velichkov
10 Tsar Osvoboditel Blvd
1000 SOFIA BULGARIA

Joint Lead Managers

Finexia Securities Limited
Level 18, 264-278 George Street
SYDNEY NSW 2000

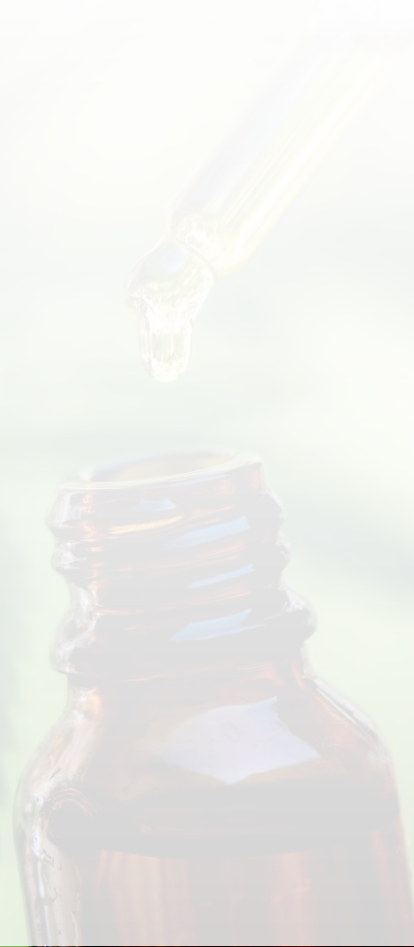
Telephone: 1300 886 103

RM Corporate Finance Pty Ltd
Level 1
1205 Hay Street
WEST PERTH WA 6005
Telephone: +61 8 6380 9200

1. This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus.

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1. LETTER FROM CHAIR

Dear Investor,

On behalf of the directors of Dragonfly Biosciences Limited (ACN 137 176 393) (previously named "Siburan Resources Limited") (**Dragonfly** or the **Company**), it gives me great pleasure to invite you to become a shareholder of the Company.

As set out in further detail in Section 6 of this Prospectus, the Company has acquired a UK entity Dragonfly Biosciences Limited (UK Company No.10842065) (**Dragonfly UK**). To date, Dragonfly UK's principal activities have comprised of developing cannabidiol (**CBD**) health and wellness products. The Company is committed to delivering the highest quality products, operating the entire production chain, owning the cultivation land and extraction facility and utilising the services of Vetprom's EU-GMP pharmaceutical grade formulation facility. CBD is one of many cannabinoids in the cannabis plant that can be legally extracted and developed into wellness products. Studies show that CBD helps with chronic pain, arthritis, joint pain, anxiety, sleep disorders and depression, to name just a few ailments.

The Company prides itself on:

- (a) growing European Union (**EU**) licensed strains on its own organically certified fields in the EU;
- (b) utilising its own 'state of the art' large scale extraction facility specifically designed and built for CBD extraction;
- (c) formulating the final product within a pharmaceutical EU-GMP accredited facility pursuant to the Company's arrangement with Vetprom, as summarised in Section 10.2.2;
- (d) providing certificates of analysis (**CoA**) to consumers for each batch of product;
- (e) being distributed by blue chip retailers in the United Kingdom (**UK**), such as Boots, Amazon, eBay and most recently listed by Superdrug, owned by A.S. Watson (Health & Beauty UK Limited) which is a part of the A.S. Watson Group and the CK Hutchinson Holdings conglomerate; and
- (f) providing high quality white label services and raw material in bulk to customers across the world and being a fully compliant manufacturer of CBD products in the UK, EU and beyond, including products listed with Australia's Therapeutic Goods Administration (**TGA**) Special Access Scheme. The TGA approval was received on 1 July 2021 for the Company to sell Dragonfly UK's 1000mg CBD Oral drops and Dragonfly UK's 3000mg CBD Oral drops through prescribing practitioners. Dragonfly UK product distribution in Australia is administered through a strategic partnership with Health House International Limited (**HHI**). The approval of these products demonstrates the route to market - being initially through trusted pharmacy channels and then extending as the Company prepares their application for TGA approval across all products for extended distribution. The Company believes that this process will not only enhance the Company's reputation through compliance, but will also extend into other lucrative international markets.

Dragonfly UK is an award-winning company, having recently received "Highly Commended" awards for its oral drops at the recent 2022 MVP awards hosted by Pharmacy Magazine. These awards assist to validate Dragonfly UK with the UK government regulatory body, the Food Standards Agency (**FSA**), as a supplier of CBD products. All of Dragonfly UK CBD products were published as compliant on the FSA list as of March 2022 and remain published as compliant.

The due diligence process that highlighted the Company's credentials as a vertically integrated operation (refer to Section 6.5.1) has promoted significant opportunities to work with strategic partners to design and develop new initiatives and products into existing and new supply chain environments.

The business practices and ethos of Dragonfly UK management extends from the Company's own organic farms, genetic formulations and growing techniques to producing organic hemp products.

Australia is recognised as an important and influential health, wellness and beauty market. As stated in Section 6.6, on completion of the Offer, the Company intends to focus on consolidating research and development to expand its catalogue of CBD infused products into existing and new markets, including across the Asia Pacific (**APAC**) region and in the United States (**US**), where the Company is engaged in preliminary discussions with potential third party retailers, distributors and advisers. The Company's intention is for such investment to provide access to multiple channels and market segments, managed by local distributors and partners. Further details of the Company's intended plans to launch its products in APAC and the USA are set out in Section 6.5.6 of this Prospectus.

The Company's vision is to provide consumers around the world with high-quality, affordable and trusted CBD wellness products. With the down-scheduling of CBD in Australia (1 February 2021), the Company has developed a planned route to the Australian market by partnering with an Australian company, Health House International Limited (**HHI**).

Since the publication of the Company's first initial public offering prospectus on 30 November 2021, the Company has experienced a resurgence in demand for health and wellness products. Dragonfly UK expanded its white label and wholesale services. In the eighteen-month period to 30 June 2022, revenue increased by 115% compared to the same prior period pro rata. The Company believes that this is attributable to Dragonfly UK's reputation in the market as a quality assured, stable business from manufacturing to end delivery. The cost of sales increased by 17% in the same period, contributing to a reduction of operating losses by 38% compared to the same prior period pro rata. In the 18-months to 30 June 2022, Dragonfly continued its commitment to research and development of new products having expensed over \$930,000 in the period. Dragonfly UK is in a strong position to leverage opportunities resulting from recent casualties in the market and supply chain challenges that other companies are facing. Moreso, retail buyers and distributors are favouring brands that are vertically integrated (refer to section 5.5.1), innovative and proprietors of formulations, which ensures supply chains are not interrupted and new lines are available to meet consumer interest and demand.

The Company developed several new products that include a high strength CBD skin patch with Bergamot scent, which launched in the last quarter of 2022. In addition, Dragonfly has also developed a range of non-CBD health and wellness innovative products for launch this year.

Under this Prospectus, the Company is seeking to raise \$3,000,000 via the issue of 15,000,000 Shares at an issue price of \$0.20 per Share under the Offer (the minimum raise is \$3,000,000, with the ability to accept oversubscriptions up to \$5,000,000), together with one (1) free-attaching Option for every two (2) Shares subscribed for exercisable at \$0.35 each on or before 31 December 2024. The purpose of the Offer is to provide funds to implement the Company's proposed business strategies (explained in Section 6).

The Board have significant expertise and experience in the CBD and cannabis industry and will aim to ensure that the funds raised through the Offer will be utilised in a cost-effective manner to advance the Company's business.

This Prospectus is being issued for the purpose of supporting an application to list the Company on the ASX. This Prospectus contains detailed information about the Company, its business and the Offer, as well as the risks of investing in the Company. I encourage you to read it carefully. The Securities offered by this Prospectus should be considered highly speculative.

On behalf of the Board, I look forward to welcoming you as a Shareholder, to enjoy in the rewards ahead as we deliver Dragonfly CBD products and services to existing and new markets. Before you make your investment decision, I urge you to read this Prospectus in its entirety and seek professional advice, as required.

Yours sincerely

Radost Draganova
Executive Director and Proposed Chairperson





Key Offer Information

SECTION
2

2. KEY OFFER INFORMATION

INDICATIVE TIMETABLE¹

Lodgement of Original Prospectus with the ASIC	12 April 2023
Lodgement of this Prospectus with ASIC	27 June 2023
Opening Date	27 June 2023
Closing Date	20 July 2023
Issue of Securities under the Offer	24 July 2023
Despatch of holding statements	25 July 2023
Expected date for quotation on ASX	1 August 2023

1. The above dates are indicative only and may change without notice. Unless otherwise indicated, all times given are in AEST. The Exposure Period may be extended by the ASIC by not more than 7 days pursuant to section 727(3) of the Corporations Act. The Company reserves the right to extend the Closing Date or close the Offer early without prior notice. The Company also reserves the right not to proceed with the Offer at any time before the issue of Shares to applicants.
2. If the Offer is cancelled or withdrawn before completion of the Offer, then all application monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their applications as soon as possible after the Offer opens.



KEY STATISTICS OF THE OFFER

	Minimum Subscription ¹	Maximum Subscription ²
Offer Price per Share	\$0.20	\$0.20
Shares currently on issue	105,333,435	105,333,435
Shares to be issued on conversion of Pre-IPO Convertible Notes ⁴	3,593,750	3,593,750
Shares to be issued on conversion of 2021 Convertible Note ⁵	19,000,000	19,000,000
Interest Shares to be issued on conversion of 2021 Convertible Note ⁶	8,318,935	8,318,935
Options currently on issue ⁷	2,375,393	2,375,393
Options to be issued to Mr Grenside ⁸	8,911,550	8,911,550
Options to be issued with Pre-IPO Convertible Notes ⁹	3,593,750	3,593,750
Free-attaching Options to be issued under the IPO ¹⁰	7,500,000	12,500,000
Total Options on Issue Post-Listing	22,380,693	27,380,693
Shares to be issued under the IPO	15,000,000	25,000,000
Shares to be issued to the JLMs ¹¹	1,000,000	1,000,000
Gross Proceeds of the Offer	\$3,000,000	\$5,000,000
Shares on issue Post-Listing (undiluted) ^{12, 13}	152,246,120	162,246,120
Market Capitalisation Post-Listing (undiluted)^{12, 13}	\$30,449,224	\$32,449,224
Shares on issue Post-Listing (fully diluted) ^{12, 13}	174,626,813	189,626,813
Market Capitalisation Post-Listing (fully diluted)^{12, 13}	\$34,925,363	\$37,925,363

Notes:

1. Assuming the Minimum Subscription of \$3,000,000 is achieved under the Offer.
2. Assuming Maximum Subscription of \$5,000,000 are achieved under the Offer.
3. This reflects the current number of Shares on issue on a post-consolidation basis i.e. following completion of the consolidation of Share capital approved at the Company's previous annual general meeting held on 17 November 2022.
4. 3,593,750 Shares to be issued on conversion of Convertible Notes upon ASX Listing.
5. Finexia on behalf of its investors holds 1,900,000 Convertible Notes which are convertible into 19,000,000 Shares at listing at a conversion price of \$0.10 per Convertible Note on or before 30 June 2023 (**2021 Convertible Note**). The Board is sufficiently satisfied that the Convertible Notes currently on issue will be converted into fully paid shares on ASX listing. The basis for this assertion is the Company receiving such feedback from the note holders.
6. Interest accrued on Finexia's Convertible Note will be payable in Shares at a conversion price of \$0.20 (**Interest Shares**). The Finexia Convertible Notes accrue interest at 3% per month, payable at conversion upon listing. Assuming conditional approval to list is received on 1 August 2023, the Company will have an obligation to pay approximately \$1,663,787 in interest to Finexia, to be satisfied through the issue of 8,318,935 Interest Shares.
7. These Options will be novated to the Company under the Company's employee incentive scheme. The average exercise price of Options issued across the scheme is \$0.27. If all Options issued under the scheme are exercised and converted into Shares, there will be an additional 2,375,393 Shares on issue. Furthermore, the Options to be issued to Mr

Grenside are in consideration for a settlement with the Company and total 8,911,550. The Options relating to the Convertible Note total 3,593,750. Exercise of all Options on issue results in an additional 22,380,693 Shares on issue (at Minimum Subscription) and 27,380,693 Shares on issue (at Maximum Subscription) (with a corresponding market capitalisation of between \$34,925,363 and \$37,925,363). This represents a dilutionary effect on the current issued capital of 12.82% at Minimum Subscription and 14.44% at Maximum Subscription.

8. On 8 February 2022, the Company entered into a settlement agreement and release with Mr Mark Grenside (**Settlement Agreement**). Amongst other matters, the Settlement Agreement provides for instalment payments totalling £200,000 (which must be settled within 28 days of the IPO, of which £119,700 remains outstanding) and a grant of options to Mr Grenside (**Grenside Options**) with an exercise price that is 'at a discount of 60% on the Company's Share price based on the valuation of the Shares as at the date of, and for the purposes of, the IPO such that the value of the Shares to Mr Grenside (less the exercise price payable) is no less than £575,000 as at the date of the IPO'. Assuming an exchange rate of 1 GBP = 1.86 AUD (exchange rate as at 11 April 2023), £575,000 equals AUD\$1,069,386. Given the IPO Shares will be issued at \$0.20, the number of Options to be issued to Mr Grenside will be at least 8,911,550 (AUD\$1,069,386/1.2) (subject to any significant changes to the exchange rate). On 28 November 2022, the Company received an in-principle waiver of Listing Rule 1.1 Condition 12 to allow the Company to have the Grenside Options on issue at the time of listing with an exercise price that is below \$0.20.
9. Up to 3,593,750 free-attaching Options to be issued on conversion of Pre-IPO Convertible Notes upon ASX listing (1 Option for every 1 Share issued on conversion).
10. All applicants under the IPO will receive 1 unquoted Option for every 2 Shares subscribed for and issued exercisable at \$0.35 each on or before 31 December 2024.
11. Refer to Section 10.1.1 for a full summary of the terms and conditions of the JLM Mandate.
12. Certain Shares on issue post-listing will be subject to ASX-imposed escrow. Refer to Section 6.9 for a disclaimer with respect to the likely escrow position.
13. Assuming a Share price of \$0.20. However, the Company notes that the Shares may trade above or below this price.





Investment Overview

SECTION
3

3. INVESTMENT OVERVIEW

This Section is a summary only and is not intended to provide full information for investors intending to apply for Shares offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

Item	Summary	Further information
A. Company		
Who is the issuer of this Prospectus?	Dragonfly Biosciences Limited (ACN 137 176 393) (Company or Dragonfly).	Section 6.2
Who is the Company?	<p>The Company is an Australian unlisted public company, which was incorporated in May 2009 and previously admitted to the Official List on 14 May 2010. The Company was removed from the Official List on 26 February 2021.</p> <p>The Company has previously focused on exploration with tungsten and gold projects in Australia, New Zealand and Papua New Guinea. At this time, the Company's name was "Siburan Resources Limited". The Company no longer conducts any exploration activities and holds no interest in any exploration projects.</p> <p>Following a review of the commercial viability of the Company's business model, the Company terminated all exploration operations and focused on identifying suitable acquisition and investment opportunities to create value for its shareholders. During the course of these investigations, the Company identified Dragonfly UK as a potential acquisition opportunity. Following completion of the Acquisition on 19 July 2021 (as set out below), the Company has been focused solely on the operations of Dragonfly UK, being the production, research and sales of CBD and other hemp-based extracts and CBD products.</p> <p>Of the Company's operations, 38% are devoted to production, 37% are devoted to sales and 25% are devoted to research.</p> <p>Of the Company's sales, 46% are derived from retail customers, 36% are derived from bulk (wholesale) customers, 8% from white label customers and 10% are derived from the sale of products online.</p> <p>Based on year end 30 June 2022, the geographic region from where the Company's revenue is derived is as follows: UK accounts for 55%, EU contributes 24%, Australia contributes 16% and New Zealand contributes 5% of the total revenue.</p>	Section 6.2
What is the Company's interest in Dragonfly UK?	On 27 May 2021, the Company entered into the Acquisition Agreement pursuant to which it agreed to acquire 100% of the issued capital of Dragonfly UK in consideration for a total of 373,540,438 Shares (on a pre-consolidation basis) (the Acquisition). On 19 July 2021, the Acquisition was completed with issuance of the agreed consideration Shares and the Company assuming 100% ownership of Dragonfly UK.	Sections 6.2 and 10.1.2.

Item	Summary	Further information
	<p>The Company then changed its name to "Dragonfly Biosciences Limited".</p> <p>For a summary of the Acquisition Agreement, refer to Section 10.1.2 of this Prospectus.</p>	
B. Business Model		
What is the Company's business model?	<p>Following completion of the Offer, the Company's proposed business model will be to facilitate and accelerate the development of its production, research and sales of CBD and other hemp-based extracts and CBD products.</p> <p>The Company proposes to fund its proposed business activities over the first two years following listing as outlined in the table at Section 6.6.</p> <p>A detailed explanation of the Company's business model is provided at Sections 6.5 and 6.3.</p>	Section 6.3, 6.5 and 6.6.
What are the key business objectives of the Company?	<p>The Company's main objectives on completion of the Offer and ASX listing are to:</p> <ul style="list-style-type: none"> (a) expand the product offering with existing UK retail distribution following the FSA accreditation and through new product development; (b) expand UK retail partnerships to continue to position Dragonfly UK to be the number one CBD brand in the UK; (c) expand accreditation to include EU Food Standards Agency (EFSA), Australian Therapeutic Goods Administration (TGA) and the FDA (US) to establish Dragonfly as one of the few UK FSA, EFSA, TGA and FDA compliant brands; (d) expand the white label/wholesale business line leveraging the FSA, EFSA, TGA and FDA accreditations and thus capitalising on Dragonfly UK's large-scale extraction facility; (e) leverage the Company's existing distribution network to establish new retail partnerships in the USA and APAC region; (f) build brand awareness in the key markets where Dragonfly CBD is distributed; and (g) provide working capital for the Company. 	Sections 6.3, 6.5 and 6.5.6.
What are the key dependencies of the Company's business model?	<p>The key dependencies of the Company's business model include:</p> <ul style="list-style-type: none"> (a) retaining and recruiting key personnel skilled in the biomedical sector; and (b) there being sufficient worldwide demand for the Company's products, and for health and wellness products generally. 	Section 6.3.

Item	Summary	Further information
C. Key Advantages		
What are the key advantages of an investment in the Company?	<p>The Directors are of the view that an investment in the Company provides the following non-exhaustive list of advantages:</p> <ul style="list-style-type: none"> (a) subject to raising the Minimum Subscription, the Company will have sufficient funds to implement its proposed business strategy; (b) continual operation of the Dragonfly UK business; and (c) a highly credible and experienced team to progress and accelerate development of the business established by Dragonfly UK. 	Section 6.3.
D. Key Risks		
Product Risk	<p>Dragonfly UK's products contain CBD, which is a cannabinoid found in the Cannabis Sativa plant. There are significant variations in legal and regulatory requirements regarding CBD across different jurisdictions. Generally, regulatory bodies are beginning to allow the wider use of CBD in consumable and topical products. For example, in the UK, Germany, Australia and New Zealand, there has been steps taken towards allowing wider use of CBD in products. However, CBD is still a relatively new and emerging market and therefore changes to laws and regulations in countries which the Company conducts its operations could result in the Company's distribution chain being halted and contracts terminated or renegotiated. This could adversely affect the Company's commercial success.</p>	Section 8.2
Media and Reputational Risk	<p>The nature of the Company's business attracts a high level of public and media interest. Due to the perceived link to cannabis, there is the chance that the commercial success or market penetration of the Company's products may be adversely affected by connotations associated with cannabis.</p> <p>Media publicity is beyond the scope of the Company's control, however, may adversely affect the commercial success of the Company's products. In the event of adverse publicity regarding cannabis, cannabis misuse or the adverse side effect from cannabis, for example, the Company's reputation may be harmed, and its commercial success may be harmed.</p>	Section 8.2
Going Concern	<p>The Company refers to page 3 of the Independent Limited Assurance Report at Annexure B of the Prospectus which refers to PKF Perth's report on the Company's financial information for the period ended 31 December 2022 which included an emphasis of matter regarding a material uncertainty related to going concern. Notwithstanding the 'going concern' qualification included in the reports for the period ended 31 December 2022, the Directors believe that upon the successful completion of the Offer, the Company will have sufficient funds to adequately meet the Company's</p>	Sections 8.2, Section 7 and the Independent Limited Assurance Report at Annexure B.

Item	Summary	Further information
	current operational commitments and short-term working capital requirements. In the event that the Offer is not completed successfully there is significant uncertainty as to whether the Company can continue as a going concern, and which is likely to have a material adverse effect on the Company's activities. Refer to Section 7 and the Independent Limited Assurance Report at Annexure B of the Prospectus for further information.	
Research and Development Risk	<p>Extraction and formulation of the Company's CBD products, scientific research and the commercialisation of the results of that work is, by its nature, a high risk undertaking. The Company can make no representation that any of its research or development in new products will be successful, reach the potential markets being targeted, receive regulatory approvals or prove to be commercially successful.</p> <p>There are many risks inherent in the development of new products, particularly when CBD is concerned. Projects can be delayed or fail to demonstrate any benefit, or research may cease to be viable for a range of scientific or commercial reasons.</p> <p>Products can be delayed, suspended or unsuccessful at any stage, or research may become unviable for a number of unexpected reasons. The Company may also face liability where a product, if approved, does not achieve the expected performance or safety standards. The testing, marketing and sale of new CBD products entails an inherent risk of product liability, and there can be no assurance that product liability claims will not be asserted against the Company.</p>	Section 8.2
Contractual Risk	<p>The Company's interest in the Dragonfly UK business is subject to contracts with third parties such as Ceuta Healthcare Ltd and Vetprom AD, details of which are set out in Section 10.</p> <p>These contracts are long term contracts and have been in operation since 2018. The Company is reliant on the third parties remaining stable and producing the products to the same standard that the Company has come to expect. The Company is continually assessing the risk and opportunities associated with its business model which includes having alternative facilities, producers, retailers or distributors should the existing contracts in place fall short of the Company's expectation.</p> <p>The ability of the Company to achieve its stated objectives will depend on the performance by the parties of their obligations under these agreements.</p> <p>If the Company is unable to satisfy its undertakings and/or obligations under these agreements the Company's interest in their subject matter may be jeopardised and may result in the Company not being able to conduct business in the territories in which the Ceuta and Vetprom engagements allow, until a replacement producer, retailer or distributor is contracted. This may have a material adverse effect</p>	Section 8.2

Item	Summary	Further information
	<p>on the Company's operations and performance and the value of its Securities.</p> <p>If any party defaults in the performance of their obligations, it may be necessary for the Company to approach a court to seek a legal remedy, which can be costly.</p> <p>As at the date of this Prospectus, the Company has no current reason to believe that the counterparties to these contracts will not meet and satisfy their respective obligations.</p>	
Current Potential Litigation	<p>In September 2022, a claim was brought against Dragonfly UK by IW Group Services (UK) Limited (IWG) in the County Court at Central London in relation to a proposed breach of contract in relation to an office service agreement dated August 2019 (Office Services Agreement). IWG is seeking payment under the Office Services Agreement for the premise located at 77 New Cavendish Street, W1W 6XB London, UK. Dragonfly UK occupied the office from July 2019 until March 2020. Dragonfly UK was obligated to leave the office following the COVID lockdown enforced by the UK Government at the time. Dragonfly UK terminated the agreement on 29 May 2020. IWG suspended services from 19 June 2020. IWG claims payment is due for the unoccupied period from June 2020 to October 2021 totalling £356,712 (net). Dragonfly UK is defending the claim.</p>	Section 8.2, Section 11.1.
Grenside Claim	<p>A claim has been brought against Dragonfly UK by Mark Nicholas Grenside in the High Court of UK 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). On 8 February 2022 through mediation, Dragonfly UK settled the claim. Amongst other matters, the Settlement Agreement provides for instalment payments totalling £200,000 which must be settled within 28 days of the IPO. Of the £200,000, £119,700 remains outstanding and is expected to be paid by the Company from funds raised pursuant to the Offer as set out in Section 6.6. In the unlikely event that the Company is unable to meet its payment obligations to Mr Grenside under the Settlement Agreement, the Company will be required to repay the amount plus any accrued interest at a default rate of 5% per annum. This may adversely affect the expenditure proposals and activities of the Company, as the Company may be required to reduce the scope of its operations and scale back its research and development programmes to pay the settlement costs under the Settlement Agreement.</p>	Section 8.2, Section 11.1.
Access to Ingredients	<p>Some of the Dragonfly UK products are formulated using ingredients from third party suppliers. Such</p>	Section 8.2

Item	Summary	Further information
	products include, for example, organic hemp seed oil, flavourings, and vitamin D. There is a risk that the Company's suppliers may renegotiate terms for supply of these ingredients, which may result in delays in the development of the Company's products and/or increase the Company's costs of development and production.	
Cultivation	<p>The Company's business will involve growing hemp outdoor in Bulgaria. As such, the business will be subject to the risks inherent in the agricultural industry, such as insects, plant diseases, invasive species, storm, fire, frost, flood, drought, water availability, water salinity, pests, bird damage and force majeure events.</p> <p>Dragonfly has been growing hemp outdoor in Bulgaria every year since 2017 and has not experienced any of the above mentioned events. The cultivation will continue to be operated by trained personnel who carefully monitor the growing conditions. However, there can be no assurance that natural elements and other events noted above will not have a material adverse effect on production.</p>	Section 8.2
Extraction Risk	The Company's business involves extracting CBD from the harvested biomass using food grade ethanol extraction processes. As such, the business will be subject to health and safety risks associated with operating such a facility. The Company has trained and experienced personnel operating the extraction facility following strict operating procedures, however there is always the inherent risk of an accident with such facilities. The appropriate safety measures are in place as approved by the local health and safety agency and the fire service.	Section 8.2
Regulatory Updates	The Company's business plan includes expansion into international territories. As stated above, there are significant variations in legal and regulatory requirements regarding CBD across different jurisdictions. Further, such requirements are constantly changing. It is possible that regulatory bodies in the territories that the Company is targeting for expansion into may not permit CBD products to be legally sold as expected in the business plan or the Company may be exposed to increased compliance and/or regulatory filing costs.	Section 8.2
Cybersecurity Risk	There is a risk of outage, disruption, or security breach of IT systems. This could result in significant business disruption or a loss of confidential business data. The Company mitigates this risk through IT security and infrastructure solutions. This is supported by IT policies and procedures governing security and usage of IT systems.	Section 8.2
Potential Acquisitions	The Company expects that, following the Novel Food regulations in the UK, there will be brands removed from the shelf for non-compliance with the FSA regulations. However, this is beyond the scope of the Company's control and the outcome cannot be guaranteed. If brands are removed for non-	Section 8.2

Item	Summary	Further information
	<p>compliance, this could mean there will be companies for sale that would complement the Company's operations. Such pursuit of potential acquisitions may divert the attention of management and cause the Company to incur various expenses in identifying, investigating and pursuing suitable acquisitions. If the Company acquires additional businesses, it may not be able to integrate the acquired personnel, operations and technologies successfully, or effectively manage the combined business following the acquisition. The Company may also not achieve the anticipated benefits from a potential acquired business due to several factors including:</p> <ul style="list-style-type: none"> (a) incurrence of acquisition related costs; (b) diversion of management's attention from other business concerns; (c) unanticipated costs or liabilities associated with the acquisition; (d) harm to the Company's existing business relationships; (e) harm to the Company's brand and reputation; (f) potential loss of key employees; (g) use of resources that are needed in other parts of the business; and (h) use of substantial portions of our available cash to consummate the acquisition. <p>If an acquisition does not yield expected returns, the Company may be required to take charges to its operating results arising from the impairment assessment process. Potential future acquisitions may also result in dilutive issuances of equity securities or incurrence of debt, which could adversely affect the Company's operating results.</p>	
Working Capital Risk	<p>The Directors believe the funds raised from the Offer will give the company sufficient working capital to achieve its objectives in this Prospectus. However, funds raised under this Prospectus may not be sufficient to fully commercialise the marketing opportunities and complete potential acquisitions that are likely to become available.</p> <p>The Company may seek to raise additional capital in the future if suitable marketing opportunities or potential acquisitions become available.</p>	Section 8.2

Item	Summary	Further information
Competition	<p>The CBD industry is highly competitive and subject to rapid change as evidenced by the removal of regulatory barriers in such jurisdictions as the UK, Australia, Thailand and the US. Many of these competitors may have greater financial, managerial and research and development resources than the Company. It is possible a major beauty brand or nutraceutical company could enter the market with greater marketing and sales experience. If the Company is unable to compete in the market successfully, it may be unable to generate, grow and sustain revenue.</p>	Section 8.2
Novel Food Risk	<p>Naturally derived CBD had not been on the EU's Novel Food catalogue until it was updated in January 2019. While the Novel Food catalogue is non-exhaustive and carries no legal power, it is frequently updated and amended with input from member states and is used in reference by authorities to aid enforcement of local Novel Food regulations.</p> <p>On 13 February 2020, the FSA in the UK issued a statement confirming the industry deadline for the submission of a novel foods application of 31 March 2021 for those currently on the market. After 31 March 2021, only products on sale in the UK before 13 February 2020 and having submitted a valid application by 31 March 2021 would be allowed to remain on the market.</p> <p>On 11 March 2021, the FSA relaxed the deadline by announcing that provided the submission was made by 31 March 2021 an entity's product could remain on the market while the FSA reviewed the applications.</p> <p>The FSA had initially committed to completing the review of applications submitted prior to 31 March 2021 in June 2021, however this deadline was not met.</p> <p>On 31 March 2022, the FSA published the list of CBD products that are permitted to remain on sale.</p> <p>The entire range of Dragonfly CBD consumable products were included on the list and are therefore permitted to remain on sale. The FSA guidance states that if a particular product is not on the list then the item should be removed from sale or be subject to local enforcement.</p> <p>As stated above, the Novel Food catalogue is subject to change, as such there is no guarantee that Dragonfly CBD consumable products will continue to remain on this catalogue and consequently be permitted to remain on sale. This could result in the Company being required to delay or halt the sale of its products in the EU which could adversely affect the value of the Company's Securities and its overall commercial success.</p>	Section 8.2

Item	Summary	Further information
Need for Executive Management	<p>The Company's management currently consists of two non-executive directors. The Board is aware of the need to have sufficient management to properly supervise the development of the projects in which the Company has, or will in the future have, an interest and the Board will continually monitor the management roles in the Company.</p> <p>As the Company's projects require an increased level of involvement the Board will look to appoint additional management and/or consultants when and where appropriate to ensure proper management of the Company's projects.</p> <p>However, there is a risk that the Company may not be able to secure personnel with the relevant experience at the appropriate time which may impact on the Company's ability to complete all of its proposed business plans in its preferred timetable. The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on the Board. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these Directors cease their employment.</p>	Section 8.2
Liability Claims, Regulatory and Legal Action	<p>As a manufacturer and distributor of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation. These risks will arise, for example, if the Company's CBD products are alleged to have caused significant loss or injury. In addition, the manufacture of CBD products involves the risk of injury to consumers due to tampering by unauthorised third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of CBD products alone or in combination with other products could occur.</p> <p>The Company may be subject to various product liability claims, including among others that the Company's products cause injury or illness. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally and could have a material adverse effect on its results of operations and financial conditions.</p>	Section 8.2
Unforeseen Expenditure Risk	<p>Expenditure may need to be incurred that has not been considered in the preparation of this Prospectus. Although the Company is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals and activities of the Company, as the Company may be required to reduce the scope of its operations and scale back its research and development programmes.</p>	Section 8.2

Item	Summary	Further information																																			
Potential Litigation Risks	The Company is exposed to possible litigation risks 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.	Section 8.2																																			
E. Directors and Key Management Personnel																																					
Who are the Directors?	At listing, it is intended that the Board will be comprised of: Regan Saveall - <i>Chief Executive Officer</i> Radost Draganova - <i>Executive Director and Chairperson</i> Julian Karadjov – <i>Non-Executive Director</i> Chris Wronski - <i>Executive Director</i> Dale Klynhout - <i>Non-Executive Director and Company Secretary</i> Warren Goward - <i>Non-Executive Director</i> The profiles of each of the above Directors are set out in Section 9.1.	Section 9.1																																			
Director Identification Numbers	As at the date of this Prospectus: (a) Regan Saveall; (b) Dale Klynhout; and (c) Warren Goward, have applied for and received their director identification numbers, and (a) Radost Draganova; (b) Chris Wronski; and (c) Julian Karadjov, have applied for, but are yet to formally receive confirmation of their director identification numbers.	Section 9.4.																																			
What are the significant interests of Directors in the Company?	Refer to Section 9.5 for details of the Director's significant interests in the Company. The Director's interests in the Company prior to completion of the Offer are as follows: <table><tr><th>Director</th><th>Shares</th><th>Options</th><th>Undiluted Percentage (%)</th><th>Diluted Percentage (%)</th></tr><tr><td>Radost Draganova</td><td>25,330,034</td><td>Nil</td><td>24.05%</td><td>23.52%</td></tr><tr><td>Chris Wronski</td><td>19,160,443</td><td>Nil</td><td>18.19%</td><td>17.79%</td></tr><tr><td>Regan Saveall</td><td>1,073,741</td><td>1,853,773</td><td>1.02%</td><td>2.72%</td></tr><tr><td>Dale Klynhout</td><td>Nil</td><td>Nil</td><td>Nil</td><td>Nil</td></tr><tr><td>Julian Karadjov</td><td>Nil</td><td>Nil</td><td>Nil</td><td>Nil</td></tr><tr><td>Warren Goward</td><td>Nil</td><td>Nil</td><td>Nil</td><td>Nil</td></tr></table>	Director	Shares	Options	Undiluted Percentage (%)	Diluted Percentage (%)	Radost Draganova	25,330,034	Nil	24.05%	23.52%	Chris Wronski	19,160,443	Nil	18.19%	17.79%	Regan Saveall	1,073,741	1,853,773	1.02%	2.72%	Dale Klynhout	Nil	Nil	Nil	Nil	Julian Karadjov	Nil	Nil	Nil	Nil	Warren Goward	Nil	Nil	Nil	Nil	Section 9.5
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What are the significant interests of advisors to the Company?	<div>Under the JLM Mandate, the Company appointed Finexia and RM to:</div> <div>(a) act as joint lead managers to the Offer; and</div> <div>(b) organise and manage appropriate marketing programs to promote the Company to investors.</div> <div>Under the terms of this engagement, the Company has agreed to pay/issue the JLMs the following:</div> <div>(a) a 2% management fee of the total amount raised under the seed raising and Offer (exclusive of GST);</div> <div>(b) a 4% capital raising fee of the total amount raised under the seed raising and Offer (exclusive of GST); and</div> <div>(c) 1,000,000 Shares,</div> <div>(together, the Fees).</div>	Section 10.1.1																																			

Item	Summary	Further information
	It is anticipated that all of the Fees will be split equally between the JLMs. Refer to Section 10.1.1 for further details of the advisors' interests in the Company.	
What related party agreements are the Company party to?	<p>The Company is party to the following related party agreements:</p> <p>(a) non-executive director appointment letters with Julian Karadjov pursuant to which Mr Karadjov has been engaged to act as Director; and</p> <p>(b) executive services agreements with Regan Saveall and Radost Draganova pursuant to which the Company has engaged Mr Saveall and Mrs Draganova to act as Chief Executive Officer and Executive Director/Chair.</p> <p>Refer to Section 10.3 for further details of related party agreements to which the Company is a party.</p>	Section 10.3
F. Financial Information		
How has the Company been performing?	The audited historical financial information of Dragonfly Australia Group and Dragonfly UK Group as at 31 December 2022 is set out in Section 7.	Section 7
G. Offer		
What is the Offer?	<p>The Offer is an offer of 15,000,000 Shares at an issue price of \$0.20 per Share to raise \$3,000,000 (before costs) (with the ability to accept oversubscriptions up to a further 10,000,000 Shares to raise up to \$2,000,000).</p> <p>Options with an exercise price of \$0.35 each and an expiry date of 31 December 2024 will be issued free attaching on a 1 for 2 basis to every person issued Shares in the Offer pursuant to this Prospectus.</p>	Section 5.1
Is there a minimum subscription under the Offer?	The minimum amount to be raised under the Offer is \$3,000,000.	Section 5.2
What are the purposes of the Offer?	The purposes of the Offer are to facilitate an application by the Company for admission to the Official List and, to position the Company to seek to achieve the objectives stated at Section B of this Investment Overview.	Section 5.7
Is the Offer underwritten?	No, the Offer is not underwritten.	Section 5.4

Item	Summary	Further information																		
Who is the lead manager to the Offer?	<p>The Company has appointed Finexia Securities Limited (ACN 608 667 778) (AFSL 485760) and RM Corporate Finance Pty Ltd (ACN 108 084 386) (AFSL 315235) as joint lead managers to the Offer (Joint Lead Managers or JLMs).</p> <p>In consideration for providing these lead manager services, the Joint Lead Managers (or their nominees) will receive 1,000,000 Shares, which are proposed to be split equally between the Joint Lead Managers. Refer to Section 10.1.1 for a summary of the terms and conditions of the JLM Mandate.</p>	Section 10.1.1																		
Who is eligible to participate in the Offer?	<p>This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia or New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.</p>	Section 5.12																		
How do I apply for Securities under the Offer?	<p>Applications for Shares and attaching Options under the Offer must be made by completing the Application Form attached to this Prospectus in accordance with the instructions set out in the Application Form. Applications made after the date of this Prospectus must NOT be made on an application form attached to or accompanying the Original Prospectus.</p>	Section 5.8																		
What is the allocation policy?	<p>The Company retains an absolute discretion to allocate Shares and attaching Options under the Offer and will be influenced by the factors set out in Section 5.9.</p> <p>There is no assurance that any applicant will be allocated any Shares and attaching Options, or the number of Shares and attaching Options for which it has applied.</p>	Section 5.9																		
What will the Company's capital structure look like on completion of the Offer?	<p>The Company's capital structure on a post-Offer basis is as follows:</p> <p>Shares</p> <table> <tr> <th></th><th>Minimum Subscription</th><th>Maximum Subscription</th></tr> <tr> <td>Shares currently on issue</td><td>105,333,435</td><td>105,333,435</td></tr> <tr> <td>2021 Convertible Note</td><td>19,000,000</td><td>19,000,000</td></tr> <tr> <td>Pre-IPO Convertible Notes</td><td>3,593,750</td><td>3,593,750</td></tr> <tr> <td>Interest Shares to be issued on conversion of 2021 Convertible Note</td><td>8,318,935</td><td>8,318,935</td></tr> <tr> <td>Shares to be issued under the IPO</td><td>15,000,000</td><td>25,000,000</td></tr> </table>		Minimum Subscription	Maximum Subscription	Shares currently on issue	105,333,435	105,333,435	2021 Convertible Note	19,000,000	19,000,000	Pre-IPO Convertible Notes	3,593,750	3,593,750	Interest Shares to be issued on conversion of 2021 Convertible Note	8,318,935	8,318,935	Shares to be issued under the IPO	15,000,000	25,000,000	Section 6.5
	Minimum Subscription	Maximum Subscription																		
Shares currently on issue	105,333,435	105,333,435																		
2021 Convertible Note	19,000,000	19,000,000																		
Pre-IPO Convertible Notes	3,593,750	3,593,750																		
Interest Shares to be issued on conversion of 2021 Convertible Note	8,318,935	8,318,935																		
Shares to be issued under the IPO	15,000,000	25,000,000																		

Item	Summary			Further information
	Shares to be issued to the JLMs	1,000,000	1,000,000	
	Total	152,246,120	162,246,120	
	Options			
		Minimum Subscription	Maximum Subscription	
	Options currently on issue	2,375,393	2,375,393	
	Options issued to Mr Grenside	8,911,550	8,911,550	
	Options issued pursuant to the Pre-IPO Convertible Notes	3,593,750	3,593,750	
	Free-attaching Options to be issued free attaching to the Shares issued under the IPO	7,500,000	12,500,000	
	Total	22,380,693	27,380,693	
	<p>The 2,375,393 Options are intended to be rolled over from Dragonfly UK to the Company under an employee incentive scheme to be adopted by the Company. The current participants (Optionholders) are qualified key employees and executives. Under the terms of the scheme, all Options issued had a ten-year expiry from the date of issue, average exercise price is \$0.27 and the net proceeds to the Company in the event of full exercise is \$341,887.</p> <p>The 8,911,550 Options are part of the Settlement Agreement and have an average exercise price of \$0.08 per Option. The Shares relating to the exercise of these Options will be restricted from being sold or transferred for 12 months following the IPO date. The net proceeds to the Company in the event of full exercise is \$712,924.</p>			
What are the terms of the Securities offered under the Offer?	A summary of the material rights and liabilities attaching to the Shares offered under the Offer are set out in Section 11.2 and a summary of the material rights and liabilities attaching to the Options offered under the Offer are set out in Section 11.3 .			Sections 11.2 and 11.3
Will any Securities be subject to escrow?	<p>None of the Securities issued under the Offer will be subject to escrow.</p> <p>However, subject to the Company being admitted to the Official List and completing the Offer, the Company expects that 31,912,685 Shares and 12,505,300 Options comprising:</p> <ul style="list-style-type: none"> (a) 3,593,750 Shares to be issued on conversion of the Pre-IPO Convertible Notes; (b) 19,000,000 Shares to be issued on conversion of the 2021 Convertible Note; (c) 8,318,935 Interest Shares to be issued on conversion of the 2021 Convertible Note; (d) 1,000,000 JLM Shares; 			Section 6.9

Item	Summary	Further information
	<p>(e) 8,911,550 Greside Options; and</p> <p>(f) 3,593,750 Options to be issued on conversion of the Pre-IPO Convertible Note, will be classified by ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of Official Quotation. During the period in which these Shares are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.</p> <p>The Company will announce to ASX full details (quantity and duration) of the Securities required to be held in escrow prior to the Securities commencing trading on ASX.</p> <p>The Company's 'free float' (being the percentage of Shares not subject to escrow and held by Shareholders that are not related parties of the Company (or their associates) at the time of admission to the Official List) will be approximately 25% comprising all shares issued. Other than Shares subject to ASX imposed escrow or held by Directors or promoters.</p>	
Who are the current Shareholders of the Company and on what terms were their Shares issued?	105,333,435 Shares are on issue as at the date of this Prospectus. Refer to Section 11.2 for the rights and liabilities attaching to the Shares.	Section 6.7
Will the Securities be quoted on ASX?	Application for quotation of all Shares to be issued under the Offer will be made to the ASX no later than 7 days after the date of this Prospectus. The Options will not be quoted on the ASX.	Section 5.10
What are the key dates of the Offer?	The key dates of the Offer are set out in the indicative timetable in the Key Offer Information Section.	Key Offer Information
What is the minimum investment size under the Offer?	Applications under the Offer must be for a minimum of \$2,000 worth of Shares (10,000 Shares) and thereafter, in multiples of \$500 worth of Shares (2,500 Shares).	Section 5.8
Are there any conditions to the Offer?	<p>This Prospectus is a refresh replacement prospectus issued for the purpose of and making changes to the Original Prospectus as well for the purpose of refreshing:</p> <p>(a) (Quotation Condition): the period for admission to quotation of Shares and Options offered under this Prospectus from three (3) months from the date of the Original Prospectus to three (3) months from the date of this Prospectus in accordance with section 724(3G)(d) of the Act, as inserted by the Instrument; and</p> <p>(b) (Minimum Subscription Condition): the period to raise the Minimum Subscription</p>	Sections 4.1 and 5.6

Item	Summary	Further information
	<p>under the Offer from four (4) months from the date of the Original Prospectus to four (4) months from the date of this Prospectus in accordance with section 724(3G)(c) of the Act, as inserted by the Instrument.</p> <p>The Offer is therefore conditional on:</p> <p>(c) the Company raising the Minimum Subscription within four (4) months from the date of this Prospectus; and</p> <p>(d) the ASX granting approval for the quotation of the Shares on the ASX within three (3) months from the date of this Prospectus, (together, the Conditions).</p> <p>The Offer will only proceed if all Conditions are satisfied. Further details are set out in Section 5.6.</p>	
H. Use of funds		
How will the proceeds of the Offer be used?	<p>The Offer proceeds and the Company's existing cash reserves will be used for:</p> <p>(a) implementing the Company's business objectives and proposed programs as set out in Part C of the Investment Overview;</p> <p>(b) administration costs of the Offer; and</p> <p>(c) working capital,</p> <p>further details of which are set out in Section 6.6</p>	Section 6.6
Will the Company be adequately funded after completion of the Offer?	The Directors are satisfied that on completion of the Offer, the Company will have sufficient working capital to carry out its objectives as stated in this Prospectus.	Section 6.6
I. Additional information		
Is there any brokerage, commission or duty payable by applicants?	No brokerage, commission or duty is payable by applicants on the acquisition of Shares under the Offer.	Section 5.13
Can the Offer be withdrawn?	<p>The Company reserves the right not to proceed with the Offer at any time before the issue or transfer of Securities to successful applicants.</p> <p>If the Offer does not proceed, application monies will be refunded (without interest).</p>	Section 5.14
What are the tax implications of investing in Shares?	<p>Holders of Shares may be subject to Australian tax on dividends and possibly capital gains tax on a future disposal of Shares subscribed for under this Prospectus.</p> <p>The tax consequences of any investment in Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to subscribe for Securities offered under this Prospectus.</p>	Section 5.13
What is the Company's	The Company anticipates that significant expenditure will be incurred in the continued running of the Dragonfly UK business. These activities,	Section 6.11

Item	Summary	Further information
Dividend Policy?	<p>together with the possible acquisition of interests in other projects, are expected to dominate at least, the first two-year period following the date of this Prospectus. Accordingly, the Company does not expect to declare any dividends during that period.</p> <p>Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the availability of distributable earnings, operating results and financial position of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.</p>	
What are the corporate governance principles and policies of the Company?	<p>To the extent applicable, in light of the Company's size and nature, the Company has adopted <i>The Corporate Governance Principles and Recommendations (4th Edition)</i> as published by the ASX Corporate Governance Council (Recommendations).</p> <p>Prior to listing on the ASX, the Company will announce its main corporate governance policies and practices and the Company's compliance and departures from the Recommendations.</p>	Section 9.7
Where can I find more information?	<p>(a) By speaking to your sharebroker, solicitor, accountant or other independent professional adviser;</p> <p>(b) By contacting the Company Secretary, on 1300 886 103; or</p> <p>(c) By contacting the Share Registry on 1300 288 664.</p>	



Refresh Replacement Prospectus

SECTION

4

4. REFRESH REPLACEMENT PROSPECTUS

4.1 General

Sections 723 and 724 of the Corporations Act provide the following:

- (a) If a person offers securities under a disclosure document such as a prospectus, and the disclosure document states or implies that the securities will be quoted on a financial market such as the ASX, and the securities are not then admitted to quotation within three (3) months after the date of the disclosure document, the issue of securities is void and the application monies have to be returned to the applicants (**Quotation Condition**).
- (b) If a person offers securities under a disclosure document such as a prospectus and the disclosure document states a minimum subscription amount must be raised before any securities will be issued, then the minimum subscription must be received within four (4) months after the date of the disclosure document, otherwise applicants must be given a supplementary disclosure document and the opportunity to withdraw their application (in certain circumstances) or all application monies must be returned (**Minimum Subscription Condition**).

By the issue of the ASIC Corporations (Minimum Subscription and Quotation Conditions) Instrument 2016/70 (**Instrument**), ASIC has varied the Corporations Act to allow companies to refresh the timing of minimum subscription and quotation conditions, to commence from the date of a refresh document (i.e. this Prospectus), such that the respective three and four month periods are taken to commence from the date that the refresh document is lodged with ASIC.

4.2 Purpose

This Prospectus is a refresh replacement prospectus issued for the purpose of and making changes to the Original Prospectus as well for the purpose of refreshing:

- (a) (**Quotation Condition**): the period for admission to quotation of Shares and Options offered under this Prospectus from three (3) months from the date of the Original Prospectus to three (3) months from the date of this Prospectus in accordance with section 724(3G)(d) of the Act, as inserted by the Instrument; and
- (b) (**Minimum Subscription Condition**): the period to raise the Minimum Subscription under the Offer from four (4) months from the date of the Original Prospectus to four (4) months from the date of this Prospectus in accordance with section 724(3G)(c) of the Act, as inserted by the Instrument.

4.3 Applications received

As at the date of this Prospectus, the Company has received no applications for Securities.

4.4 Minimum Subscription Condition

The Minimum Subscription (\$3,000,000) has not been achieved and remains unchanged from the Original Prospectus as at the date of this Prospectus.

No Securities under the Offer will be issued unless the Minimum Subscription is achieved.

Upon lodgement of this Prospectus with ASIC, and subject only to the lodgement of any future refresh document, the Minimum Subscription condition must be satisfied by 27 October 2023, being four (4) months after the date of this Prospectus.

4.5 Quotation Condition

The Company applied to ASX within seven (7) days of the date of the Original Prospectus for ASX to grant official quotation of the Shares offered by the Prospectus. As at the date of this Prospectus, the Shares have not been admitted to quotation by ASX.

As at the date of this Prospectus, quotation of the Company's Shares remains subject to successful completion of the Offer and satisfaction of all other outstanding conditions to the Offer. This remains unchanged.

The Quotation Condition is being amended to extend the period for admission to quotation of Shares offered under the Prospectus from three (3) months from the date of the Original Prospectus to three (3) months from the date of this Prospectus.

Upon lodgement of this Prospectus with ASIC, subject only to the lodgement of any future refresh document, the Quotation Condition must now be satisfied by 27 September 2023, being the date three (3) months from the date of this Prospectus.

As noted above, at the date of this Prospectus, no applications have been processed and no Securities have been issued.



Details of the Offer

SECTION
5

5. DETAILS OF THE OFFER

5.1 The Offer

The Offer is an initial public offering of 25,000,000 Shares at an issue price of \$0.20 per Share to raise \$5,000,000 (**Maximum Subscription**) together with one (1) Option for every two (2) Shares subscribed for with an exercise price of \$0.35 each and an expiry date of 31 December 2024.

The Shares issued under the Offer will be fully paid and will rank equally with all other existing Shares currently on issue. A summary of the material rights and liabilities attaching to the Shares is set out in Section 11.2.

The Options offered under the Offer will be issued on the terms and conditions set out in Section 11.3. All Shares issued on conversion of the Options will rank equally with the Shares on issue at the date of this Prospectus.

5.2 Minimum Subscription

The minimum subscription for the Offer is \$3,000,000 (15,000,000 Shares) (**Minimum Subscription**).

5.3 Oversubscriptions

Oversubscriptions of up to a further 10,000,000 Shares at an issue price of \$0.20 per Share to raise up to a further \$2,000,000 may be accepted.

5.4 Underwriter

The Offer is not underwritten.

5.5 Joint Lead Managers

The Company has appointed Finexia Securities Limited and RM Corporate Finance Pty Ltd as the joint lead managers to the Offer (**JLMs**). In consideration for providing lead manager services in connection with the Offer, the Joint Lead Managers will receive 1,000,000 Shares at a deemed issue price of \$0.20 per Share. For further information in relation to the appointment of the Joint Lead Manager, including a summary of the JLM Mandate, please refer to Section 10.1.1.

5.6 Conditions of the Offer

As stated above, the Offer is conditional upon the Company satisfying the refreshed Quotation Condition and Minimum Subscription Condition (together the **Conditions**), which comprise:

- (a) the Minimum Subscription to the Offer being reached within four (4) months after the date of issue of this Prospectus; and
- (b) ASX granting conditional approval for the Company to be admitted to the Official List within three (3) months after the date of issue of this Prospectus.

If the Conditions are not satisfied, then the Offer will not proceed and the Company will repay all application monies received under the Offer within the time prescribed under the Corporations Act, without interest.

5.7 Purpose of the Offer

The primary purposes of the Offer are to:

- (a) assist the Company to meet the admission requirements of ASX under Chapters 1 and 2 of the ASX Listing Rules;
- (b) provide the Company with additional funding for:
 - (i) the proposed business programs (as further detailed in Section 6);
 - (ii) considering acquisition opportunities that may be presented to the Board from time to time; and
 - (iii) the Company's working capital requirements while it is implementing the above;
- (c) provide a liquid market for the Company's Shares; and
- (d) provide the broader business of the Company with the benefits of increased profile, transparency and credibility that arises from being a listed entity.

The Company intends on applying the funds raised under the Offer together with its existing cash reserves in the manner detailed in Section 6.6.

5.8 Applications

All applications for Securities under the Offer after the date of this Prospectus must be made as follows and on the terms of this Prospectus:

- (a) using an online Application Form at www.finexia.com.au/dragonfly and pay the application monies electronically; or
- (b) completing a paper-based application using the relevant Application Form attached to, or accompanying, this Prospectus or a printed copy of the relevant Application Form attached to the electronic version of this Prospectus.

Applications made after the date of this Prospectus must **NOT** be made on an application form attached to or accompanying the Original Prospectus.

By completing an Application Form, each applicant under the Offer will be taken to have declared that all details and statements made by them are complete and accurate and that they have personally received the Application Form together with a complete and unaltered copy of this Prospectus.

Applications for Shares under the Offer must be for a minimum of \$2,000 worth of Shares (10,000 Shares) and thereafter in multiples of 2,500 Shares. Payment for the Shares must be made in full at the issue price of \$0.20 per Share. Options will be issued free attaching to Shares issued under the Offer on a 1 for 2 basis.

Completed Application Forms and accompanying payment must be received by no later than 5:00pm (AWST) on the Closing Date, which is scheduled to occur on 20 July 2023.

If paying by BPAY®, please follow the instructions on the Application Form. A unique reference number will be quoted upon completion of the online

application. Your BPAY® reference number will process your payment to your application electronically and you will be deemed to have applied for such Shares for which you have paid. Applicants using BPAY® should be aware of their financial institution's cut-off time (the time payment must be made to be processed overnight) and ensure payment is processed by their financial institution on or before the day prior to the Closing Date of the Offer. You do not need to return any documents if you have made payment via BPAY®.

If an Application Form is not completed correctly or if the accompanying payment is the wrong amount, the Company may, in its discretion, still treat the Application Form to be valid. The Company's decision to treat an application as valid, or how to construe, amend or complete it, will be final.

The Company reserves the right to close the Offer early.

5.9 Allocation policy under the Offer

The Company retains an absolute discretion to allocate Shares under the Offer and reserves the right, in its absolute discretion, to allot to an applicant a lesser number of Shares than the number for which the applicant applies or to reject an Application Form. If the number of Shares allotted is fewer than the number applied for, surplus application money will be refunded without interest as soon as practicable.

No applicant under the Offer has any assurance of being allocated all or any Shares applied for. The allocation of Shares by Directors (in conjunction with the Joint Lead Managers) will be influenced by the following factors:

- (a) the number of Shares applied for;
- (b) the overall level of demand for the Offer;
- (c) the desire for a spread of investors, including institutional investors; and
- (d) the desire for an informed and active market for trading Shares following completion of the Offer.

The Company will not be liable to any person not allocated Shares or not allocated the full amount applied for.

5.10 ASX listing

Applicants should be aware that ASX will not commence Official Quotation of any Shares until the Company has complied with Chapters 1 and 2 of the ASX Listing Rules and has received formal approval from ASX to be admitted to the Official List. As such, the Shares may not be able to be traded for some time after the close of the Offer.

If the Shares are not admitted to Official Quotation by ASX before the expiration of three (3) months after the date of this Prospectus, or such period as varied by the ASIC, the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Securities now offered for subscription.

5.11 Issue

Subject to the Conditions set out in Section 5.6 being met, the issue of Shares offered by this Prospectus will take place as soon as practicable after the Closing Date.

Pending the issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each applicant waives the right to claim interest.

The Directors (in conjunction with the Joint Lead Managers) will determine the recipients of the issued Shares in their sole discretion in accordance with the allocation policy detailed in Section 5.9. The Directors reserve the right to reject any application or to allocate any applicant fewer Shares than the number applied for. Where the number of Shares issued is less than the number applied for, or where no issue is made, surplus application monies will be refunded without any interest to the applicant as soon as practicable after the Closing Date.

Holding statements for Shares issued to the issuer sponsored subregister and confirmation of issue for Clearing House Electronic Subregister System (CHES) holders will be mailed to applicants being issued Shares pursuant to the Offer as soon as practicable after their issue.

5.12 Applicants outside Australia and New Zealand

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia or New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Securities or otherwise permit a public offering of the Securities the subject of this Prospectus in any jurisdiction outside Australia or New Zealand. Applicants who are resident in countries other than Australia or New Zealand should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

If you are outside Australia or New Zealand it is your responsibility to obtain all necessary approvals for the issue of the Securities pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by you that all relevant approvals have been obtained.

5.13 Taxation

The acquisition and disposal of Securities will have tax consequences, which will differ depending on the individual financial affairs of each investor.

It is not possible to provide a comprehensive summary of the possible taxation positions of all potential applicants. As such, all potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Securities from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Securities under this Prospectus or the reliance of any applicant on any part of the summary contained in this Section.

No brokerage, commission or duty is payable by applicants on the acquisition of Securities under the Offer.

5.14 Withdrawal of Offer

The Offer may be withdrawn at any time. In this event, the Company will return all application monies (without interest) in accordance with applicable laws.



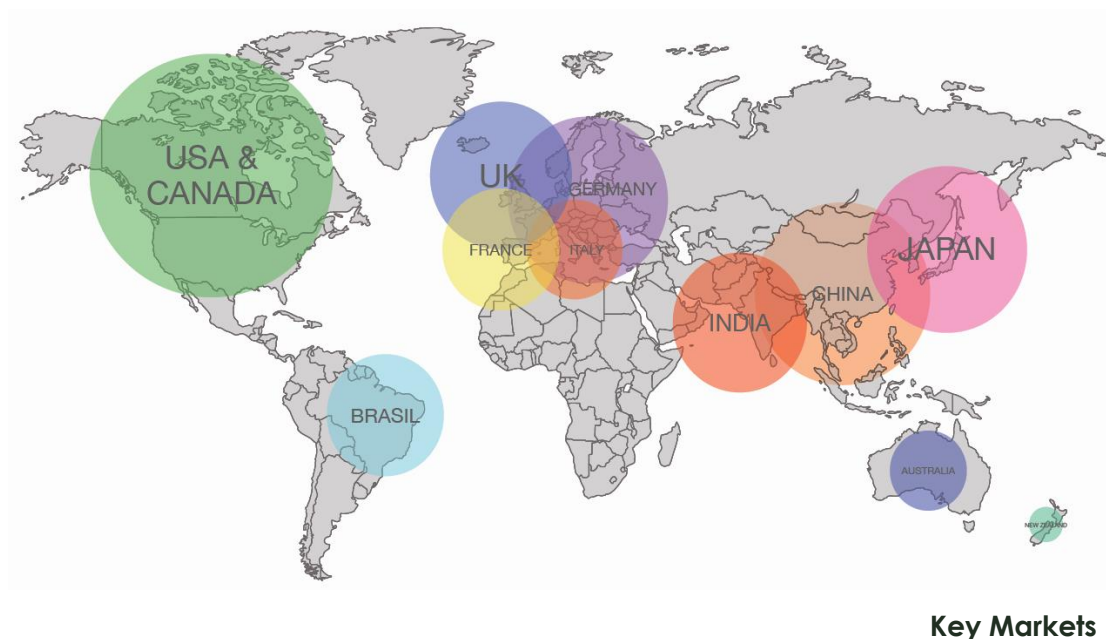


Company and Projects Overview

SECTION
6

6. COMPANY AND PROJECTS OVERVIEW

6.1 Global Market Overview



CBD has become one of the biggest disruptors of mainstream industries over the last decade, impacting sectors from pharma to food and wellness to cosmetics. Already a multibillion-dollar opportunity globally, the market is expanding at an unprecedented rate. Independent research house, Vantage Market Research's 2022 analysis of the global CBD market, found that increasing awareness of CBD's therapeutic benefits is expediting market growth. The increasing demand for CBD is being primarily driven by health and wellness purposes, with the total global CBD market estimated to reach USD 47.22 billion by 2028, up from USD 4.9 billion in 2021, at a compound annual growth rate (CAGR) of 21.3%¹. This is largely the result of the regulatory changes which have come into effect during this period, driving an increase in demand for CD products.

Australia has an established reputation in the health and wellness industry, demonstrated by practitioners, proprietors of brands and formulators engaging with Australian institutions and government departments who support global innovation. Australia is also world-renowned as being highly representative of the most developed markets for beauty and wellness products around the world. Data collected from this market will provide valuable feedback to enable development of launch strategies to achieve highly robust market penetration globally across the APAC region, US, Europe and beyond.

The Company believes that it is well positioned to perform well in comparison to its competitors, based on its experience in vertical operations (refer to Section 5.5.1), expertise, strategic partnerships and resources in global markets. This includes multi-channels in the UK, Europe, and parts of Asia. As stated in Section 6.6 and Section 6.5.6, on completion of the Offer, the Company intends to focus on consolidating research and development to expand its catalogue of CBD infused products into existing and new markets, including across the APAC region

¹ <https://www.globenewswire.com/en/news-release/2022/02/08/2380516/0/en/CBD-Cannabidiol-Market-Size-to-Reach-USD-47-22-Billion-by-2028-Increased-Demand-for-CBD-Cannabidiol-for-Health-and-Wellness-Purposes-to-Drive-Market-Vantage-Market-Research.html>

and in the US, where the Company is engaged in preliminary distribution discussions with potential third party retailers, distributors and advisers. The Company considers that it is well positioned to have a presence in the APAC region based on its market ready product offerings, compliance status and track record in the UK and other international markets.

The trust that consumers have in established health and wellness brands owned and distributed by companies like Proctor & Gamble and Unilever are supported by significant marketing investments. Consumers are becoming increasingly savvy regarding the quality of ingredients and benefits over marketing spins and attractive packaging. The cornerstone of the next phase of growth is the need to innovate and develop the Dragonfly UK brand. The Board believes that the Company has the capability to accelerate growth based on their vertical operations (refer to Section 5.5.1) and the resources to scale up and deliver value to partners in new and existing territories.

In 2021, the Company commissioned research which demonstrated that CBD can be used to aid the human body's ability to deliver on sleep, mood improvement, anti-anxiety benefits and pain relief, all of which have proven useful in adjusting to a new way of living post COVID-19.

In addition, the extended benefits of CBD based on testimonial and trial has opened new markets particularly in the last three years. For example, in Australia in December 2020, the TGA announced the down scheduling of low dose CBD from a prescription only medicine to a pharmacist only medicine. In 2022, CBD also became legal in Thailand.

The Company recognises that every market has different needs. Regulations and consumer interest has promoted the need for the Company to not only invest in a consistent message to support global communities but to adapt to comply in each market.

Based on research undertaken by independent research firm Grand View Research (<https://www.grandviewresearch.com/press-release/global-cannabidiol-cbd-market>) it was reported that, in a short time (approximately 3 years), the CBD market has become increasingly lucrative and on a global basis was valued at USD\$5.18B in 2021.

Furthermore, forecasting the CBD market to grow at a CAGR of 21.30% to be valued at USD\$47.22B by 2028. This is largely the result of the regulatory changes which have come into effect during this period and the subsequent increase in demand for CBD products. This is exemplified by what has occurred in Australia where the TGA announced in December 2020 down scheduled low dose CBD from a prescription only medicine to a pharmacist over-the-counter medicine. In 2022, the Thailand Government decriminalised cannabis products including CBD, making them accessible over the counter.

In the 18-month period to 30 June 2022, the Company invested approximately \$930,000 in developing a suite of new products such as CBD patches (already available D2C and eBay) and researching prototypes such as menopause patches and anti-wrinkle serums. Post completion of the Offer, the Company has dedicated approximately \$850,000 (at Minimum Subscription) to approximately \$1,600,000 (at Maximum Subscription) to support its expansion plans into the APAC region and US (as further detailed in Section 6.5.6) which the Company believes will deliver value for shareholders post completion of the Offer.

6.2 Background to the Company

The Company is an Australian unlisted public company, which was incorporated in May 2009 and previously admitted to the Official List of the ASX on 14 May 2010. The Company's previous focus was exploration for tungsten and gold projects in Australia, New Zealand and Papua New Guinea. At this time, the Company's name was "Siburan Resources Limited". The Company no longer conducts any exploration activities and holds no interest in any exploration projects.

The Company was delisted from the ASX on 26 February 2021. Following a review of the commercial viability of the Company's business model, it terminated all exploration activities and focused on identifying suitable acquisition and investment opportunities to create value for its shareholders. During the course of these investigations, the Company identified Dragonfly UK as a potential acquisition opportunity. Following completion of the Acquisition, which occurred on 19 July 2021, the Company has been focused solely on the operations of Dragonfly UK; being the production, research and sales of CBD and other hemp-based extracts and CBD products.

Of the Company's operations, 38% are devoted to production, 37% are devoted to sales and 25% are devoted to research.

Of the Company's sales, 46% are derived from retail customers, 36% are derived from bulk (wholesale) customers, 8% from white label customers and 10% are derived from the sale of products online.

Based on year end 30 June 2022, the geographic region from where the Company's revenue is derived is as follows: UK accounts for 55%, EU contributes 24%, Australia contributes 16% and New Zealand contributes 5% of the total revenue.

Dragonfly Biosciences Ltd (UK Company Registration Number 10842065) (**Dragonfly UK**) is a private company limited by shares, which was incorporated on 29 June 2017 in the UK.

The Company completed a review of the commercial viability of the Dragonfly UK business model and platform. Following this review, the Company entered into an implementation head of agreement (**Acquisition Agreement**) with Dragonfly UK pursuant to which it agreed to make offers to:

- (a) acquire, from each of the shareholders in Dragonfly UK (the **Dragonfly UK Shareholders**), 100% of the issued capital in Dragonfly UK; and
- (b) acquire, from each of the holders of convertible notes in Dragonfly UK (**Dragonfly UK Convertible Noteholders**), 100% of the convertible notes on issue in Dragonfly UK,

(the **Acquisition**).

In consideration for the Acquisition, and in making the offers, the Company agreed to issue Shares to the Dragonfly UK Shareholders and Dragonfly UK Convertible Noteholders on a pro rata basis according to the respective number of Dragonfly UK Shares held by them (or, for the Dragonfly UK Convertible Noteholders, after considering the issue of that number of Shares the Convertible Notes converts into) (the **Consideration**).

The Acquisition Agreement sets out the various matters relating to the Acquisition such that it can be implemented, subject to satisfaction of certain conditions

precedent and the Dragonfly UK Shareholders and Dragonfly UK Convertible Noteholders agreeing to the Consideration. For a summary of the material terms and conditions of the Acquisition Agreement, refer to Section 10.1.2 of this Prospectus.

The Acquisition was conditional, amongst other things, on the Company obtaining all necessary regulatory and shareholder approvals to effect the Acquisition. The Company obtained the requisite shareholder approvals required to effect the Acquisition. The Acquisition completed on 19 July 2021.

6.3 The Business

Dragonfly UK is a premium retailer of CBD, which is one of several cannabinoids extracted from the Cannabis Sativa plant. Using CBD as the main ingredient, Dragonfly UK specialises in producing and offering health and wellness/lifestyle products. Dragonfly UK produces both its own branded products and offers bulk and white label services. White label services are where Dragonfly UK manufactures products on behalf of another company, who then rebrands the products as their own for onward sale.

The Company is confident of its ability to expand its product range into other markets having successfully launched its product range and operated in Europe and the UK since 2018.

Set out in Section 6.4 is a summary of each of the products which the Company produces, followed by a summary of each of the various stages of the Company's proposed business model.

The Directors are of the view that an investment in the Company provides the following non-exhaustive list of advantages:

- (a) subject to raising the Minimum Subscription, the Company will have sufficient funds to implement its proposed business strategy as set out in Section 6.5;
- (b) continual operation of the Dragonfly UK business; and
- (c) a highly credible and experienced team to progress and accelerate potential development of the Dragonfly UK business.

6.4 The Products

Dragonfly UK developed the proprietary and bulk white label CBD infused topical products listed below.

The Company confirms that all products are available for sale and have been registered with the UK Cosmetic portal (**UKCP**) and the EU equivalent being the Cosmetic Products National Portal (**CPNP**). The Dragonfly own branded patches UKCP number is UKCP-16828632 and are also registered under the CPNP, under reference number CPNP-4220191.

Product	UK notified	UKCP reference number
Lip Service Moisturising CBD Lip Balm (Peach)	13-Oct-21	UKCP-34833596
Lip Service Moisturising CBD Lip Balm (Strawberry)	13-Oct-21	UKCP-38014719
Lip Service Moisturising CBD Lip Balm (Peppermint)	13-Oct-21	UKCP-76762271

Product	UK notified	UKCP reference number
Screen Time Medium Protection SP25 CBD Moisturiser	13-Oct-21	UKCP-37470793
No Filter Retinol CBD Moisturiser	13-Oct-21	UKCP-49493722
Duvet Days Rejuvenating CBD Body Butter	13-Oct-21	UKCP-88813470
On Cloud 9 Hydrating CBD Face Mask	13-Oct-21	UKCP-77201576
Hands Free Nourishing CBD Hand Cream	13-Oct-21	UKCP-83601670
Good Hair, Don't Care Revitalising CBD Hair Mask	13-Oct-21	UKCP-16371806

A summary of each of the Company's own branded products is included below:

(a) **CBD Oil Oral Drops**

Dragonfly UK's CBD Oil Oral Drops are perfect for newcomers to the category. The core range extracts Dragonfly UK's organically grown Cannabis Sativa L. to create a 'super-distilled' CBD, which is smooth in taste and consistency.



Dragonfly UK's CBD Oil Oral Drops are the most popular CBD oil in its range and was voted the Best CBD Oil by Boots UK customers and Highly Commended at the 2022 MVP awards.

(b) **CBD Broad Spectrum Oil Oral Drops**



Derived from hand-crafted Cannabis Sativa L. extract, Dragonfly UK's Broad Spectrum CBD Oil Oral Drops are a close reflection of the plant's natural complexity and are ideal for an experienced CBD oil user.

(c) **CBD Skincare Range**

CBD is an anti-inflammatory and antioxidant, which aids the reduction of cell stress and damage. Whilst popular as a food supplement, CBD can also be absorbed externally through the skin, lending its wide-ranging benefits to cosmetics. Dragonfly UK's retail skincare and cosmetic range includes:

- (i) Dragonfly CBD Body Moisturiser which is infused with high quality Cannabidiol;
- (ii) Dragonfly CBD Lip Balm which was Beauty Bible award winning in 2022; and
- (iii) Dragonfly CBD Face Cream is infused with high quality Cannabidiol,

all of which are THC-free, vegan and derived from organically grown Cannabis Sativa L. extract.

Each of the above products are formulated in a third-party EU-GMP pharma grade facility to ensure that they are formulated under EU-GMP protocols, in a consistent and standard labelling and packaging manner, and with a standard



composition. The Company intends to apply for EU-GMP accreditation for its own extraction facility in 2023 (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).

The Company Is committed to stringent research and development to extend its product range and continue to adapt to market demand and compliance. Refer below to Section 6.5.6 for future plans to expand and develop the Dragonfly UK product range.

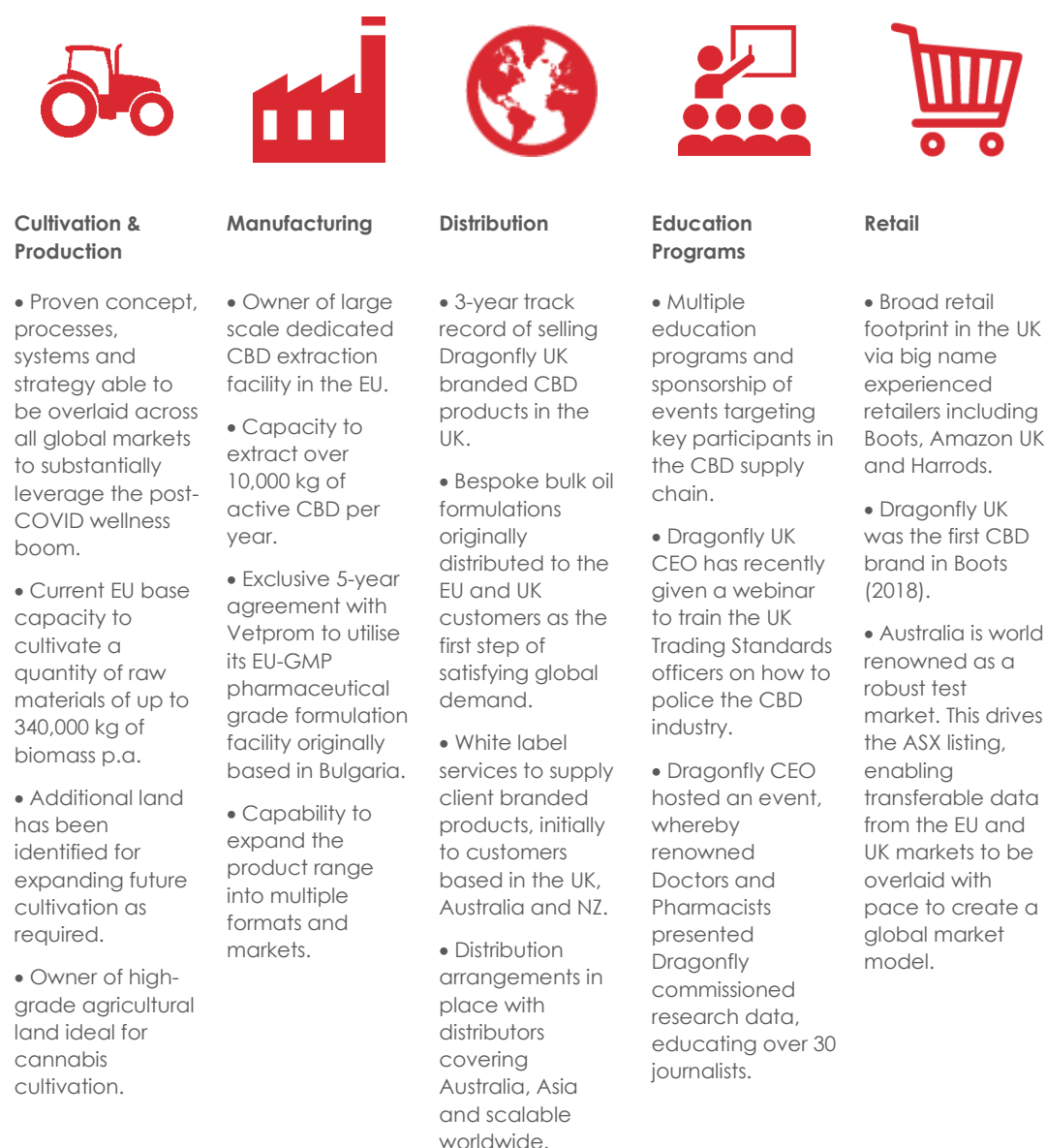


6.5 Business model

6.5.1 Overview of Vertical Integration Process

The Company operates a vertically integrated wellness and beauty product business, it should be noted that the formulation process is dependent on the Vetprom agreement (which is explained in more detail in Section 10.2.2). At the core of the business is the range of wellness and beauty products including CBD oils and CBD skincare botanicals (together the **CBD Products**), which the Company will continue to produce (as set out above). Centred around the production of the CBD products, the business cycle comprises cultivation, production, research and development, manufacturing, and distribution.

Set out below is a diagrammatic overview of the Company's business model.

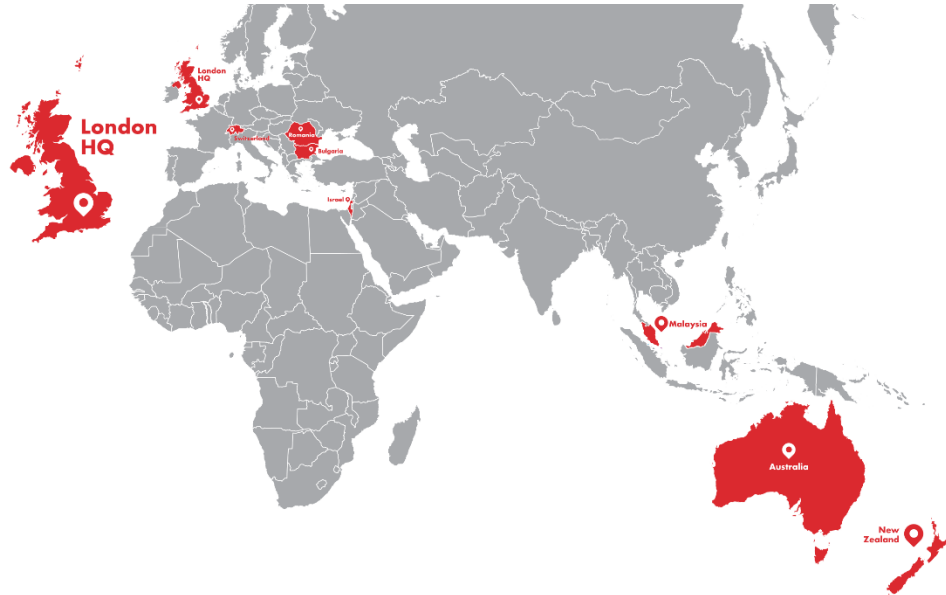


The Company aims to establish a competitive advantage by providing the market with quality and consistency based on established protocols from genetics, agriculture, cultivation, extraction, all the way through to formulation. The importance of vertical integration is a differentiator to support supply chain and to scale based on tested protocols and phytochemical footprint that underpins the integrity of all formulations. The Company believes that this approach supports market confidence. Further, the Company uses on-going research to monitor

processes and to determine the genetics and agricultural conditions which yield the best extracts for global consumption.

6.5.2 Seed to Sale Operations

The Company's business model is conducted across various countries. Refer below for a geographical diagram of the various regions in which the stages of the Company's business model take place.



(a) Seeds

The journey for all of the Company's products starts with quality high-yielding seed. The company only uses EU-certified and licensed seed supplied by European distributor, IHEMPFARMS Ltd (**IHEMPFARMS**), the world's largest purveyor of EU approved cannabis seed varieties.

IHEMPFARMS is engaged by the Company via Dragonfly Bulgaria under a formal framework agreement dated 10 January 2023 to supply Cannabis Sativa L. yielding seeds to the Company on an annual basis, for a period of 5 years. Pursuant to this arrangement, the Company agrees to submit an annual request for seed supply no later than 20 January of each calendar year for the Term, and IHEMPFARMS agrees to deliver the requested quantities of seed no later than 15 March of the relevant calendar year. There are no obligations under the arrangement with IHEMPFARMS to order minimum volumes, the arrangement is just to ensure certainty of supply.

Refer to Section 10.2.3 for further details with respect to the IHEMPFARMS agreement.

IHEMPFARMS works exclusively with EU-registered hemp varieties, which are subject to the strict EU rules for THC compliance. EU-registered varieties must comply with



the 0.2% THC European limit and be registered in the European Commission's Plant Variety Database.

Partnering with IHEMPFARMS has afforded Dragonfly UK supply certainty for quality seed and consistency of the resultant harvest.

(b) **Cultivation**

Dragonfly UK's outdoor cultivation involves large-scale cultivation of cannabis plants on its own organically certified land located near Sofia in Bulgaria. Since 2017, the Company has had a successful track record in cannabis cultivation and to date, has not had a crop failure.



The Company is a fully accredited organic operation from soil to cultivation, extracting its CBD utilising its own large scale extraction facility in Romania and formulating its products in Vetprom's EU-GMP certified manufacturing facility with the Company's own proprietary extract formula that is refined and formulated with an organic hemp seed oil carrier.

Through its fully owned subsidiary Dragonfly Biosciences Bulgaria Ltd (**Dragonfly Bulgaria**), the Company has capacity to cultivate organically certified farming land to support expansion.

Dragonfly UK has strict quality control systems and processes in place throughout the cultivation cycle. This includes following Good Agricultural and Collection Practices (**GACP**) guidelines, which involves daily observations of all plants with all growing parameters documented. In September 2020, Dragonfly UK successfully passed a GACP audit of its cultivation facility by a Control Union Certification B.V. external auditor.

Dragonfly UK originally acquired a 10ha cultivation area in Bulgaria in 2017. In 2018, Dragonfly secured a further 173ha of suitable cultivation land in Bulgaria under a land sale agreement (**Land Sale Agreement**). The Land Sale Agreement included 127ha of leased land referred to as 'white spots' owned by third parties and the Municipality available for the Company to lease, totalling 300ha. The leased land is available to lease at significantly reduced leasing rates compared to other areas of land available for lease due to the nature of the restrictions attaching to 'white spot' land.

As stated above, Dragonfly significantly increased its cultivation area from 10ha in 2017 to 420ha in 2018. The Company's land holdings are carried in the accounts at a book value of approximately \$3,900,000 (refer to Section 7.5.3) of the Prospectus for further information). Dragonfly UK owns and operates the machinery and vehicles used in the production process.

Pivotal in Dragonfly UK's decision to choose Sofia Bulgaria as the ideal location for its cultivation operations was the cost of acquiring landholdings and additional leases. Additionally, the favourable climate and soils in the area facilitate growing cannabis crops. The Company's cultivation activities are exclusively conducted outdoors, where some variables can often be difficult to precisely control. The land in and around the cultivation area has many advantages that naturally favour some of the growing variables and aid in crop security. Such advantages include:

- (i) remote semi-mountainous area and access to farm workers from a nearby village aids security;
- (ii) the climate of the area is subject to very hot days in summer and cool overnight temperatures. The fluctuating daily temperature differentials are ideal and generally produce a higher yield of CBD. Typically, producers have a 2-3% CBD yield in the biomass, where Dragonfly UK is able to achieve 5-7%; and
- (iii) access to a plentiful irrigatable water supply. Since hemp requires significant amounts of water in the cultivation process, access to the same water supply is critical to a successful harvest. The Company's land holdings are located adjacent to a large natural freshwater lake which it is able to draw upon as a reliable and free source of water for the crops.

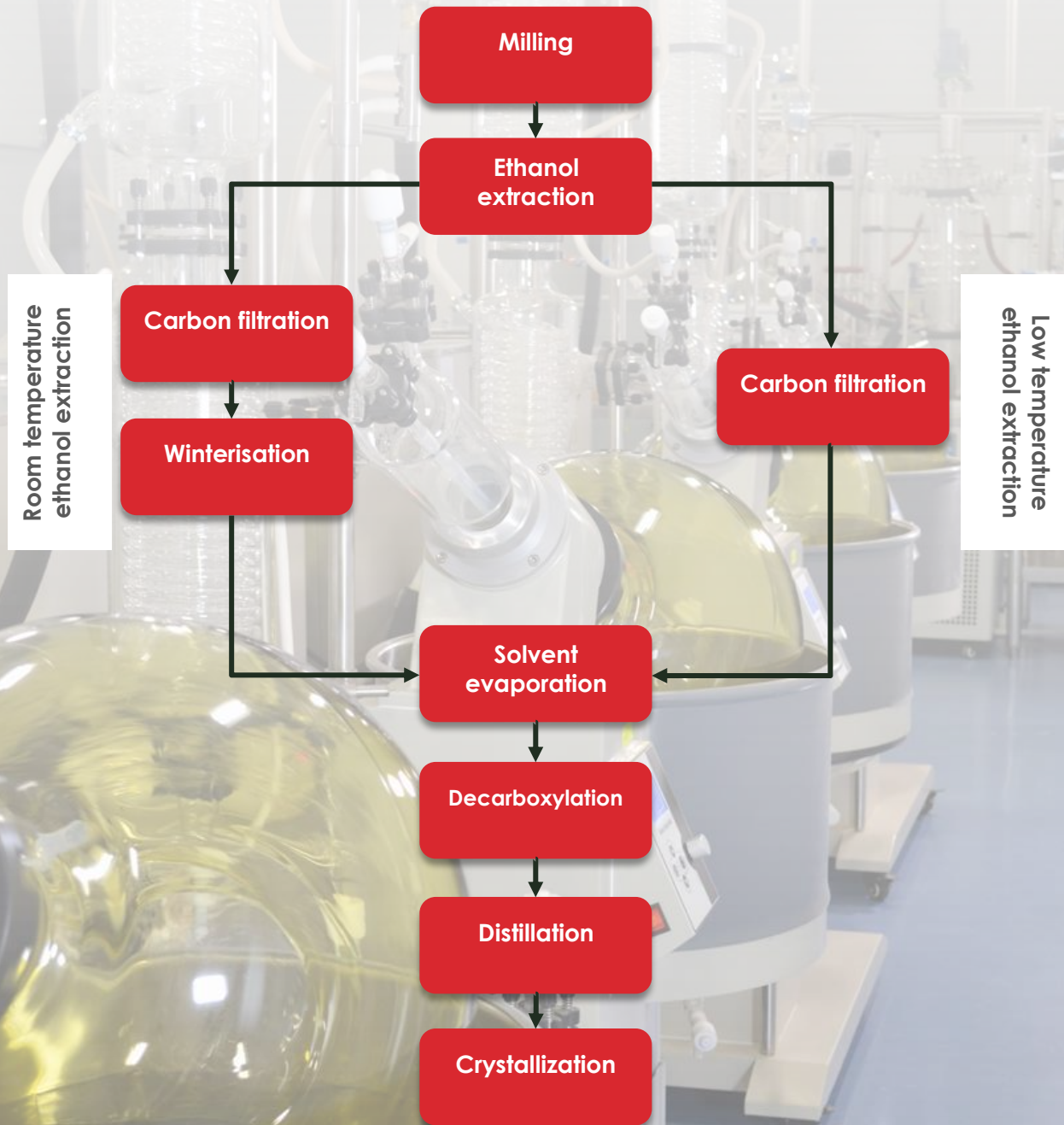
All the Company's cultivation activities are conducted on fully irrigated, certified organic agricultural lands. Further, all processes (including fertilisation) are conducted in strict adherence to the organic certification protocols. The organic control and certification are conducted by an independent Bulgarian control and certification firm which specialises in certification for organic farming and crop production.

The irrigation is extremely cost effective because the water sources are situated such that the gravitational pressure is sufficient for irrigation to reach the entire crop area. No electricity is required for the irrigation process.

The main countries in which the Company's operations are conducted are Romania and Bulgaria. In 2022, the average hourly labour costs in the EU were estimated to be €30.5, with the lowest hourly labour costs recorded in Bulgaria (€8.2) and Romania (€9.5) (estimated by Eurostat, the statistical office of the EU).

The typical growing season for the Dragonfly UK crops commences in March with the planting of the seed. The crop grows through the Northern Hemisphere summer months and harvest occurs each year in Autumn, between September and October.

The Dragonfly Extraction Process



(c) **Extraction and Harvesting**

(i) **The Extraction Facility**

The next critical phase in the production chain is extraction. Extraction is the process immediately following harvest of the hemp crop and involves chemically extracting the CBD oil (isolate) from the hemp biomass. Dragonfly carries out extraction at its wholly owned dedicated modern CBD extraction facility in Romania. The facility is owned and operated by Dragonfly's wholly owned subsidiary Premium Extraction Services Limited (**PES**). The Company is aiming to have the PES laboratory EU-GMP accredited in 2023. The facility is one of only a few large-scale extraction laboratories in the EU. It has a separate biomass storage capacity of 350 square metres. The nearest competitor that the Company is aware of in terms of size and production capacity is the Olimax Technologies facility in Poland.



(ii) **Location of Extraction**

Romania was the preferred choice of location by Dragonfly for the extraction facility due to its proximity to the crop site, a stable regulatory environment for such operations and a reduced overall cost of operations in comparison to other countries within the EU.

The cost of living in Romania is significantly lower than comparable EU countries, which provides the Company with access to a cost-effective, reliable workforce. While labour force costs aid in margin expansion for the Company, by far the biggest contributor to improvements in costs and the Company's profit margins has been the decision to bring the extraction process in-house.

The Company's Romanian facility is capable of consistently delivering comparable high quality CBD products at a much reduced cost of the outsource laboratory cost previously employed by the Company. Further, most third-party laboratories process up to a maximum of 30kg of CBD isolate in a typical 5-day working week period. Dragonfly's laboratory may extract the same volume in an 8-hour period.

(iii) Extraction Method

The Company employs an ethanol (food grade) extraction method using the Company's own highly specialised High Performance Liquid Chromatography (**HPLC**) equipment. Adoption of this HPLC technology guarantees consistent high-quality CBD oil at the end of the extraction process. It also provides the Company with the flexibility to design and derive bespoke formulations including 'special batch' runs for wholesale and white-label customers.

Before the extracted CBD isolate or distillate is sent to formulation (the next phase in the process), it is subjected to a further round of rigorous testing to ensure that the extract conforms with the regulatory requirements, namely, the CBD concentration levels and the THC-free status.

(d) Formulation

Following on from extraction of the CBD oil is the next distinct step in the process, known as formulation.

Formulation is the process whereby the various constituent substances, including the extracted CBD oil, are combined to

arrive at the final dosage form product (end product). The Company's products are formulated in Sofia Bulgaria under a formal third-party outsourcing arrangement. Dragonfly UK has chosen to partner with one of Europe's largest and most experienced pharmaceutical manufacturers, Vetprom AD (**Vetprom**). Vetprom is an EU-GMP accredited manufacturer specialising in proprietary and outsourced (third-party) manufacturing of medicinal products for human and veterinary purposes. They also produce food supplements and cosmetics.

Vetprom operates a state-of-the-art pharmaceutical grade facility in Sofia Bulgaria (built in 2018). Through doing so, Vetprom not only offers the Company world class expertise, but its proximity to the Company's other operations also provides a cost benefit while easing some of the logistical risks in moving the product.

The contract for services with Vetprom has been in place since 2018. Under the arrangement, Vetprom pharmacists work closely with the Company's in-house pharmacist team under the guidelines of the Company's standard operating procedures to ensure the Company's quality control standards are met and maintained.

All Dragonfly UK branded products (CBD oils and skincare botanicals) are packaged and labelled at the Vetprom manufacturing facility under EU-GMP protocols. The end consumer products are then shipped to the



Company's secure warehouse in the UK for distribution within the UK and to offshore markets.

Refer to Section 10.2.2 for a summary of the material terms and conditions of the Vetprom agreement.

(e) **Storage**

Dragonfly UK currently has over 500,000 kg of bulk biomass stored securely from prior harvests. The Company considers that this amount is sufficient to support existing demand through to the end of 2023.

Dragonfly UK owns and maintains its own secure storage facility and warehouse on site in Sofia. The facility has the capacity to handle more than 500,000 kg of bulk biomass (harvested hemp) in a totally secure storage warehouse, protected from detrimental environmental factors such as weather, temperature and pests. The security and control at the storage facility also addresses the need to combat theft of the biomass asset.

(f) **Manufacturing**

Dragonfly UK is committed to delivering the highest quality products to consumers. In order to do so, Dragonfly UK supplies batch specific documentation, which is able to be downloaded by consumers.

For each production batch, consumers are able to access the Dragonfly UK website, input the batch code on their product and download the relevant Certificate of Analysis from an independent ISO accredited laboratory.

(g) **Sale**

Each of the aforementioned products are sold directly through Dragonfly UK's proprietary website shopping portal. The products are also available in several well-known high street retailers across the UK including Boots Pharmacies via the Company's distribution agreement with Ceuta Healthcare detailed further in Section 10.2.1.

In January 2021, Dragonfly UK was approached by Amazon with an offer to be part of Amazon's CBD portfolio via the Company's distribution agreement with Ceuta Healthcare detailed further in Section 10.2.1. All of Dragonfly UK's CBD products are available to buy on Amazon in the UK.

In 2021, Dragonfly achieved the TGA Special Access Scheme approval for two of its products, demonstrating a route to the Australian market for its CBD branded products.

In July 2021, having established itself as an industry leader, Dragonfly UK was invited to become the first CBD brand to be allowed to sell their product range on eBay. All of Dragonfly UK's CBD products are available to buy on eBay in the UK.

The Company's relationship with eBay is considered as 'direct to consumer' rather than retail. It is different as the Company secured the listing directly with eBay, rather than via an agent which is the case in the

Ceuta Agreement. The Company manages its 'direct to consumer' relationships directly.

On 31 March 2022, the UK's Food Standards Agency (**FSA**) published the long awaited 'public list' of compliant products allowed to remain on sale. The entire range of Dragonfly UK's consumable CBD products were included on the list.

The FSA had indicated that the list would be published in June 2021, the delayed announcement did create reluctance with some UK retailers to list new brands in 2021. Following the announcement in March 2022, Superdrug have confirmed it will be listing Dragonfly CBD products in Q2 2023.

The regulatory clarification in the UK and Dragonfly's reputation as a trusted and reliable manufacturer of CBD products, has led to an increased demand for bulk CBD oil products and white label services.

(h) **Current operations**

The Company conducts its extraction and formulation processes in the EU, utilising its own extraction facility in Romania and Vetprom's production facility in Bulgaria.

Pursuant to the Company's arrangements with third party distributors (further described in Section 10), the Company is able to distribute its products in the following territories:

- (i) New Zealand, Australia and parts of Asia (via its HHI Agreement); and
- (ii) the UK and Northern Ireland (via its Ceuta Agreement).

As further detailed in Section 6.5.6, the Company has engaged in discussions with distributors, retailers and advisers in anticipation of pursuing distribution opportunities in the US and the APAC region. The Company intends to expand its presence in these international markets post completion of the Offer.

Dragonfly UK has a broad distribution base in the UK, which includes some of the largest pharmacies, grocery chains, department stores and specialty stores, including Boots, Amazon and eBay. The Company believes that there is a significant opportunity to increase market share as a result of quality, compliance and customer loyalty. This may be achieved through considered marketing investment and endorsements, from high-profile sports ambassadors, including Olympic athletes, to pharmacists who trust the Dragonfly CBD brand. The Company hopes that this will extend into other markets, relevant to territory and target groups. The Company believes that the driver to marketing excellence is authenticity and testimonials.

The Australian legal cannabis market size was valued at US\$51.8m in 2021 and is expected to expand at a CAGR of 30.1% from 2022 to 2030 (Source: Grandview Research.com). CBD was downgraded from Schedule 4 to Schedule 3 by the TGA in February 2021, providing access for Australians to purchase approved CBD products over the counter (**OTC**) without a prescription or Pharmacist approval. According to the Australian Institute of Health, there are approximately 600,000 Australians using cannabis products for health reasons and only 3.9% of those

patients are registered with their physicians, which the Company believes demonstrates the demand for opioid alternatives.

Dragonfly recognises the importance of Australia as a health and wellness market to support international trade. On 20 April 2021, Dragonfly UK entered into a formal non-exclusive Supply and Distribution Agreement with ASX listed Health House International (HHI:ASX) (**HHI**) to stock and sell Dragonfly UK's CBD products in Australia (**HHI Agreement**). The Company chose HHI as its preferred partner in Australia due to its demonstrable expertise in the medicinal cannabis market and to gain access to HHI's expansive network of medical practitioners and pharmacists. Moreover, the Company sought out HHI to leverage off its extensive experience in navigating through the Australian regulatory approval process to secure an import license in Australia. Within three months of working with HHI, on 2 July 2021, Dragonfly UK received approval from the TGA under the 'Special Access Scheme' allowing the sale of several of the Company's primary CBD products throughout Australia. Import and distribution of Dragonfly branded products in Australia commenced in August 2021.

Since receiving TGA approval, the Company has imported products to Australia with HHI currently stocking and distributing two of Dragonfly UK's biggest selling products, namely Dragonfly CBD 1000mg (10mL) and Dragonfly CBD 3000mg (30mL) <https://healthhouse.com.au/>. Refer to Section 10.2.4 for a summary of the HHI Agreement.

This milestone sets the precedence to secure TGA approval for the entire Dragonfly UK catalogue for OTC sales following the application and compliance process. A considerable portion (approximately \$650,000 at Minimum Subscription and \$900,000 at Maximum Subscription) of the funds raised under the Offer has been allocated to 'new product development' which includes the TGA compliance process that will lead to the FDA protocols based on the FDA-Australia Cooperative Agreement.

Through extensive research, development and as a vertically integrated operation (refer to Section 6.5.1), Dragonfly is able to manage quality and consistency. Business practices, transparency and third-party testing promotes confidence with consumers, distributors and legislative bodies to ensure the highest standards as the Company and brand expands in these markets. Dragonfly UK's current operating base is in the EU where, according to the European Cannabis report (6th edition) issued by Prohibition Partners, the European Cannabis market is projected to generate €3.2bn by 2025. The importance of the European market to support investors is based on existing demand that contributes to the global CAGR of 21.2% from 2021 to 2028. This growth is due to the natural healing properties of CBD and the appetite for consumers to commit to products that maintain health, wellness and quality of life.

Dragonfly also supplies white label products to Northern Ireland and New Zealand, in addition to bulk formulations to UK, Switzerland, EU and Australian customers via its existing distribution agreements with Ceuta and HHI.

(i) **Regulatory Landscape**

Dragonfly UK is at the forefront of the regulatory landscape in all markets through their direct and partner relationships. These markets include the UK/EU through the FSA and the European Food EFSA, the US through partner relationships in CBD-legalised States and the APAC region. This includes participation in round table groups to support Codes of Practice, compliance and policy to support government departments, trade practice and associations lead market regulation.

Naturally derived CBD had not been on the EU's Novel Food catalogue until it was updated in January 2019. Whilst the Novel Food catalogue is non-exhaustive and carries no legal power, it is frequently updated and amended with input from member states and is used in reference by authorities to aid enforcement of local Novel Food regulations.

In February 2020, the FSA in the UK issued a statement confirming the industry deadline for the submission of a novel foods application would be 31 March 2021 for those products currently on the market. On 31 March 2022, the FSA published the list of CBD products that are permitted to remain on sale, of which the entire range of Dragonfly UK CBD consumable products were included and are therefore permitted to remain on sale. All new CBD brands and products require FSA approval before they can be sold in the UK.

As consumer purchasing habits have shifted based on access, supply chain issues and restrictions, many US retail chains are now collaborating directly with vendors to meet the due diligence requirements to satisfy the ever-changing regulatory landscape and category expansion to include CBD as an ingredient. Dragonfly UK is designing and developing assets to drive US sales with US partners that it believes can be extended to all markets. The Company believes that the Australian TGA and the US FDA investment and approvals are likely to impact existing State and potential Federal regulation.

Government approvals and regulatory standards will support consumer confidence and further boost demand, thus increasing production of CBD-infused formulations in a wide range of products.

(j) **Distribution/Retail**

Dragonfly manufactures and distributes its own proprietary branded products, in addition to wholesale bulk products and an extensive catalogue of white label products.

Dragonfly has a proven track record in the UK, maintaining and growing category equity with most UK leading retail brands. This is achieved by controlling the supply chain to meet demand. As a result, Dragonfly UK has been able to secure a series of European retail deals, including well-trusted pharmacies. The success of these deals is based on the reputation of Dragonfly as Europe's largest and leading seed-to-sale producer of CBD and cannabis-derived extracts.

6.5.3 Research

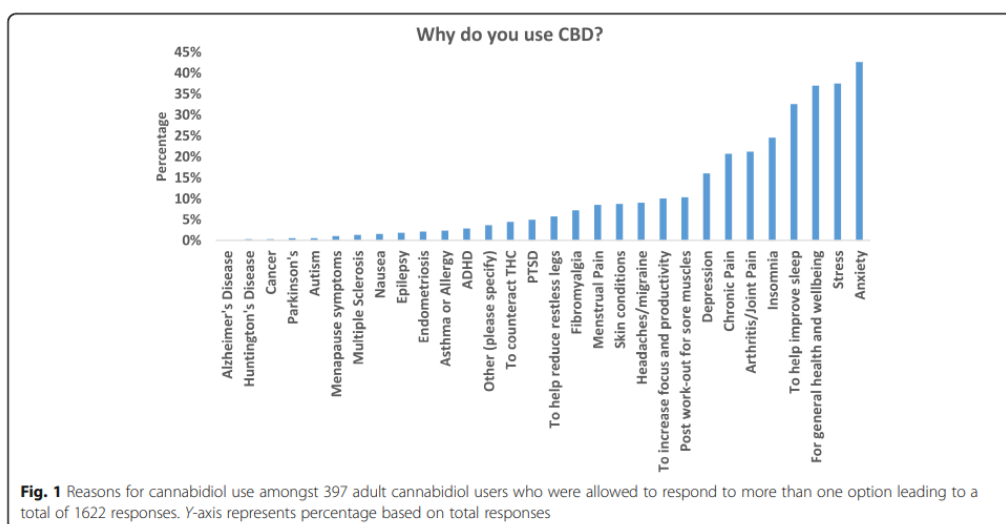
According to research published by the National Center for Biotechnology Information (available at <https://pubmed.ncbi.nlm.nih.gov/33602344/>) (released on 18 February 2021), the major reasons people cited for the use of CBD are to

reduce anxiety or stress, to improve health and well-being, to help sleep and to manage pain.

The Company's commissioned research has shown that trust is a primary concern for consumers when purchasing CBD products. Trust is core to the values of the Company, providing consumers with transparency and confidence that the CBD levels promoted are accurate and compliant with the Laws in each market without any trace of THC that promotes the feeling of being high.

There are a significant number of preclinical and clinical studies published to substantiate claims and support medical, government and consumer confidence. A cross-sectional study to address stress, anxiety and sleep related problems is available at <https://j cannabisresearch.biomedcentral.com> and pain related trials by Physicians are available at www.policylab.us.

Dragonfly UK offers proprietary formulations to support anxiety, pain and sleep related issues.



6.5.4 Certification

All Dragonfly UK products are released with Certificates of Analysis (**CoA**) for each batch, exceeding industry standards. These standards translate to support the management of contract manufacturing in relevant markets to comply with relevant government regulations.

Dragonfly UK's cannabis cultivation activities in Bulgaria are subject to stringent regulatory controls administered and overseen by the Bulgarian Ministry of Agriculture. In order to legally conduct activities involving the cultivation and harvesting of cannabis in Bulgaria, a licence is required from the same government ministry. Dragonfly UK is the current holder of valid licenses to cultivate cannabis in Bulgaria, having successfully renewed the licenses in May 2021.

The Bulgarian Ministry of Agriculture has a subsidy program available to cannabis growers designed to encourage growth and take-up of cannabis cultivation activities in the country. Dragonfly UK is currently a participant in this program and receives nominal subsidies from the Bulgarian Government.

6.5.5 Awards

By virtue of the extensive retail distribution that Dragonfly UK has brought to commercial and operational fruition, in 2020, Dragonfly UK 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 (MVP) as voted by UK pharmacists for the second year in a row. In 2022, Dragonfly UK's CBD oral drops were voted as Highly commended at the MVP awards and Dragonfly UK's lip balm received an award from Beauty Bible magazine.

6.5.6 Expansion strategy and new product development

Dragonfly's new product development is driven by market demand and backed by scientific data, efficacy, trials, tests and testimonials.

Market research has shown that consumers are looking for natural, preferably organic, healthcare products with quality ingredients. The Company recognises the need to develop products with clear messaging on the benefits of the active ingredients. This requirement relates to consumers educated in the category and new consumers who want the best products to support their health and wellbeing.

In the 18-months to 30 June 2022, Dragonfly maintained its commitment to CBD product research and development, by investing \$930,024 towards their on-going R&D program. Additionally, the Company invested \$31,485 in surveys and trials to highlight the benefits of CBD and other ingredients in all Dragonfly products. The Company's plant-based formulations include a full catalogue for men and women, as well as a pet product portfolio.



In August 2021, Dragonfly developed under a white label arrangement with a UK based cosmetics firm, South West Brands Limited nine new line extensions for the millennial demographic. These products include CBD-infused topical products, including lip balm, retinol face lotion and body butter creams. This agreement is no longer in force.

In November 2022, Dragonfly launched skin patches to offer a gateway into the Dragonfly brand, providing a cost-effective and convenient solution to consumers who are health conscious. The first patch produced was a 20mg CBD-infused skin patch with Bergamot aroma. On completion of the Offer, Dragonfly intends to extend this line with non-CBD infusions to support ailments and conditions in the, as accounted for in Section 6.6

Based on demand and opportunity, the Company recognises the need to invest in the further design and development of extended CBD-infused lines, in addition to other cannabinoids (including cannabidiol (**CBN**) and cannabigerol (**CBG**)) and the hemp biomass by-product. According to early-stage clinical research, CBD and CBN are both evidenced to assist with anxiety and sleep disorders. According to the UK Sleep Foundation (2022), approximately 50,000,000 to 70,000,000 adults in the EU suffer from a sleep disorder. The Company is well positioned to comply with the regulatory framework in the EU and is currently researching enhanced formulations related to sleep issues.



Expansion into the US market

The US market is mature and is regulated under State Law. There are no regulatory hurdles restricting the sale of CBD infused topical products. Currently, individual US states permit the sale of consumable CBD products under certain criteria which can differ between states.

The California market alone is valued at US\$7.7bn and by 2024, US forecast sales are expected to reach US\$15.9bn (Source: Statista 2021). According to Motley Fool research, 64,000,000 US residents have used CBD. These statistics demonstrate the attractiveness of the US as a market for the Company's business operations.

In April 2020, Dragonfly UK entered into a manufacturing and distribution agreement in the US that has since been terminated due to market changes. This adjustment has been responsibly managed, which allowed Dragonfly the opportunity to connect with an experienced consortium of operators to potentially accelerate channel activity in the North American "Green States" as well as export opportunities to Mexico and other approved South American markets.

Since termination of the initial manufacturing and distribution agreement in 2020, Dragonfly has engaged in discussions with a number of strategic partners regarding the distribution and production of existing products and the development of new, innovative CBD products specifically for the US market.

In the previous four (4) months prior to lodgement of the Original Prospectus, the Company has executed several commercial arrangements (letters of intent) with US based firms to licence, manufacture and distribute products under the Dragonfly label in the US. The activities contemplated under these arrangements include business to business and direct to consumer channels. On completion of the Offer, the Company intends to progress these arrangements to definitive agreement stage to offer Dragonfly products to US consumers. In the interest of speed to market, the initial product range to be offered to US consumers under these arrangements is intended to be confined to Dragonfly's non-CBD cosmetics and wellness products.

The Company has allocated \$250,000 of funds raised from the Offer towards pursuing marketing and distribution activities in the US over the next two years, this will include targeted online brand and product awareness campaigns and securing product listing on various sales platforms. This approach will largely be replicated in the Company's APAC expansion plans as explained in further detail below.

Expansion into the APAC region

Dragonfly UK secured an extended distribution agreement with eCargo Holdings (ASX: ECG) (**eCargo**) in August 2021 to distribute Dragonfly products through limited distribution channels that include China (in anticipation of revised regulatory approvals), Vietnam, Cambodia, Thailand, Malaysia and Singapore.

In February 2023, Hong Kong categorised CBD as a dangerous drug under the Dangerous Drugs Ordinance. In addition, mainland China banned CBD in 2021.

In light of Hong Kong's regulatory changes, the Company entered into a new non-exclusive agreement with Mellow Asia Marketplace for distribution of its products to China and Hong Kong and has decided to pursue other opportunities by which the Company can manage distribution to Vietnam, Cambodia, Thailand,

Malaysia and Singapore under separate agreements with third party retailers, if and when revised regulatory approvals are put into place.

The Company's engagement with Mellow Asia has been halted until China and Hong Kong work through their CBD import regulations to re-open this market.

On completion of the Offer, the Company intends to continue to negotiate with retailers in the APAC region to manage distribution to the territories previously provided for under the redundant eCargo agreement, with separate third-party retailers to progress these arrangements to a definitive agreement stage.

On completion of the Offer, the Company has allocated \$250,000 towards the pursuit of marketing and distribution activities in the APAC region over the next two years, this will include targeted online brand and product awareness campaigns and securing product listing on various sales platforms.

Compliance strategy

The Company does not currently employ staff that are experts in local regulatory requirements. Rather, the Company has an established network of locally based partners and advisers in each of the foreign territories in which the Company operates, to assist the Company with navigating compliance with foreign regulations and quality compliance. The Company believes this strategy was successfully employed by the Company in the UK, where the Company achieved compliant status for its products with the FSA. It is the Company's intention to adopt an identical partnership strategy in the US and APAC region by engaging with local experts prior to entering new markets and territories to understand the regulatory requirements in these new regions and the likely costs involved with regulatory compliance.

As the Company's expansion plans are still early-stage, the Company is currently unable to estimate the likely costs involved with regulatory compliance in new territories, including the US and the APAC region.

New product development

The Company is also in the due diligence phase to develop new products that cater to:

- (a) health and wellness products infused with CBD and other cannabinoids to target specific ailments;
- (b) products for pets. The Company is currently researching the potential benefits that CBD offers pets. Anxiety is one example. Investigation continues into the regulatory requirements associated with providing products of this nature;
- (c) multiple uses for commercialising the biomass sustainable by-products. For example:
 - (i) traditional rope;
 - (ii) clothing;
 - (iii) building products (plywood alternatives, bricks, cement, etc.);
 - (iv) automotive plastic alternatives (replacing carbon fibre); and

- (v) paper packaging alternatives (Dragonfly UK's packaging is shifting to even more sustainable solutions).

In the 18-month period to 30 June 2022, the Company invested \$930,024 in research and development of the aforementioned products, including ingredient and formulation research, component, and package design along with sample manufacturing.

6.5.7 Sustainability

The Company is committed to adopting environmentally sustainable practices and lessening the Company's footprint on the environment. On average, hemp cultivation yields a sequestration ratio of 1.5 units of sequestration per unit produced. This means that one tonne of harvested hemp should sequester 1.62 tonnes of CO₂. As hemp sequesters carbon from the atmosphere, it is filtered back into soil through a process called bio sequestration.

In December 2022, the Company commenced enquiry in relation to the EU carbon market, including the relevant qualifications to earn carbon emission credits with a view to unlocking the full economic value of its current cultivation activities in the EU.

6.5.8 Quality and Transparency

Prior to each batch of formulated CBD product being transported to Dragonfly UK's warehouse facility in the UK for distribution, it is subject to rigorous testing as to the quality and content of the batch. The testing is centred on analysis of the batch's CBD content whilst ensuring that it also meets the EU regulatory requirement of containing non-detectable levels of THC. Once the batch meets the quality thresholds and is issued a CoA, it is able to leave the facility for distribution. Only batches holding a CoA are permitted to leave the premises. The CoA is a quality control mechanism that provides the end consumer with a level of confidence that the products satisfies the quality standards. In the interest of transparency, the CoA is freely available for consumers to download via the Company's website. This enables customers to satisfy themselves of the CBD content and that the product is THC-free.

Demonstrating Dragonfly UK's commitment to its espoused values of 'quality' and 'transparency', it engages independent laboratories to test each batch harvested. Currently, the Company uses leading global laboratory testing firms, Eurofins Scientific and Global Testing Lab for testing services. Both firms are independent, highly respected global testing laboratories with ISO accreditation. Both laboratories are independent of Dragonfly UK.

6.6 Use of funds

The Company intends to apply funds raised from the Offer, together with existing cash reserves post-admission, over the first two years following admission of the Company to the Official List of ASX as follows:

Funds Available	Minimum Subscription		Oversubscriptions	
	Amount (\$)	%	Amount (\$)	%
Company cash balance as at 31 December 2022	105,000	3.38%	105,000	2.06%
Capital raising funds	3,000,000	96.62%	5,000,000	97.94%
Completion of Offer	3,105,000	100.00%	5,105,000	100.00%
New product development ¹	650,000	20.93%	900,000	17.63%
Increase current production capacity	500,000	16.10%	500,000	9.79%
Marketing and distribution to new and existing markets ²	856,657	27.59%	1,606,657	31.47%
Acquisition opportunities (industry consolidation)	0	0.00%	750,000 ³	14.69%
Cash Expenses of the offer (including JLM fees) ⁴	516,522	16.64%	638,817	12.51%
Working capital ⁵	581,821	18.74%	709,526	13.90%
Total	3,105,000	100.00%	5,105,000	100.00%

Notes:

1. Including the compliance process for seeking TGA approval for the remainder of the Dragonfly CBD products not distributed via the HHI Agreement is estimated to be approximately \$30,000 (based on previous costs). Total spend for the development of new products, including TGA approval will be \$650,000
2. This expenditure includes creating a marketing presence in new markets within the APAC region (\$250,000) and the US (\$250,000). Servicing existing markets (UK/Australia) will be allocated \$350,000.
3. Such opportunities may include acquiring CBD companies (in the same industry) which provide complementary distribution opportunities for the Company and assist the Company in achieving its strategic objectives.
4. In addition to these cash payments, the Company has agreed to issue \$200,000 worth of Shares to Finexia and RM in consideration for providing joint lead manager services in connection with the Offer. Refer to Section 10.1.1 for further details of the JLM Mandate pursuant to which this was agreed.
5. This includes:
 - (a) The payment of £119,700 (or \$224,766) under the Settlement Agreement (which, based on the exchange rate on 26 April 2023 is GBP1 = AUD1.88 which must be settled within 28 days of listing on the ASX, pursuant to the Settlement Agreement). Refer to Section 11.1 for further details relating to the Greside Claim and the Settlement Agreement.
 - (b) Interest repayments required to be made to noteholders on conversion of Pre-IPO Convertible Notes (assuming a listing date of 1 August 2023, this would be approximately \$75,856).
 - (c) \$50,000 of legal costs associated with defending the IWG Claim.

- (d) \$100,000 of costs associated with operating as a listed company.
6. This figure does not include the potential redemption of the 2021 Convertible Note. The Board is sufficiently satisfied that the 2021 Convertible Note issued to Finexia will be converted into Shares on admission to the Official List and will not be redeemed. The Company has received in-principle confirmation from Finexia that it will not seek to redeem the notes prior to the Company being admitted to the Official List of ASX.

It is anticipated that the funds raised under the Offer will enable 2 years of full operations (if the Minimum Subscription is raised). It should be noted that the Company may not be fully self-funding through its own operational cash flow at the end of this period. Accordingly, the Company may require additional capital beyond this point, which will likely involve the use of additional debt or equity funding. Future capital needs will also depend on the success or failure of the Company's proposed operations. The use of further debt or equity funding will be considered by the Board where it is appropriate to fund additional business operations or to capitalise on acquisition opportunities in the biomedical sector.

In the event the Company raises more than the Minimum Subscription of \$3,000,000 under the Offer but less than the Maximum Subscription of \$5,000,000, the additional funds raised will be first applied towards the expenses of the Offer and then proportionally to the other line items in the above table.

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

The Directors consider that following completion of the Offer, the Company will have sufficient working capital to carry out its stated objectives. However, it should be noted that an investment in the Company is speculative and investors are encouraged to read the risk factors outlined in Section 8.

6.7 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:

Shares

	Minimum Subscription	Maximum Subscription
Shares currently on issue	105,333,435	105,333,435
Shares to be issued on conversion of Pre-IPO Convertible Notes ¹	3,953,750	3,953,750
Shares to be issued on conversion of 2021 Convertible Note ²	19,000,000	19,000,000
Interest Shares to be issued on conversion of 2021 Convertible Note	8,318,935	8,318,935
Shares to be issued pursuant to the Offer	15,000,000	25,000,000
Shares to be issued to the JLMs ³	1,000,000	1,000,000
Total	152,246,120	162,246,120

Notes:

1. 3,593,750 Shares to be issued on conversion of Pre-IPO Convertible Notes upon ASX listing.

2. Interest accrued on Finexia's convertible note will be payable in shares at a conversion price of \$0.20 (Interest Shares). The Finexia convertible notes accrues interest at 3% per month, payable at conversion upon listing. Assuming conditional approval to list is received on 1 August 2023, the company has an obligation pay approximately \$1,663,787.06 in interest to Finexia, through the issue of 8,318,935 interest shares (at a deemed issue price of \$0.20 each).
3. Refer to Section 10.1.1 for a full summary of the terms and conditions of the JLM mandate.

Options

	Minimum Subscription	Maximum Subscription
Options currently on issue	2,375,393	2,375,373
Options issued to Mr Grenside ¹	8,911,550	8,911,550
Options issued pursuant to the Pre-IPO Convertible Notes ²	3,593,750	3,593,750
Free attaching Options to be issued attaching to the Shares issued under the IPO ³	7,500,000	12,500,000
Total	22,380,693	27,380,693

Notes:

1. Options to be issued to Mr Mark Grenside pursuant to the Settlement Agreement which, amongst other matters, provides for a grant of the Grenside Options with an exercise price that is 'at a discount of 60% on the share price based on the valuation of the shares as at the date of, and for the purposes of, the IPO such that the value of the Shares to MG (less the exercise price payable) is no less than £575,000 as at the date of the IPO'.
2. Up to 3,593,750 free-attaching options to be issued on conversion of convertible notes upon ASX listing (1 option for every 1 share issued on conversion).
3. All applicants under the IPO will receive 1 unquoted option for every 2 shares subscribed for and issued exercisable at \$0.35 on or before 31 December 2024.

The 2,375,393 Options have rolled over from Dragonfly UK to the Company under the Company's employee incentive scheme. The current participants (options holders) are qualified key employees and executives. Under the terms of the scheme, all options issued had a ten-year expiry from the date of issue. The average exercise price is A0.27 and the net proceeds to the Company in the event of full exercise is \$341,889.

The 8,911,550 Options are part of the Grenside Settlement Agreement and have an average exercise price of \$0.08. The Shares relating to the exercise of these Options are restricted from being sold or transferred for 12 months from the IPO date. The net proceeds to the Company in the event of full exercise is \$712,924.

As detailed in Section 2, the Company notes that a Convertible Note totalling \$1,900,000 was issued to Finexia (or its nominee) on or about 1 November 2021. The Convertible Note converts into Shares at a deemed issue price of \$0.10 (**2021 Convertible Note**). Further, the Company raised \$575,000 from a pre-IPO fund raise via convertible notes which converts into Shares automatically at listing at a deemed issue price equal to a 20% discount to the IPO price (\$0.16) and attaching Options on a 1:1 basis (**Pre-IPO Convertible Notes**). Conversion of all loan notes on issue equates to a Share issuance of 22,593,750 Shares or 26,187,500 Shares in the event the Options issued under the Pre-IPO Convertible Note are all exercised.

6.8 Substantial Shareholders

Those Shareholders holding 5% or more of the Shares on issue both as at the date of this Prospectus and on completion of the Offer are set out in the respective tables below.

As at the date of this Prospectus

Shareholder	Shares	Percentage (%) ¹	Percentage (%) ²
Radost Draganova	25,330,034	24.05%	23.52%
Chris Wronski	19,160,443	18.19%	17.79%
Mark Grenside	7,153,495	6.79%	6.64%

Notes:

1. This column reflects the substantial holders' interest undiluted interest.
2. This column reflects the substantial holders' diluted interest.

On completion of the issue of Shares under the Offer with Minimum Subscription (assuming no existing substantial Shareholder subscribes and receives additional Shares pursuant to the Offer)

Shareholder	Shares	Options	Percentage (%) ¹	Percentage (%) ²
Radost Draganova	25,330,034	-	16.64%	14.51%
Chris Wronski	19,160,443	-	12.59%	10.97%
Mark Grenside	7,153,495	8,911,550 ³	4.70%	9.20%
Finexia	28,137,557 ⁴	-	18.48%	16.11%

Notes:

1. This column reflects the substantial holders' undiluted interest.
2. This column reflects the substantial holders' diluted interest.
3. Options issued in accordance with the Grenside Settlement Agreement. Refer to Section 11.1 for further details.
4. Finexia currently holds 318,622 Shares in the Company. On completion of the Offer, Finexia will hold a relevant interest in the 19,000,000 Shares and 8,318,935 Interest Shares proposed to be issued on conversion of the 2021 Convertible Note and it is proposed that Finexia will receive 500,000 Shares as partial fees payable for acting as a JLM to the Offer.

On completion of the issue of Shares under the Offer with Maximum Subscription (assuming no existing substantial Shareholder subscribes and receives additional Shares pursuant to the Offer)

Shareholder	Shares	Options	Percentage (%) ¹	Percentage (%) ²
Radost Draganova	25,330,034	-	15.61%	13.36%
Chris Wronski	19,160,443	-	11.81%	10.10%
Finexia	28,137,557 ³	-	17.34%	14.84%

Notes:

1. This column reflects the substantial holders' undiluted interest.
2. This columns reflects the substantial holders' diluted interest.
3. Finexia currently holds 318,622 Shares in the Company. On completion of the Offer, Finexia will hold a relevant interest in the 19,000,000 Shares and 8,318,935 Interest Shares proposed to be issued on conversion of the 2021 Convertible fees and it is proposed that Finexia will receive 500,000 Shares as partial consideration payable for acting as a joint lead manager to the Offer.

The Company will announce to the ASX details of its top-20 Shareholders following completion of the Offer prior to the Shares commencing trading on ASX.

6.9 Restricted Securities

Subject to the Company being admitted to the Official List and completing the Offer, the Company expects that 31,912,685 Shares and 12,505,300 Options comprising:

- (a) 3,593,750 Shares to be issued on conversion of the Pre-IPO Convertible Notes;
- (b) 19,000,000 Shares to be issued on conversion of the 2021 Convertible Note;
- (c) 8,318,935 Interest Shares to be issued on conversion of the 2021 Convertible Note;
- (d) 1,000,000 JLM Shares;
- (e) 8,911,550 Greside Options; and
- (f) 3,593,750 Options to be issued on conversion of the Pre-IPO Convertible Note,

will be classified by ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of Official Quotation. During the period in which these Shares are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.

The number of Securities that are subject to ASX imposed escrow are at ASX's discretion in accordance with the ASX Listing Rules and underlying policy.

The Company will announce to the ASX full details (quantity and duration) of the Securities required to be held in escrow prior to the Securities commencing trading on the ASX (which admission is subject to the ASX's discretion and approval).

6.10 Additional Information

Prospective investors are referred to and encouraged to read in its entirety the Legal reports on the Cannabis Industry in Annexure A for further details about the cannabis industry.

6.11 Dividend policy

The Company anticipates that significant expenditure will be incurred in the evaluation and development of the Dragonfly UK Business. These activities, together with the possible acquisition of interests in other projects, are expected

to dominate at least the first two-year period following the date of this Prospectus. Accordingly, the Company does not expect to declare any dividends during that period.

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the availability of distributable earnings and the operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.



Financial Information

SECTION
7

7. FINANCIAL INFORMATION

7.1 Introduction

For the purposes of this Section:

- (a) **Dragonfly Australia Group** means Dragonfly consolidated group of companies including: Dragonfly Biosciences Limited (Australia), Dragonfly Biosciences Limited (UK), Dragonfly Biosciences Bulgaria Limited (Bulgaria) and Premium Extraction Services (Bulgaria); and
- (b) **Dragonfly UK Group** means Dragonfly UK consolidated group of companies including: Dragonfly Biosciences Limited (UK), Dragonfly Biosciences Bulgaria Limited (Bulgaria) and Premium Extraction Services (Bulgaria).

The financial information set out in this Section 7 contains:

- (a) the historical financial information for Dragonfly Australia Group comprising the:
 - (i) Historical audited consolidated statements of profit or loss and other comprehensive income of the Dragonfly UK Group for the period 1 January 2020 and every 6-month period until 30 June 2021. This is to provide the most relevant comparative periods to the Dragonfly Australia Group up to the Acquisition;
 - (ii) Historical audited consolidated statements of profit or loss and other comprehensive income of the Dragonfly Australia Group for the period 1 July 2021 and every 6-month period until 31 December 2022;
 - (iii) Historical audited consolidated statements of cash flows of the Dragonfly UK Group for the period 1 January 2020 and every 6-month period until 30 June 2021. This is to provide the most relevant comparative periods to the Dragonfly Australia Group up to the Acquisition;
 - (iv) Historical audited consolidated statements of cash flows of the Dragonfly Australia Group for the period 1 July 2021 and every 6-month period until 31 December 2022; and
 - (v) the historical consolidated statement of financial position of the Dragonfly Australia Group as at 31 December 2022,
 (together the **Historical Financial Information**).
- (b) The pro forma historical financial information comprising the pro forma historical consolidated statement of financial position as at 31 December 2022 (**the Pro Forma Historical Statement of Financial Position** or **Pro Forma Historical Financial Information**).

The Historical Financial Information and the Pro Forma Historical Financial Information together form the **Financial Information**.

Dragonfly UK has a 30 June year end. On 15 March 2022, Dragonfly UK changed its year end from 31 December to 30 June to align its year-end with the Company (or Australian Company, or Parent). The change of year-end was undertaken to

synchronise the year-end of all entities in the Group. As a result of the change in year-end, financial information for the operations of Dragonfly UK Group are extracted from the financial statements for the period from 1 January 2020 to 30 June 2021, up to the point of Acquisition and is set out in this Prospectus in periods of six monthly intervals. Financial information for the operations of the Dragonfly Australia Group has been extracted from the financial statements for the period from 1 July 2021 to 31 December 2022, from the point of Acquisition and is set out in this prospectus in periods of six monthly intervals. The Financial Information, as defined above, has been reviewed in accordance with the Australian Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*, by Mazars (**Mazars**) whose Independent Limited Assurance Report is contained in Annexure B. Investors should note the scope and limitations of the report.

Also summarised in Section 7 are:

- (a) the basis of preparation and presentation of the Financial Information and explanation of certain non-IFRS financial measures (Section 6.2 and (c));
- (b) a description of the pro forma adjustments to the Pro Forma Historical Statement of Financial Position (Sections 0 and 7.5.4);
- (c) dividend policy (Section 7.7.17); and
- (d) commentary on the liquidity of and the sources of capital available to the Company (Section 7.7.18).

The information set out in this Section should be read together with:

- (a) management's discussion and analysis of the Financial Information set out in Section 7.6;
- (b) the significant accounting policies set out in Section 7.7;
- (c) the risk factors described in Section 8; and
- (d) the other information contained in this Prospectus.

All amounts disclosed in this Section are presented in Australian dollars, unless otherwise noted.

Investors should be aware that past performance is not an indication of future performance.

7.2 Basis of preparation and presentation of the Financial Information

The Financial Information included in this Prospectus is intended to present potential investors with information to assist them in understanding the underlying historical financial performance, cash flows and financial position of the Company and its controlled entity, Dragonfly UK.

The Directors of the Company are responsible for the preparation and presentation of the Financial Information.

The Historical Financial Information has been prepared in accordance with the recognition and measurement principles contained in the Australian Accounting Standards (**AAS**) issued by the Australian Accounting Standards Board (**AASB**).

The Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles contained in AAS other than that it includes adjustments that have been prepared in a manner consistent with AAS that reflect the impact of certain transactions as if they occurred as at 31 December 2022.

Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial position.

The Financial Information is presented in an abbreviated form and does not contain all of the disclosures, statements or comparative information required by AAS applicable to financial reports prepared in accordance with the Corporations Act.

The significant accounting policies of the Company relevant to the Financial Information are set out in Section 7 of this Prospectus. The accounting policies of the Company have been consistently applied throughout the periods presented. Refer to Section 7.4 for further detail and Section 7.7 for a summary of the accounting policies.

7.2.1 Preparation of Historical and Pro Forma Historical Financial Information

(a) Significant Acquisitions

Historically, the Company was known as Siburan Resources Limited and operated as a resource exploration company listed on the ASX. The historical operations of the Company included tungsten and gold exploration projects in Australia, New Zealand and Papua New Guinea.

The Company was initially suspended from trading on the ASX on 22 February 2019 due to its operations being considered by the ASX to be inadequate to warrant the quotation of its securities. The Company has not undertaken exploration activities since that date.

Dragonfly UK is a London, UK based private company (UK Company No. 10842065) with operations in cannabidiol (**CBD**) oil production and sales. Dragonfly UK has two wholly owned subsidiaries: Dragonfly Biosciences Bulgaria Limited (Bulgaria Company No. UIC 203902381) and Premium Extraction Services Limited (Bulgaria Company No. UIC 205253276).

Pursuant to an Implementation Heads of Agreement dated 27 May 2021 (**Acquisition Agreement**) the Company proposed to undertake a reverse acquisition of Dragonfly UK by completing the following proposals (the **Acquisition**).

In accordance with the Acquisition Agreement, the Company was to acquire 100% of the outstanding ordinary shares (totalling 55,789,765) in Dragonfly UK (**Dragonfly UK Shares**) from the shareholders of Dragonfly UK (**Dragonfly UK Shareholders**).

The Company would acquire 100% of the outstanding convertible notes (principal amount of approximately £6,391,787 plus accrued interest) in Dragonfly UK from the convertible noteholders (**Dragonfly UK Convertible Noteholders**); and

Dragonfly UK Shareholders and Dragonfly UK Convertible Noteholders were to be issued post-consolidation ordinary shares in the Company on a pro rata basis assuming that the convertible notes are converted into

ordinary shares. The total number of shares to be issued was determined with reference to a notionally agreed value of Dragonfly UK.

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).

The acquisition will be accounted for as a reverse takeover acquisition as a business combination in accordance with AASB 3 *Business Combinations*.

The Financial Information presented in Section 7.5.1 and 7.5.2 does not include the historical financial information for the Company. The Directors have determined that the historical financial performance of the Company 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 UK Group are presented as consolidated financial information for all accounting periods reported.

(b) Preparation of Financial Information

The Historical Financial Information of the Dragonfly Australia Group for the period ended 31 December 2022 has been derived from its half year financial report which was reviewed by PKF Perth in accordance with Australian Auditing Standards. In respect of the financial statements for the period ended 31 December 2022, PKF Perth issued an unqualified review statement, which contained an emphasis of matter regarding a material uncertainty related to going concern.

The Company confirms that its 30 June 2022 financial statements were lodged with ASIC on 20 April 2023 after ASIC raised a failure to lodge within the time for lodgement provided for in the Corporations Act, which can attract civil and criminal penalties. On completion of the Offer, it is the Company's intention to employ an Australian based experienced company secretary (with ASX experience) who will be charged with coordinating and ensuring that the Company meets its statutory and market reporting obligations in a timely manner.

The above-mentioned general purpose financial reports can be downloaded from ASIC's website (www.asic.gov.au) for a fee.

The Pro Forma Historical Financial Information has been prepared solely for the purpose of this Prospectus and has been derived from the historical consolidated statement of financial position of the Dragonfly Australia Group as at 31 December 2022 adjusted for the effects of the pro forma adjustments described in Section 7.5.4 of this Prospectus.

(c) Non IFRS financial measures

The Company uses certain measures to manage and report on its business that are not recognised under AAS or International Financial Reporting Standards (**IFRS**). These measures are collectively referred to as non-IFRS financial measures. These non-IFRS financial measures do not have a prescribed definition under AAS or IFRS and therefore may not be directly comparable to similarly titled measures presented by other entities. These should not be construed as an indication of, or an alternative to, corresponding financial measures determined in

accordance with AAS or IFRS. Although we believe these non-IFRS financial measures provide useful information for measuring the financial performance and condition of the business, investors are cautioned not to place undue reliance on any non-IFRS financial measures included in the Prospectus.

In the disclosures in this Prospectus, the Company uses the following non-IFRS financial measure:

- (i) **Working capital:** which means total current assets less total current liabilities, excluding borrowings;
- (ii) **Operating revenue:** which means total revenue including sales revenue, interest and other income (including any gains on disposal of fixed assets, and foreign exchange gains etc); and
- (iii) **EBITDA:** which means earnings (or losses) before interest, income tax, depreciation and amortisation (**EBITDA**). Management uses EBITDA to evaluate the operating performance of the business. EBITDA can be useful to help understand the cash generation potential of the business.

7.3 Going concern

The Company urges you to seek relevant professional advice when evaluating financial information.

The Company refers to page 3 of the Independent Limited Assurance Report at Annexure B of the Prospectus which refers to PKF Perth's report on the Company's financial information for the period ended 31 December 2022 which included an emphasis of matter regarding a material uncertainty related to going concern.

Notwithstanding the 'going concern' qualification included in the reports for the period ended 31 December 2022, after making enquiries and preparing cash flow projections to 30 June 2023 and 30 June 2024, the Directors believe that upon the successful completion of the Offer, the Company will have sufficient funds to adequately meet the Company's current operational commitments and short-term working capital requirements. The cash flow projections have been extended to cover the period ending 31 December 2024, which has assisted the Board with forming the opinion that the Company will have adequate resources to meet its working capital requirements in the first 24 months post completion of the Offer.

In the event that the Offer is not completed successfully there is significant uncertainty as to whether the Company can continue as a going concern, and which is likely to have a material adverse effect on the Company's activities. Refer to the Independent Limited Assurance Report at Annexure B of the Prospectus for further information.

The Board of Directors have undertaken a thorough review and applied certain sensitivities, including the modelling of a worst-case scenario.

In light of the projections prepared, the Board of Directors remain of the view that the projection is achievable (despite external factors such as COVID-19) and that the headroom within the projection should be sufficient to enable the Company and Dragonfly UK to operate and meet its liabilities as they fall due for payment throughout the year, and the financial statements have accordingly been prepared on a going concern basis.

The capital raise of \$3.0 million will provide more than adequate headroom for expected growth in the next 12 months and support the longer-term strategy for international expansion. The cost associated with obtaining the listing will be partially paid by way of share capital in the listed entity thereby mitigating any risks to the business and cash flow.

The Dragonfly Australia Group as at 31 December 2022, had a net loss of \$1,100,000 and net operating cash outflows of \$300,000 for the half-year then ended. The Directors consider there are reasonable grounds to believe that the the Dragonfly Australia Group will be able to continue as a going concern after consideration of the IPO financing round to raise \$3,000,000 to \$5,000,000.

As at 31 December 2022 a contingent liability was disclosed in the financial statements relating to a legal claim brought against Dragonfly UK by IW Group Services (UK) Limited (**IWG**). IWG is seeking payment under an Office Services agreement dated July 2019, in respect of offices located in London, UK. Dragonfly UK occupied the office from July 2019 until March 2020. Dragonfly UK was obligated to leave the office following a COVID lockdown enforced by the UK Government. Dragonfly terminated the agreement on 29 May 2020. IWG suspended services from 19 June 2020. IWG claims payment is due for the unoccupied period from June 2020 to October 2021. Dragonfly UK is defending the claim.

In the current business climate, Management acknowledges the COVID-19 pandemic and have implemented logistical and organisational changes to underpin the Dragonfly Australia Group's resilience to COVID-19 and other unforeseen shocks, with the key focus being protecting all personnel minimising the impact on critical work streams and ensuring business continuity.

7.4 Changes in Accounting Standards

7.4.1 New and amended Australian Accounting Standards and Interpretations

The Dragonfly Australia Group applied for the first time, AASB 16 Leases.

AASB 16 Leases became effective for the Company on 1 July 2019 and replaces the previous accounting requirements applicable to leases in AASB 117 Leases and related Interpretations. AASB 16 introduces a single lessee accounting model for the lessees that eliminates the requirement for leases to be classified as either operating leases or finance leases.

The main changes introduced by AASB 16 are as follows:

- (a) recognition of the right-to-use asset and liability for all leases (excluding short term leases with less than 12 months of tenure and leases relating to low value assets);
- (b) depreciating the right-to-use assets in line with AASB 116 *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- (c) inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- (d) application of practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and

(e) additional disclosure requirements.

The Company adopted AASB 16 using the modified retrospective method, recognising right of use assets equivalent to the lease liability at transition. The Dragonfly Australia Group will elect to use the exemptions allowed for lease contracts for which the lease terms end within 12 months as of the date of initial application and lease contracts for which the underlying asset is of low value. The timing of recognition of costs will be brought forward as a result of higher interest expense in the earlier years of the leases.

Based on the current assessment, there will be no adjustments for opening balances for the Company.

7.4.2 New and amended Australian Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have been recently issued or amended but which are not yet mandatory, have not been early adopted by the Company. The Company has not yet assessed the impact of these new or amended Standards and Interpretations.

7.5 Historical and Pro Forma Historical Financial Information

7.5.1 Historical consolidated statements of profit or loss and other comprehensive income for the Dragonfly Australia Group

The Dragonfly Australia Group was formed following the Acquisition in July 2021. The Dragonfly UK Group financials are considered by the board to be the most appropriate comparative numbers to be presented prior to the Acquisition.

The table below presents the historical audited and reviewed consolidated statements of profit or loss and other comprehensive income of the Dragonfly UK Group for the six months from 1 January 2020 to 30 June 2020 (extracted from audited financial statements), six months from 1 July 2020 to 31 December 2020 (extracted from audited financial statements), six months from 1 January 2021 to 30 June 2021 (extracted from audited financial statements), then for the Dragonfly Australia Group, for the six months from 1 July 2021 to 31 December 2021 (extracted from audited financial statements), six months from 1 January 2022 to 30 June 2022 (extracted from audited financial statements) and the six months from 1 July 2022 to 31 December 2022 (auditor reviewed).



	Dragonfly UK Group	Dragonfly UK Group	Dragonfly UK Group	Dragonfly Australia Group	Dragonfly Australia Group	Dragonfly Australia Group
	Six months 30 Jun 2020 (Extracted from Audited)	Six months 31 Dec 2020 (Extracted from Audited)	Six months 30 Jun 2021 (Extracted from Audited)	Six months 31 Dec 2021 (Extracted from Audited)	Six months 30 Jun 2022 (Extracted from Audited)	Six months 31 Dec 2022 (Auditor reviewed)
	AUD\$'000	AUD\$'000	AUD\$'000	AUD\$'000	AUD\$'000	AUD\$'000
Average GBP:AUD FX	1.920	1.806	1.803	1.863	1.807	1.753
Revenue	441	985	2,311	1,700	578	802
Cost of sales	(410)	(606)	(1,080)	(591)	(117)	(331)
Gross profit	31	378	1,231	1,109	461	471
Marketing	(333)	(302)	(321)	(448)	(243)	(101)
Staff related costs	(1,125)	(663)	(683)	(1,830)	(853)	(774)
Other expenses	(644)	(841)	(357)	(603)	(398)	(494)
Depreciation & Amortisation	(217)	(211)	(203)	(168)	(343)	(86)
Results from operating activities	(2,288)	(1,637)	(333)	(1,940)	(1,376)	(984)
Interest payable and expenses	(539)	(297)	(525)	(1,358)	(161)	(115)
Extinguishment of loans	-	-	-	-	-	-
Restructuring expenses	-	-	-	(5,623)	(2,202)	-
Loss before income tax	(2,827)	(1,934)	(858)	(8,921)	(3,739)	(1,099)
Income tax	(2)	-	-	-	-	-
Loss after tax	(2,829)	(1,934)	(858)	(8,921)	(3,739)	(1,099)
Currency translation differences *	33	(49)	126	11	22	(94)
Other comprehensive income	33	(49)	126	11	22	(94)
Total comprehensive loss for the period	(2,796)	(1,983)	(732)	(8,910)	(3,717)	(1,193)

*Currency translation differences arise from the movement in BGN to GBP exchange rates versus prior year.

7.5.2 Historical consolidated statements of cash flows for the Dragonfly Australia Group

The Dragonfly Australia Group was formed following the Acquisition in July 2021. The Dragonfly UK Group financials are considered by the board to be the most appropriate comparative numbers to be presented prior to the Acquisition.

The table below presents the historical audited and reviewed consolidated statements of cash flows of the Dragonfly UK Group for the six months from 1 January 2020 to 30 June 2020 (extracted from audited financial statements), six months from 1 July 2020 to 31 December 2020 (extracted from audited financial statements), six months from 1 January 2021 to 30 June 2021 (extracted from audited financial statements), then for the Dragonfly Australia Group, for the six months from 1 July 2021 to 31 December 2021 (extracted from audited financial statements), six months from 1 January 2022 to 30 June 2022 (extracted from audited financial statements) and the six months from 1 July 2022 to 31 December 2022 (auditor reviewed).

	Dragonfly UK Group	Dragonfly UK Group	Dragonfly UK Group	Dragonfly Australia Group	Dragonfly Australia Group	Dragonfly Australia Group
	Six months 30 June 2020 (Extracted from Audited)	Six months 31 Dec 2020 (Extracted from Audited)	Six months 30 Jun 2021 (Extracted from Audited)	Six months 31 Dec 2021 (Extracted from Audited)	Six months 30 Jun 2022 (Extracted from Audited)	Six months 31 Dec 2022 (Auditor reviewed)
	AUD\$'000	AUD\$'000	AUD\$'000	AUD\$'000	AUD\$'000	AUD\$'000
Average GBP:AUD FX	1.920	1.806	1.803	1.863	1.807	1.753
Cash flows from operating activities						
Loss before income tax	(2,829)	(1,934)	(858)	(8,921)	(3,739)	(1,099)
Adjustment for non-cash items:						
Finance costs	537	297	525	1,358	122	115
Restructuring costs	-	-	-	4,801	-	-
Extinguishment of loans	-	-	-	-	1,687	-
Issuance of shares and share options	-	-	-	823	515	-
Depreciation of property, plant and equipment	219	211	202	168	343	86
Acquisition of 49% of PES	-	-	47	-	-	-
Foreign currency gain/(loss)	(90)	-	162	-	14	(5)
(Increase)/ decrease in trade and other receivables	1,315	(903)	280	653	(578)	356
(Increase)/ decrease in inventories	(144)	247	20	(37)	76	263
Increase/ (decrease) in trade creditors	(1,141)	1,078	(373)	(1,184)	822	(59)
Net cash used in operating activities	(2,133)	(1,004)	5	(2,339)	(738)	(343)
Cash flows from investing activities						
Net cash paid for business combination	-	-	(360)	-	-	-
Finance lease interest	(3)	(3)	(2)	(2)	(3)	-

	Dragonfly UK Group	Dragonfly UK Group	Dragonfly UK Group	Dragonfly Australia Group	Dragonfly Australia Group	Dragonfly Australia Group
	Six months 30 June 2020 (Extracted from Audited)	Six months 31 Dec 2020 (Extracted from Audited)	Six months 30 Jun 2021 (Extracted from Audited)	Six months 31 Dec 2021 (Extracted from Audited)	Six months 30 Jun 2022 (Extracted from Audited)	Six months 31 Dec 2022 (Auditor reviewed)
Finance lease repayments	(30)	(30)	(28)	(34)	(31)	-
Purchase of property, plant and equipment	(27)	(92)	(3)	(599)	151	(23)
Net cash used in investing activities	(60)	(125)	(393)	(635)	117	(23)
Cash flows from financing activities						
Proceeds from/ (payments of) loans	674	32	-	112	554	132
Proceeds from convertible loan notes	413	939	-	2,150	-	281
Proceeds from Issuance of shares	-	1,008	-	-	9	-
Directors' loan	-	-	-	-	45	-
Net cash generated from financing activities	1,087	1,979	-	2,262	608	413
Net increase/ (decrease) in cash and cash equivalents	(1,106)	850	(388)	(712)	(13)	47
Cash and cash equivalents at the beginning of the period	1,427	321	1,171	783	71	58
Cash and cash equivalents at the end of the financial period	321	1,171	783	71	58	105

7.5.3 Historical and Pro Forma Historical Statements of Financial Position of the Dragonfly Australia Group

The table below presents the audited consolidated financial position of the Dragonfly Australia Group as at 31 December 2022.

The amounts for the Dragonfly UK Group have been converted into Australian dollars (AUD) at a spot exchange rate of 1.776 as at 31 December 2022.

Note: This table should be read in conjunction with Section 7.3 – Going Concern and Section 7.5.4 – Pro Forma Adjustments, Financial Position.

	Dragonfly Australia Group (auditor reviewed) 31 Dec 2022	Impact of the IPO subsequent to year end	Ref. 7.5.4	Pro Forma Statement
	AUD\$'000	AUD\$'000		AUD\$'000
Current Assets				
Cash and cash equivalents	105	3,000	(c)	3,105
Trade and other receivables	1,021	-		1,021
Inventories	3,360	-		3,360
Financial assets	-	-		-
Other current assets	-	-		-
Total Current Assets	4,486	3,000		7,486
Non-Current Assets				
Freehold Land and Property	3,953	-		3,953
Plant and equipment	3,329	-		3,329
Total Non-current Assets	7,282	-		7,282
Total Assets	11,768	3,000		14,768
Current Liabilities				
Trade and other payables	3,623	-		3,623
Borrowings	1,634	(575)	(b)	1,059
Total Current Liabilities	5,257	(575)		4,682
Non-Current Liabilities				
Borrowings	2,536	(1,900)	(a)	636
Total Non-Current Liabilities	2,536	(1,900)		636
Total Liabilities	7,793	(2,475)		5,318
Net Assets/(Liabilities)	3,975	5,475		9,450
Equity (Shareholders' Deficit)				
Issued Capital	22,530	5,675		28,205
Share Based Reserves	5,699	-		5,699
Foreign Currency Reserve	508	-		508
Accumulated Losses	(24,762)	(200)	(d)	(24,962)
Total Equity/ (Shareholders' Deficit)	3,975	5,475		9,450

The Dragonfly Australia Group's internally generated intellectual property (such as large-scale CBD extraction and formulation) is not recognised as an intangible asset on the Statement of Financial Position as the costs have been expensed in previous financial periods and are disclosed in the Consolidated Statement of Profit or Loss as 'research and development' and 'training' costs (refer 7.5.1). AASB 138 *Intangible Assets* provides that expenditure for internally generated intangible assets that have been previously expensed shall not be subsequently capitalised and therefore these intangible assets are not brought to account at 31 December 2022.

7.5.4 Pro Forma Adjustments, Financial Position

The following pro forma adjustments have been included to demonstrate the impact of the IPO, subsequent to the year-end (i.e. in 2023), on the Company's statement of financial position:

- (a) on 1 November 2021, the Company entered into a convertible note agreement for \$1,900,000. These proceeds were subsequently utilised by the Company to acquire agricultural land near Sofia, Bulgaria on which the Company's current crop cultivation operations exist. The Convertible Note is expected to convert to Shares at \$0.10 per Share upon the Company listing on the ASX, the basis for this assertion is the Company receiving such feedback from the noteholders. However, it should be noted that the Convertible Note can be redeemed at the election of the noteholder;
- (b) Prior to 31 December 2022, the Company raised \$575,000 in a pre-IPO fund raise via the issue of a Convertible Note. These Notes convert at 20% discount to the IPO price of \$0.20;
- (c) the Capital Raising of at least \$3,000,000 through the issue of 15,000,000 Shares at \$0.20 per Share; and
- (d) the issue 1,000,000 of Shares at \$0.20 per share to the Joint Lead Managers as compensation for acting as sponsoring brokers to the Capital Raising.

7.5.5 Pro Forma Adjustments, Historical Financial Information

The following tables demonstrate the impact on the profit & loss account and cashflow statements on the presumption that the IPO took place on 1 January 2020, accounting only for the pro-forma adjustments described in 7.5.4 and the estimated costs of being a listed company.

Profit and Loss Account:

	Dragonfly UK Group	Dragonfly UK Group	Dragonfly UK Group	Dragonfly Australia Group	Dragonfly Australia Group	Dragonfly Australia Group
	Six months 30 June 2020	Six months 31 Dec 2020	Six months 30 Jun 2021	Six months 31 Dec 2021	Six months 30 Jun 2022	Six months 31 Dec 2022
	AUD\$'000	AUD\$'000	AUD\$'000	AUD\$'000	AUD\$'000	AUD\$'000
Total comprehensive loss for the period (refer to 7.5.1)	(2,796)	(1,983)	(732)	(8,910)	(3,717)	(1,193)
Pro-forma adjustments:						
Administrative costs of being a listed company refer to 7.5.5 (a)	(69)	(69)	(69)	(36)	(36)	(36)
Non-executive Director fees refer to 7.5.5 (b)	(54)	(54)	(54)	(54)	(54)	(54)
Loan note interest saved refer to 7.5.5 (c)	433	451	473	1,174	43	66
JLM share issuance Refer 7.5.4 (d)	(200)	-	-	-	-	-
Net pro-forma adjustment	110	328	350	1,084	(47)	(24)
Total comprehensive loss for the period including pro-forma adjustments	(2,686)	(1,655)	(382)	(7,826)	(3,764)	(1,217)

Cashflow statement:

	Dragonfly UK Group	Dragonfly UK Group	Dragonfly UK Group	Dragonfly Australia Group	Dragonfly Australia Group	Dragonfly Australia Group
	Six months 30 June 2020	Six months 31 Dec 2020	Six months 30 Jun 2021	Six months 31 Dec 2021	Six months 30 Jun 2022	Six months 31 Dec 2022
	AUD\$'000	AUD\$'000	AUD\$'000	AUD\$'000	AUD\$'000	AUD\$'000
Net increase/ (decrease) in cash and cash equivalents (refer to 7.5.2)	(1,106)	850	(388)	(712)	(13)	47
Pro-forma adjustments:						
Administrative costs of being a listed company refer to 7.5.5 (a)	(69)	(69)	(69)	(36)	(36)	(36)
Non-executive Director fees refer to 7.5.5 (b)	(54)	(54)	(54)	(54)	(54)	(54)
Capital raise refer to 7.5.4 (c)	3,000	-	-	-	-	-
Net increase/ (decrease) in cash and cash equivalents including pro- forma adjustments	1,771	727	(511)	(802)	(103)	(43)
Cash and cash equivalents at the beginning of the period	1,427	3,198	3,925	3,414	2,612	2,509
Cash and cash equivalents at the end of the financial period including pro- forma adjustments	3,198	3,925	3,414	2,612	2,509	2,466

- (a) Administrative costs of being a listed company comprise: ASX, CHESS, ASIC regulatory fees, share registry costs, company secretarial fees and additional legal and audit fees. Administrative costs of being a listed company that are not already accounted for in the profit & loss account have been included in the pro-forma adjustment;
- (b) Non-executive director comprise: salary costs (refer to Section 9.5) and an estimated level of disbursements for each non-executive director; and
- (c) Loan interest saved, relates to the interest borne on the convertible loan notes which would have converted if the company had been listed as at 1 January 2020. No interest on the convertible loan notes would have accrued from 1 January 2020 onwards. The interest is non-cash, therefore no pro-forma adjustment is required to the cashflow statements for this item.

7.5.6 Cash and cash equivalents

	AUD\$'000
Historical cash and cash equivalents as at 31 December 2022	
Consolidated	105
Capital raise	3,000
Pro forma historical cash and cash equivalents as at 31 December 2022	3,105

7.5.7 Borrowings – Current

	AUD\$'000
Historical current borrowings as at 31 December 2022	
Consolidated	1,634
Conversion of noteholders to ordinary shares	(575)
Pro forma historical current borrowings as at 31 December 2022	1,059

7.5.8 Borrowings – Non-current

	AUD\$'000
Historical Non-current borrowings as at 31 December 2022	
Consolidated	2,536
Conversion of noteholders to ordinary shares	(1,900)
Pro forma historical Non-current borrowings as at 31 December 2022	636

7.5.9 Issued capital

Movement in ordinary share capital	No of shares	AUD\$'000
Historical issued capital as at 31 December 2022		
Ordinary issued and paid-up share capital		
Actual balance as at 31 December 2021	456,445,084	22,530
Consolidation on an 13 to 3 basis	(351,111,649)	-
Balance as at 31 December 2022 on a post consolidation basis	105,333,435	22,530
Pro forma adjustments:		
Convertible noteholder (November 2021)	19,000,000	1,900
Convertible noteholders (pre-IPO)	3,593,750	575
Shares issued pursuant to raise \$3,000,000 at \$0.20 per share on a post consolidation basis	15,000,000	3,000
Shares issued to broker on completion of raise	1,000,000	200
Pro forma historical issued capital as at 31 December 2022	143,927,185	28,205

7.6 Management discussion and analysis of the financial information

Dragonfly UK Group's trading performance during 2021 showed significant recovery from that seen in 2020 when the UK experienced lockdowns due to the COVID-19 pandemic.

During 2021 the UK retail market was static, being hampered by the extraordinary delayed announcement from the UK's Food Standards Agency. The delay in publishing the 'public list' of compliant CBD products expected in June 2021, prevented some retailers from on-boarding CBD products during this time. The increase in revenues was mainly attributable to the increased demand in white label and wholesale products.

For the six months ended 30 June 2021 operating losses were reduced by 85% compared to the same six month period the prior year. For the six months ended 31 December 2021 operating losses increased by 19% compared to the same six month period the prior year.

The Dragonfly UK group reduced operating costs in 2022 in response to the impact of UK retail market and repivoted strategy towards international expansion. Revenues decreased 75% and 53% for the six months ended 30 June 2022 and six months ended 31 December 2022 respectively, compared to the same period the prior year. Operating costs were reduced by 26% and 51% for the six months ended 30 June 2022 and six months ended 31 December 2022 respectively, compared to the same six month period the prior year.

On 31 March 2022, the UK's Food Standards Agency published the 'public list' of compliant CBD products that are allowed to remain on sale. The entire range of

Dragonfly CBD consumable products were included on the public list on 31 March 2022. Many CBD products that were not included on the initial list, have now been included following appeals. On 30 June 2022, the Food Standards Agency announced that the list was closed. For the six months ended 31 December 2022, Dragonfly UK Group revenues increased by 39% compared to the previous six months ended 30 June 2022. For the six months ended 31 December 2022, operating costs reduced by 9% compared to the previous six months ended 30 June 2022, thus reducing the operating loss by 28%.

Given the Company has a quality assured end to end manufacturing process, the company is in a strong position to benefit from the clarity the new regulation brings not only in the UK but in the rest of the world.

Another key event for Dragonfly UK has been the acquisition of the remaining 49% share in its CBD extraction joint venture company, Premium Extraction Services Limited (**PES**). Prior to February 2021, PES was a joint venture CBD extraction company, which Dragonfly held the controlling stake 51%. By virtue of having control this has always been consolidated in the Dragonfly UK group. Since February 2021 this became a 100% owned subsidiary within the Dragonfly Group. PES owns and operates the Romanian extraction facility in which Dragonfly produces all of its CBD oil concentrate.

Moving to 100% ownership represents a gain on acquisition before legal costs of £279,630.

7.7 Accounting policies

The significant accounting policies of the Company and Dragonfly UK are as follows:

7.7.1 Business Combinations

Reverse acquisition of the Company by Dragonfly UK.

Under the terms of AASB 3 *Business Combinations*, Dragonfly UK is deemed to be the accounting acquirer in the business combination. Consequently, the transaction has been accounted for as a reverse acquisition.

Dragonfly UK, as the deemed acquirer, will account for the acquisition of the Company. Accordingly, the Pro-forma Consolidated Statement of Financial Position of Dragonfly as at 31 December 2022 incorporates the net assets of the Company as at 31 December 2022.

Details of the fair value of assets and liabilities acquired, and excess consideration are as follows:

	AUD\$'000
Purchase consideration:	
Being the deemed fair value of consideration paid for the Company	3,191
Less: fair value of net identifiable assets acquired on reverse acquisition (see below)	(81)
Premium paid	3,110

The premium paid has been expensed in the statement of profit or loss and other comprehensive income as a cost of listing.

Details of the fair value of identifiable assets and liabilities of the Company as at 30 June 2021 (deemed acquisition date) are as follows:

	Book carrying value Actual 30 June 2021	Fair value Pro- forma 30 June 2021
Assets	AUD\$'000	AUD\$'000
Cash and cash equivalents	79	79
Financial assets	55	55
Other assets	9	9
Liabilities		
Trade and other payables	(42)	(42)
Borrowings	(20)	(20)
Net assets	81	81

7.7.2 Revenue

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

7.7.3 Leases

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit and loss as incurred.

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

7.7.4 Employee benefits

Wages, salaries and other short-term benefits

Liabilities for wages and salaries, including non-monetary benefits, accumulating sick leave and other short-term benefits expected to be settled wholly within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Superannuation

Contributions made by the Dragonfly Australia Group to employee superannuation funds, which are defined contribution plans, are charged as an expense when incurred.

7.7.5 Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The Dragonfly Australia Group is not consolidated for tax purposes.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where

the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

7.7.6 Good and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

7.7.7 Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position includes cash on hand, deposits held at call with banks that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the Statement of Cash Flows, cash and cash equivalents are as described above.

7.7.8 Trade and other receivables

Trade receivables that do not contain a significant financing component are measured at the transaction price determined in accordance with the revenue policy. Other receivables are initially measured at its fair value plus, in the case of receivables not at fair value through profit or loss, transaction costs.

Receivables at amortised cost

The Dragonfly Australia Group measures receivables at amortised cost where the objective is to hold the financial asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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

Impairment

The Dragonfly Australia Group recognises an allowance for Expected Credit Losses (ECLs) for trade receivables and other receivable not held at fair value through profit or loss. ECLs are based on the difference between the contracted cash flows due in accordance with the contract and all the cash flows the Dragonfly Australia Group expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables, the Dragonfly Australia Group applies a simplified approach in calculating expected credit losses and recognises a loss allowance based on lifetime expected credit losses at each reporting date. The Dragonfly Australia Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other receivables, ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures where there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of default (a lifetime ECL).

The Dragonfly Australia Group considers a receivable to be in default when internal or external information indicates that the Dragonfly Australia Group is unlikely to receive the outstanding contractual amounts in full. A receivable is written off when there is no reasonable expectation of recovering the contractual cash flows.

7.7.9 Property, plant and equipment

Property, plant and equipment is stated at cost less any accumulated depreciation and impairment. In the event the carrying amount of an asset is greater than its estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses

are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Dragonfly Australia Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of fixed assets is depreciated on a straight-line (**SL**) basis over their useful lives to the Dragonfly Australia Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of the lease term and the useful life of the asset. The following depreciation rates were applied during the financial period:

(a)	Furniture and fixtures:	10% to 20% SL
(b)	Plant & Equipment:	33% to 50% SL
(c)	Motor Vehicles:	20% to 33% SL

The residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise.

7.7.10 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Dragonfly Australia Group prior to the end of the quarter which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade payables and other payables are carried at amortised cost and due to their short-term nature they are not discounted.

7.7.11 Borrowings

Borrowings are initially recognised at fair value of the consideration received, net of transaction costs. Borrowings are subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs.

7.7.12 Provisions

Provisions are recognised when the Dragonfly Australia Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market

assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

7.7.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of the time to prepare for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Capitalisation of borrowing costs is suspended during periods where there is no active development of a qualifying asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

7.7.14 Contributed equity

Ordinary shares are classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. Distributions on ordinary shares are recognised as a liability in the period in which they are declared.

7.7.15 Share-based payments

Equity settled transactions

Where employees are granted share-based payments, the cost of equity-settled transactions is determined at the grant date. Where the fair value of the equity instruments granted cannot be reliably estimated, the Dragonfly Australia Group measures the equity instruments at their intrinsic value, initially at the grant date and subsequently at the end of each reporting period and at the date of final settlement, with any change in intrinsic value recognised in profit and loss.

The amount recognised as an expense during the vesting period is based on the number of equity instruments expected to vest. The Dragonfly Australia Group revises that estimate if subsequent information indicates that the number of rights expected to vest differs from the previous estimate. On vesting date, the Dragonfly Australia Group revises the estimate to the number of rights that ultimately vest.

Cash settled transactions

A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The fair value is determined using an appropriate valuation model.

7.7.16 Convertible notes

Convertible notes are separated into liability and equity components based on the terms of the contract. On issuance of the convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption. Where relevant, the remainder of the proceeds is allocated to the conversion option that is recognised and included in equity. Transaction costs are

deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible note based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

7.7.17 Dividend policy

The payment of a dividend, if any, is at the discretion of the Directors and will be a function of a number of factors (many of which are outside the control of the Directors). These include the general business environment, the operating results, cash flows and the financial condition of the Company, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends and any other factors the Directors may consider relevant.

The Company has no current intention of declaring or paying dividends in the short to medium term, as it is the Directors' intention to reinvest cash earnings back into the Company to further develop the business. The Directors will review this policy as appropriate. In making a decision concerning dividends, the Directors will take into account the Company's earnings for the period, future capital requirements and other relevant factors such as the Company's outlook.

The Company intends to frank future dividends to the maximum extent possible, having regard to the level of the Company's available franking credits at the time of the future dividend payment. The extent to which a dividend can be franked will depend upon the Company's franking account balance and the Company's level of distributable profits. The Company's franking account balance will depend on the amount of Australian income tax the Company pays.

No assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking credits on any such dividend.

7.7.18 Liquidity and the sources of capital available to Dragonfly

The Company urges you to seek relevant professional advice when evaluating financial information.

As at the date of this Prospectus, assuming the Company is able to raise sufficient capital as contemplated under this Prospectus, the Company's working capital will be sufficient for the Company to continue as a going concern as set out in Section 7.3. The proceeds of the Offer will provide the Company with sufficient working capital to undertake planned activities for a period of at least 24 months.

Following completion of the Offer, the Company will have a minimum working capital balance of \$3,000,000. This capital is available once the Company is admitted to the Official List of ASX. The Directors believe that the Company has sufficient working capital to carry out its stated business objectives as set out in Section 6.



SECTION

8

Risk Factors

8. RISK FACTORS

8.1 Introduction

The Securities offered under this Prospectus should be considered as highly speculative and an investment in the Company is not risk free.

The future performance of the Company and the value of the Securities may be influenced by a range of factors, many of which are largely beyond the control of the Company and the Directors. The key risks that have a direct influence on the Company and activities are set out in the Investment Overview in Section 3. Those key risks as well as other risks associated with the Company's business, the industry in which it operates and general risks applicable to all investments in listed securities and financial markets generally are described below.

The risks factors set out in this Section 8, or other risk factors not specifically referred to, may have a materially adverse impact on the performance of the Company and the value of the Securities. This Section 8 is not intended to provide an exhaustive list of the risk factors to which the Company is exposed.

The Directors strongly recommend that prospective investors consider the risk factors set out in this Section 8, together with all other information contained in this Prospectus.

Before determining whether to invest in the Company you should ensure that you have a sufficient understanding of the risks described in this Section 8 and all of the other information set out in this Prospectus and consider whether an investment in the Company is suitable for you, taking into account your objectives, financial situation and needs.

If you do not understand any matters contained in this Prospectus or have any queries about whether to invest in the Company, you should consult your accountant, financial adviser, stockbroker, lawyer or other professional adviser.

8.2 Company specific risks

Risk Category	Risk
Product Risk	Dragonfly UK's products contain CBD, which is a cannabinoid found in the Cannabis Sativa plant. There are significant variations in legal and regulatory requirements regarding CBD across different jurisdictions. Generally, regulatory bodies are beginning to allow the wider use of CBD in consumable and topical products. For example, in the UK, Germany, Australia and New Zealand, there has been steps taken towards allowing wider use of CBD in products. However, CBD is still a relatively new and emerging market and therefore changes to laws and regulations in countries in which the Company conducts its operations could result in the Company's distribution chain being halted and contracts being terminated or renegotiated. This could adversely affect the Company's commercial success.

Risk Category	Risk
Media and Reputational Risk	<p>The nature of the Company's business attracts a high level of public and media interest. Due to the perceived link to cannabis, there is the chance that the commercial success or market penetration of the Company's products may be adversely affected by connotations associated with cannabis.</p> <p>Media publicity is beyond the scope of the Company's control, however, may adversely affect the commercial success of the Company's products. In the event of adverse publicity regarding cannabis, cannabis misuse or the adverse side effect from cannabis, for example, the Company's reputation may be harmed, and its commercial success may be harmed.</p>
Going concern	<p>The Company refers to page 3 of the Independent Limited Assurance Report at Annexure B of the Prospectus which refers to PKF Perth's report on the Company's financial information for the period ended 31 December 2022 which included an emphasis of matter regarding a material uncertainty related to going concern. Notwithstanding the 'going concern' qualification included in the reports for the period ended 31 December 2022, the Directors believe that upon the successful completion of the Offer, the Company will have sufficient funds to adequately meet the Company's current operational commitments and short-term working capital requirements. In the event that the Offer is not completed successfully there is significant uncertainty as to whether the Company can continue as a going concern, and which is likely to have a material adverse effect on the Company's activities. Refer to Section 7 and the Independent Limited Assurance Report at Annexure B of the Prospectus for further information.</p>
Research and Development Risk	<p>Extraction and formulation of the Company's CBD products, scientific research and the commercialisation of the results of that work is, by its nature, a high-risk undertaking. The Company can make no representation that any of its research or development in new products will be successful, reach the potential markets being targeted, receive regulatory approvals or prove to be commercially successful.</p> <p>There are many risks inherent in the development of new products, particularly when CBD is concerned. Projects can be delayed or fail to demonstrate any benefit, or research may cease to be viable for a range of scientific or commercial reasons.</p> <p>Products can be delayed, suspended or unsuccessful at any stage, or the research may become unviable for a number of unexpected reasons. The Company may also face liability where a product, if approved, does not achieve the expected performance or safety standards. The testing, marketing and sale of new CBD products entails an inherent risk of product liability, and there can be no assurance that product liability claims will not be asserted against the Company.</p>
Contractual Risk	<p>The Company's interest in the Dragonfly UK business is subject to contracts with third parties such as Ceuta Healthcare Ltd and Vetprom AD, details of which are set out in Section 10.</p>

Risk Category	Risk
	<p>These contracts are long term contracts and have been in operation since 2018. The Company is reliant on the third parties remaining stable and produce the products to the same standard that the Company has come to expect. The Company is continually assessing the risk and opportunities associated with its business model which includes having alternative facilities, producers, retailers or distributors should the existing contracts in place fall short of the Company's expectation.</p> <p>The ability of the Company to achieve its stated objectives will depend on the performance by the parties of their obligations under these agreements.</p> <p>If the Company is unable to satisfy its undertakings and/or obligations under these agreements the Company's interest in their subject matter may be jeopardised and may result in the Company not being able to conduct business in the territories in which the Ceuta and Vetprom engagements allow, until a replacement producer, retailer or distributor is contracted. This may have a material adverse effect on the Company's operations and performance and the value of its Securities.</p> <p>If any party defaults in the performance of their obligations, it may be necessary for the Company to approach a court to seek a legal remedy, which can be costly.</p> <p>As at the date of this Prospectus, the Company has no current reason to believe that the counterparties to these contracts will not meet and satisfy their respective obligations.</p>
Current Potential Litigation	<p>In September 2022, a claim was brought against Dragonfly UK by IW Group Services (UK) Limited (IWG) in the County Court at Central London in relation to a proposed breach of contract in relation to the Office Service Agreement. IWG is seeking payment under the Office Services for the premise located at 77 New Cavendish Street, W1W 6XB London, UK. Dragonfly UK occupied the office from July 2019 until March 2020. Dragonfly UK was obligated to leave the office following the COVID lockdown enforced by the UK Government at the time. Dragonfly UK terminated the agreement on 29 May 2020. IWG suspended services from 19 June 2020. IWG claims payment is due for the unoccupied period from June 2020 to October 2021 totalling £356,712 (net). Dragonfly UK is defending the claim. The Company has estimated costs associated with defending the IWG claim to be approximately \$50,000 (refer to Section 6.6). However, in the event such costs exceed the Company's estimates, this may adversely the expenditure proposals and activities of the Company, as the Company may be required to reduce the scope of its operations and scale back its research and development programmes to pay any settlement or litigation costs associated with the IWG claim.</p>
Grenside Claim	<p>A claim has been brought against Dragonfly UK by Mark Nicholas Grenside in the High Court of the UK 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</p>

Risk Category	Risk
	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). On 8 February 2022 through mediation, Dragonfly UK settled the claim. Amongst other matters, the Settlement Agreement provides for instalment payments totalling £200,000 which must be settled within 28 days of the IPO. Of the £200,000, £119,700 remains outstanding and is expected to be paid by the Company from funds raised pursuant to the Offer as set out in Section 6.6. In the unlikely event that the Company is unable to meet its payment obligations to Mr Grenside under the Settlement Agreement, the Company will be required to repay the amount plus any accrued interest at a default rate of 5% per annum. This may adversely affect the expenditure proposals and activities of the Company, as the Company may be required to reduce the scope of its operations and scale back its research and development programmes to pay the settlement costs under the Settlement Agreement.
Access to Ingredients	Some of the Dragonfly UK products are formulated using ingredients from third party suppliers. Such products include, for example, organic hemp seed oil, flavourings, and vitamin D. There is a risk that the Company's suppliers may renegotiate terms for supply of these ingredients, which may result in delays in the development of the Company's products and/or increase the Company's costs of development and production.
Cultivation	<p>The Company's business will involve growing hemp outdoor in Bulgaria. As such, the business will be subject to the risks inherent in the agricultural industry, such as insects, plant diseases, invasive species, storm, fire, frost, flood, drought, water availability, water salinity, pests, bird damage and force majeure events.</p> <p>Dragonfly has been growing hemp outdoor in Bulgaria every year since 2017 and has not experienced any of the above-mentioned events. The cultivation will continue to be operated by trained personnel who carefully monitor the growing conditions. However, there can be no assurance that natural elements and other events noted above will not have a material adverse effect on the production.</p>
Extraction Risk	The Company's business involves extracting CBD from the harvested biomass using food grade ethanol extraction processes. As such the business will be subject to health and safety risks associated with operating such a facility. The Company has trained and experienced personnel operating the extraction facility following strict operating procedures, however there is always the inherent risk of an accident with such facilities. The appropriate safety measures are in place as approved by the local health and safety agency and the fire service.
Regulatory Updates	The Company's business plan includes expansion into international territories. As stated above, there are significant variations in legal and regulatory requirements regarding CBD across different jurisdictions. Further, such requirements are constantly changing. It is possible that regulatory bodies in the territories that the Company is targeting for expansion into may not permit CBD products to be legally sold as

Risk Category	Risk
	expected in the business plan. The Company may be exposed to increased compliance and/or regulatory filing costs.
Cybersecurity Risk	There is a risk of outage, disruption, or security breach of IT systems. This could result in significant business disruption or a loss of confidential business data. The Company mitigates this risk through IT security and infrastructure solutions. This is supported by IT policies and procedures governing security and usage of IT systems.
Potential Acquisitions	<p>The Company expects that, following the Novel Food regulations in the UK, there will be brands removed from the shelf for non-compliance with the FSA regulations. However, this is beyond the scope of the Company's control and the outcome cannot be guaranteed. If brands are removed for non-compliance, this could mean there will be companies for sale that would complement the Company's operations. Such pursuit of potential acquisitions may divert the attention of management and cause the Company to incur various expenses in identifying, investigating and pursuing suitable acquisitions. If the Company acquires additional businesses, it may not be able to integrate the acquired personnel, operations and technologies successfully, or effectively manage the combined business following the acquisition. The Company may also not achieve the anticipated benefits from a potential acquired business due to a number of factors including:</p> <ul style="list-style-type: none"> (a) incurrence of acquisition related costs; (b) diversion of management's attention from other business concerns; (c) unanticipated costs or liabilities associated with the acquisition; (d) harm to the Company's existing business relationships; (e) harm to the Company's brand and reputation; (f) potential loss of key employees; (g) use of resources that are needed in other parts of the business; and (h) use of substantial portions of our available cash to consummate the acquisition. <p>If an acquisition does not yield expected returns, the Company may be required to take charges to its operating results arising from the impairment assessment process. Potential future acquisitions may also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect the Company's operating results.</p>

Risk Category	Risk
Working Capital Risk	<p>The Directors believe the funds raised from the Offer will give the company sufficient working capital to achieve its objectives in this Prospectus. However, funds raised under this Prospectus may not be sufficient to fully commercialise the marketing opportunities and complete potential acquisitions that are likely to become available.</p> <p>The Company may seek to raise additional capital in the future if suitable marketing opportunities or potential acquisitions become available.</p>
Competition Risk	<p>The CBD industry is highly competitive and subject to rapid change as evidenced by the removal of regulatory barriers in such jurisdictions as the UK, Australia, Thailand and the US. Many of these competitors may have greater financial, managerial and research and development resources than the Company. It is possible a major beauty brand or nutraceutical could enter the market with greater marketing and sales experience. If the Company is unable to compete in the market successfully, it may be unable to generate, grow and sustain revenue.</p>
Novel Food Risk	<p>Naturally derived CBD had not been on the EU's Novel Food catalogue until it was updated in January 2019. While the Novel Food catalogue is non-exhaustive and carries no legal power, it is frequently updated and amended with input from member states and is used in reference by authorities to aid enforcement of local Novel Food regulations.</p> <p>On 13 February 2020, the FSA in the UK issued a statement confirming the industry deadline for the submission of a novel foods application of 31 March 2021 for those currently on the market. After 31 March 2021, only products on sale in the UK before 13 February 2020 which had submitted a valid application by 31 March 2021 would be allowed to remain on the market.</p> <p>On 11 March 2021, the FSA relaxed the deadline by announcing that provided the submission was made by 31 March 2021 an entity's product could remain on the market while the FSA reviewed the applications.</p> <p>The FSA had initially committed to completing the review of applications submitted prior to 31 March 2021 in June 2021, however this deadline was not met.</p> <p>On 31 March 2022, the FSA published the list of CBD products that are permitted to remain on sale.</p> <p>The entire range of Dragonfly CBD consumable products were included on the list and are therefore permitted to remain on sale. The FSA guidance states that if a particular product is not on the list, the item should be removed from sale or be subject to local enforcement. As is common with other CBD consumable products on the list, Dragonfly CBD public list status is 'awaiting evidence', this does not impact the permission to sell. The company is working with the FSA to facilitate validation which remains required.</p> <p>As stated above, the Novel Food catalogue is subject to change, as such there is no guarantee that Dragonfly CBD consumable products will continue to remain on this catalogue and consequently be permitted to remain on sale. This could result in the Company being required to delay or</p>

Risk Category	Risk
	halt the sale of its products in the EU which could adversely affect the value of the Company's Securities and its overall commercial success.
Need for Executive Management	<p>The Company's management currently consists of two non-executive directors. The Board is aware of the need to have sufficient management to properly supervise the development of the projects in which the Company has, or will in the future have, an interest and the Board will continually monitor the management roles in the Company.</p> <p>As the Company's projects require an increased level of involvement the Board will look to appoint additional management and/or consultants when and where appropriate to ensure proper management of the Company's projects.</p> <p>However, there is a risk that the Company may not be able to secure personnel with the relevant experience at the appropriate time which may impact on the Company's ability to complete all of its proposed business plans in its preferred timetable. The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on the Board. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these Directors cease their employment.</p>
Liability Claims, Regulatory and Legal Action	<p>As a manufacturer and distributor of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation. These risks will arise, for example, if the Company's CBD products are alleged to have caused significant loss or injury. In addition, the manufacture of CBD products involves the risk of injury to consumers due to tampering by unauthorised third parties or product contamination. Previously unknown adverse reaction resulting from human consumption of CBD products alone or in combination with other products could occur.</p> <p>The Company may be subject to various product liability claims, including among others that the company's products caused injury or illness. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally and could have material adverse effect on our results of operations and financial conditions.</p>
Unforeseen Expenditure Risk	Expenditure may need to be incurred that has not been considered in the preparation of this Prospectus. Although the Company is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals and activities of the Company, as the Company may be required to reduce the scope of its operations and scale back its research and development programmes.
Potential Litigation Risks	The Company is exposed to possible litigation risks, 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

Risk Category	Risk
	result in litigation. Any such claim or dispute if proven, may impact adversely on the Company's operations, reputation, financial performance and financial position.

8.3 Industry specific risks

Risk Category	Risk
Regulatory Approval	The regulatory environment for CBD products is demanding, complex, time consuming and very expensive and as such there is no certainty that the applications for regulatory approval for products developed by Dragonfly UK will be successful.
Intellectual Property	<p>Securing rights to intellectual property, and in particular patents, is an integral part of securing potential product value from the outcomes of pharmaceutical research and development. Competition in retaining and sustaining protection of intellectual property and the complex nature of intellectual property can lead to expensive and lengthy patent disputes for which there can be no guaranteed outcome.</p> <p>The granting of a patent does not guarantee that the rights of others are not infringed nor that competitors will not develop competing intellectual property that circumvents such patents. The Company's success depends, in part, on its ability to obtain patents, maintain trade secret protection and operate without infringing the proprietary rights of third parties. Because the patent position of pharmaceutical companies can be highly uncertain and frequently involves complex legal and scientific evaluation, neither the breadth of claims allowed in pharmaceutical patents nor their enforceability can be predicted. There can be no assurance that any patents the Company may own or control or licence now and in the future will afford the Company commercially significant protection of the intellectual property, nor that any of the projects that may arise from the intellectual property will have commercial applications.</p> <p>Although the Company is not aware of any third party interests in relation to the intellectual property rights of the intellectual property, and has taken steps to protect and confirm its interest in these rights, there is always a risk of third parties claiming involvement in technological and medical discoveries, and if any disputes arise, they could adversely affect the Company.</p> <p>Although the Company will implement all reasonable endeavours to protect its intellectual property, there can be no assurance that these measures have been, or will be sufficient.</p>
Additional requirements for capital	The Company's capital requirements depend on numerous factors. The Company may require further financing in addition to amounts raised under the Offer. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce

Risk Category	Risk
	the scope of its operations and scale back its proposed operations as the case may be. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.
Reliance on key personnel	<p>The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.</p> <p>The Company's future depends, in part, on its ability to attract and retain key personnel. It may not be able to hire and retain such personnel at compensation levels consistent with its existing compensation and salary structure. Its future also depends on the continued contributions of its executive management team and other key management and technical personnel, the loss of whose services would be difficult to replace. In addition, the inability to continue to attract appropriately qualified personnel could have a material adverse effect on the Company's business.</p>
Economic	General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's development and production activities, as well as on its ability to fund those activities.
Currently no market	<p>There is currently no public market for the Company's Shares, the price of its Shares is subject to uncertainty and there can be no assurance that an active market for the Company's Shares will develop or continue after the Offer.</p> <p>The price at which the Company's Shares trade on the ASX after listing may be higher or lower than the issue price of Shares offered under this Prospectus and could be subject to fluctuations in response to variations in operating performance and general operations and business risk, as well as external operating factors over which the Directors and the Company have no control, such as movements in prices and exchange rates, changes to government policy, legislation or regulation and other events or factors.</p> <p>There can be no guarantee that an active market in the Company's Shares will develop or that the price of the Shares will increase. There may be relatively few or many potential buyers or sellers of the Shares on the ASX at any given time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is above or below the price that Shareholders paid.</p>
Market conditions	<p>Share market conditions may affect the value of the Company's Shares regardless of the Company's operating performance. Share market conditions are affected by many factors such as:</p> <ul style="list-style-type: none"> (a) general economic outlook; (b) introduction of tax reform or other new legislation;

Risk Category	Risk
	<p>(c) interest rates and inflation rates;</p> <p>(d) changes in investor sentiment toward particular market sectors;</p> <p>(e) the demand for, and supply of, capital; and</p> <p>(f) terrorism or other hostilities.</p> <p>The market price of Shares can fall as well as rise and may be subject to varied and unpredictable influences on the market. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.</p> <p>Further, after the end of the relevant escrow periods affecting Shares in the Company, a significant sale of then tradeable Shares (or the market perception that such a sale might occur) could have an adverse effect on the Company's Share price. Please refer to Section 6.9 for further details on the restricted securities.</p>
Insurance	<p>The Company intends to insure its operations in accordance with industry practice. However, in certain circumstances the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.</p>
Force Majeure	<p>The Company's projects now or in the future may be adversely affected by risks outside the control of the Company including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.</p>
Taxation	<p>The acquisition and disposal of Securities will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Securities from a taxation viewpoint and generally.</p> <p>To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Securities under this Prospectus.</p>

8.4 General Risks

Risk Category	Risk
Dependence on outside parties	<p>The Company may pursue a strategy that forms strategic business relationships with the other organisations for the manufacture and distribution of products and services. The manufacture and global distribution of products and services is important to the overall success of the Company. There can be no assurance that the Company will be able to attract such prospective organisations and to negotiate appropriate terms and conditions with these organisations.</p>

Risk Category	Risk
Economic	General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's research and development programmes, as well as on its ability to fund those activities.
Foreign exchange rate risk	The Company's revenue will be in Australian dollars derived from the sale of its products and the Company's operating expenses will be incurred principally in Australian dollars. Movements in foreign exchange rates may adversely or beneficially affect the Company's results or operations and cash flows.
Funding Risk	<p>The Company's ability to effectively implement its business and operations plans in the future, to take advantage of opportunities for acquisitions, joint ventures or other business opportunities and to meet any unanticipated liabilities or expenses which the Company may incur may depend in part on its ability to raise additional funds. The Company may seek to raise further funds through equity or debt financing, joint ventures, production sharing arrangements or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in delay and indefinite postponement of development or research. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company and might involve substantial dilution to Shareholders.</p> <p>Further, the Company, in the ordinary course of its operations and developments, is required to issue financial assurances, particularly insurances and bond/bank guarantee instruments to secure statutory and environmental performance undertakings and commercial arrangements. The Company's ability to provide such assurances is subject to external financial and credit market assessments, and its own financial position.</p> <p>Loan agreements and other financing rearrangements such as debt facilities, convertible note issues and finance leases (and any related guarantee and security) that may be entered into by the Company may contain covenants, undertakings and other provisions which, if breached, may entitle lenders to accelerate the repayment of loans and there is no assurance that the Company would be able to repay such loans in the event of an acceleration. Enforcement of any security granted by the Company or default under a finance lease could also result in the loss of assets.</p> <p>The Company is exposed to risks associated with its financial instruments (consisting of cash, receivables, accounts payable and accrued liabilities due to third parties from time to time). This includes the risk that a third party to a financial instrument fails to meet its contractual obligations, the risk that the Company will not be able to meet its financial obligations as they fall due and the risk that market prices may vary which will affect the Company's income.</p>
Hedging risks	As at the date of this Offer the Company has no committed hedging or plans for committed hedging. Hedging may be considered at a future date subject to availability and will be

Risk Category	Risk
	<p>consistent with prudent financial management practices adopted by the Company. If the Company does enter into a hedging transaction, there is a risk that the Company may not be able to deliver physical production into committed hedges, if for example, there was a production stoppage. In that event the Company could be adversely affected if the price was to move unfavourably. In addition, there is a market-to-market risk in respect of accounting for hedging that could adversely impact the Company's financial results.</p>
Investment speculative	<p>The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Securities offered under this Prospectus.</p> <p>Therefore, the Securities to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Securities.</p> <p>Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.</p>
Loss of key clients	<p>The Company is yet to establish important client relationships. Although the Company is expected to establish these relationships, the loss of one or more key clients is likely to adversely affect the operating results of the Company.</p>
Market conditions	<p>Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:</p> <ul style="list-style-type: none"> (a) general economic outlook; (b) introduction of tax reform or other new legislation; (c) interest rates and inflation rates; (d) changes in investor sentiment toward particular market sectors; (e) the demand for, and supply of, capital; and (f) terrorism or other hostilities. <p>The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and biotechnology stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.</p>
Market acceptance	<p>The global marketplace for most products is ever changing due to new technologies, new products, changes in preferences, changes in regulation and other factors influencing market acceptance or market rejection. This market volatility and risk exists despite the best endeavours of market research, promotion and sales and licensing campaigns.</p>

Risk Category	Risk
	Accordingly, there is a risk that the Company may not be able to commercialise its products, which could adversely impact the Company's operations.
Management of growth	There is a risk that management of the Company will not be able to implement the Company's growth strategy after completion of the Offer. The capacity of the Company's management to properly implement and manage the strategic direction of the Group may affect the Company's financial performance.

8.5 Investment speculative

The risk factors described above, and other risks factors not specifically referred to, may have a materially adverse impact on the performance of the Company and the value of the Securities.

Prospective investors should consider that an investment in the Company is highly speculative.

There is no guarantee that the Securities offered under this Prospectus will provide a return on capital, payment of dividends or increases in the market value of those Securities.

Before deciding whether to subscribe for Securities under this Prospectus you should read this Prospectus in its entirety and consider all factors, taking into account your objectives, financial situation and needs.





Board, Management and Corporate Governance

SECTION
9

9. BOARD, MANAGEMENT AND CORPORATE GOVERNANCE

Dragonfly UK was formed and commenced as an entity in 2017, two of the original founders remain on the Board, Radost Draganova and Chris Wronski. Moreover, CBD only became acceptable in high street stores in 2018, in the context of the broader UK CBD industry's lifespan. The Company believes the Board through Mr Regan Saveall, Ms Radost Draganova and Mr Chris Wronski possesses significant expertise and experience in the CBD industry.

The directors experience in the CBD industry relates to their time at Dragonfly UK. Chris Wronski was previously in the health and wellness industry being CEO at The Wellbeing Network. Radost Draganova previously developed a series of solar farms and was CEO of a highly successful TV production company. Regan Saveall joined Dragonfly UK as CFO in January 2019. Regan is a Chartered Accountant and was previously CFO at Chello Zone and VP Finance at NBCUniversal. Regan Saveall and Radost Draganova spent considerable time in Canada, Bulgaria and Romania in 2018 and 2019 establishing the infrastructure of the company and raising finance. Regan Saveall as CEO and Radost Draganova as Chairperson remain integral to the success of the company.

9.1 Directors and key personnel

The Board of the Company consists of:

(a) **Regan Saveall** - Chief Executive Officer



Mr Saveall (ACA) is currently the CEO at Dragonfly UK and has been in the role since November 2019. Prior to his appointment as CEO, Mr Saveall served as the Company's CFO for the period from January 2019. Mr Saveall has spent considerable time in Canada, Bulgaria and Romania in 2019 establishing the infrastructure of the Company and raising finance.

Mr Saveall is a Chartered Accountant with over 25 years of experience in the media industry. Mr Saveall spent 4 years at NBC Universal where he served as VP Finance in the Emerging Markets and International Corporate divisions. Previously, Mr Saveall spent 8 years at Chello Zone where he served as CFO supporting the worldwide expansion and the eventual sale of Chellomedia to AMC Networks for US\$1bn. Prior to that, Mr Saveall spent 8 years at the BBC where he held various senior finance roles.

The Board considers that Mr Saveall is not an independent Director.

(b) **Radost Draganova** – Executive Director and Chairperson



Mrs Draganova is an entrepreneur and experienced businesswoman, based in Sofia. Equipped with a law degree, she spent her early years as head of the Legal Department at Sofia Municipality, responsible for all large-scale urban development, architecture and infrastructure-focused projects.

Mrs Draganova has developed a series of solar farms, a successful TV production company and now is dedicated to building the Company.

Ms Draganova has remained on the Board since the Company was first incorporated in 2017. Ms Draganova has spent considerable time in Canada, Bulgaria and Romania in 2018 and 2019 establishing the infrastructure of the Company and raising finance. The Board considers that Mrs Draganova is not an independent Director.

(c) **Chris Wronski** - *Executive Director*



Mr Wronski is a serial entrepreneur and investor. With experience in both media and health-related industries.

Mr Wronski was formerly the CEO of Dragonfly UK, having previously been involved in Wellbeing Network, where he also served as a CEO. In 1991, Chris founded Chello Zone Holdings (also known as Zone Vision Networks), an England-based TV company. Chris served as President. He also developed and expanded Zone Vision Networks worldwide. Chello Zone Holdings was sold to Liberty Global and then in 2014 sold to AMC Networks as part of the Chellomedia sale for \$1.0bn.

Mr Wronski also ran Sapphire Media, which was sold to Larry Flynt Productions (LFP), and Zone Studios which was sold to BTI Studios.

The Board considers that Mr Wronski is not an independent Director.

(d) **Julian Karadjov** – *Non-Executive Director*



Mr Karadjov has completed a PhD in Biology. Mr Karadjov has completed significant research in the area of "Calcium Transport and Oxidative Phosphorylation in Brain Mitochondria", as well as related biochemical, optical and electrochemical methods. He has written two books on drugs, titled "Cannabis: Science and Politics" and "Drugs: Almost all about them". He is also currently lecturing on different topics, including those related to CBD and other Cannabinoids. His recent research includes work on synthesis and biomedical tests of a new class of synthetic cannabinoids (not yet published) as well as the developed and patented, WO2020044343, Aromatized and Flavoured Paper Products Comprising Terpenes and Cannabinoids, For IIW Entourage Delivery Systems Ltd. The Company considers that Mr Karadjov has no interests, position or relationship that might influence, or reasonably be perceived to influence, in a material respect his capacity to bring an independent judgement to bear on issues before the Board and to act in the best interest of the Company as a whole rather than in the interests of an individual security holder or other party.

As such, the Board considers that Mr Karadjov is an independent Director.

(e) **Dale Klynhout** - Non-Executive Director



Mr Klynhout has 10 years' experience in both Australian and international capital markets, structuring transactions across equities dealing, funds management and corporate finance. He has managed investments across various asset classes and investment teams across the Asia Pacific region as well as operated financial licenses in both Australia and Hong Kong jurisdictions. For the last 5 years his experience has been in transaction generation, strategic planning and asset management for an Australian listed financial group. Mr Klynhout holds a Master of Applied Finance and Diploma of Financial Planning. Whilst not having served on any listed company boards outside of the Company, Mr Klynhout was able to develop working knowledge of the ASX Listing Rules and the Corporations Act during his time on the Board during the period it was listed on the ASX.

The Company considers that Mr Klynhout has no interests, position or relationship that might influence, or reasonably be perceived to influence, in a material respect his capacity to bring an independent judgement to bear on issues before the Board and to act in the best interest of the Company as a whole rather than in the interests of an individual security holder or other party.

As such, the Board considers that Mr Klynhout is an independent Director.

(f) **Warren Goward** - Non-Executive Director



Mr Goward has 18 years' experience in financial markets, working for boutique share brokerage and investment banking firms. Mr Goward has extensive international equity markets experience which includes 4 years in London trading European Equities and 3.5 years in Tokyo trading Japanese equities as a Vice President within Credit Suisse's Prime Services division.

Mr Goward is experienced in both equity and equity derivatives; asset financing and stock lending; and has helped both private and institutional investors meet their equity trading objectives.

Mr Goward holds a Bachelor of Commerce (Economics and Finance); is accredited to provide financial advice in the UK, Japan and Australia and has served as member of the Australian Stock Lending Association).

Whilst not having served on any listed company boards outside of the Company, Mr Goward has sat on numerous private company boards in the past, mostly in the regulated financial services sector. The Company considers that Mr Goward has no interests, position or relationship that might influence, or reasonably be perceived to influence, in a material respect his capacity to bring an independent judgement to bear on issues before the Board and to act in the best interest of the Company as a whole rather than in the interests of an individual security holder or other party.

As such, the Board considers that Mr Goward is an independent Director.

9.2 Advisory Board

(a) Mr David Keefe



Mr Keefe has founded and operated broadband networks and platforms in Europe, Asia, Brazil and the United States. In 2004, he co-founded Atlantic Broadband US, selling the enterprise successfully in 2012.

He is a founding partner at Broadband Technology Advisors US. Mr Keefe is currently supporting the company's international expansion plans in the US.

Mr Keefe holds a bachelor's degree in Humanities from Bridgewater State University and studied at the Eugene O'Neill National Theatre Institute.

He is a retired Major in the United States Air Force Reserves, is married to Julie Sullivan Keefe and they share 6 children. They reside in Key West and Martha's Vineyard.

(b) Mr Olav Hellebo



Mr Hellebo is originally from Norway and is currently based in London where he is CEO of Reneuron Group PLC, which specialises in ophthalmic and neurological conditions. Mr Hellebo has extensive experience in the pharmaceutical industry, having previously been CEO for Antev Limited, Calliditas Therapeutics and Clavis Pharma. Mr Hellebo is supporting Dragonfly UK's strategic plan considering

future developments in the pharmaceutical industry for specific cannabinoids.

9.3 Key Management

(a) Nicola Hurst – Finance Director

Mrs Hurst has been with Dragonfly UK since May 2019 and is a highly experienced Chartered Accountant with over 10 years' experience in the Media & Entertainment industry. Prior to joining Dragonfly, Nicola spent 6 years at NBC Universal International where she held various senior finance positions in their Television and Home Entertainment businesses. Nicola also spent 3 years at Hearst Magazines and trained in public practice at Baker Tilly (now RSM) in London. Nicola manages the consolidated finances for the Company. Nicola is passionate about health & wellbeing, particularly CBD, and is dedicated to developing the Company into a successful business.

9.4 Director Identification Numbers

As at the date of this Prospectus:

(a) Regan Saveall;

(b) Dale Klynhout; and

(c) Warren Goward,

have applied for and received their director identification numbers, and

(d) Radost Draganova;

(e) Chris Wronski; and

(f) Julian Karadjov,

applied for their director identification numbers on 11 January 2023, 11 January 2023 and 27 January 2023 respectively. Radost Draganova, Chris Wronski and Julian Karadjov were appointed before 31 October 2021 and therefore had until 30 November 2022 to apply for their director identification numbers but did not. The Directors acknowledge that failure to have a director ID when required to do so is an offence (s1272C) carrying both civil and criminal penalties. If the above Directors do not receive their director identification numbers prior to listing, they may be required to resign their directorships.

9.5 Disclosure of interests

(a) Remuneration

Details of the Directors' remuneration for the previous two completed and current financial year (on an annualised basis) are set out in the table below:

Director	Remuneration for the year ended 31 December 2019	Remuneration for the year ended 31 December 2020	Remuneration for six months ending 30 June 2021	Remuneration for the year ended 30 June 2022	Proposed remuneration for the year ending 30 June 2023
Regan Saveall ¹	Nil	Nil	\$136,416	\$277,702	\$275,000
Radost Draganova ¹	Nil	Nil	\$45,075	\$112,579	\$90,000
Chris Wronski ¹	Nil	Nil	\$46,266	\$90,347	\$90,000
Julian Karadjov ¹	Nil	Nil	Nil	Nil	\$20,000
Dale Klynhout ²	Nil	Nil	Nil	Nil	\$20,000
Warren Goward ³	Nil	Nil	Nil	Nil	\$20,000

Notes:

1. Appointed on 19 July 2021.
2. Appointed on 11 December 2017.
3. Appointed 1 September 2021.



(b) **Interests in Securities**

As at the date of this Prospectus

Directors are not required under the Company's Constitution to hold any Shares to be eligible to act as a director. As at the date of this Prospectus, the Directors have relevant interests in securities as follows:

Director	Shares	Options	Percentage (%) ¹	Percentage (%) ²
Radost Draganova	25,330,034	Nil	24.05%	23.52%
Chris Wronski	19,160,443	Nil	18.19%	17.79%
Regan Saveall	1,073,741	1,853,773 ³	1.02%	2.72%
Dale Klynhout	Nil	Nil	Nil	Nil
Julian Karadjov	Nil	Nil	Nil	Nil
Warren Goward	Nil	Nil	Nil	Nil

Notes:

1. This column reflects the Directors undiluted interest.
2. This column reflects the Directors diluted interest.
3. Comprising:
 - (a) 676,326 Options exercisable at \$0.13 each, expiring on or before the date that is 10 years from the date of issue (issued 11/11/22); and
 - (b) 1,177,447 Options exercisable at \$0.14 each, expiring on or before the date that is 10 years from the date of issue (issued 3/12/22).

The Company has determined the value of these Options to be \$690,839, based on the Black- Scholes option valuation model.

Post-completion of the Offer – Minimum Subscription^{1,2}

Director	Shares	Options	Percentage (%) ¹	Percentage (%) ²
Radost Draganova	25,330,034 ³	Nil	16.64%	14.51%
Chris Wronski	19,160,443 ⁴	Nil	12.59%	10.97%
Regan Saveall	1,073,741 ⁵	1,853,773 ⁶	0.71%	1.68%
Dale Klynhout	Nil	Nil	Nil	Nil
Julian Karadjov	Nil	Nil	Nil	Nil
Warren Goward	Nil	Nil	Nil	Nil

Notes:

1. This column reflects the Directors undiluted interest.
2. This column reflects the Directors diluted interest.
3. Comprising 2,785,764 Shares held indirectly via Bio Active Sciences Ltd and 22,544,270 Shares held directly.
4. Held directly.
5. Held directly.
6. Comprising:

- (a) 676,326 Options exercisable at \$0.13 each, expiring on or before the date that is 10 years from the date of issue (issued 11/11/22); and
- (b) 1,177,447 Options exercisable at \$0.14 each, expiring on or before the date that is 10 years from the date of issue (issued 3/12/22).

The Company has determined the value of these Options to be \$690,839, based on the Black- Scholes option valuation model.

Post-completion of the Offer – Maximum Subscription^{1,2}

Director	Shares	Options	Percentage (%) ¹	Percentage (%) ²
Radost Draganova	25,330,034 ³	Nil	15.61%	13.36%
Chris Wronski	19,160,443 ⁴	Nil	11.81%	10.10%
Regan Saveall	1,073,741 ⁵	1,853,773 ⁶	0.66%	1.54%
Dale Klynhout	Nil	Nil	Nil	Nil
Julian Karadjov	Nil	Nil	Nil	Nil
Warren Goward	Nil	Nil	Nil	Nil

Notes:

- 1. This column reflects the Directors undiluted interest.
- 2. This column reflects the Directors diluted interest.
- 3. Comprising 2,785,764 Shares held indirectly via Bio Active Sciences Ltd and 22,544,270 Shares held directly.
- 4. Held directly.
- 5. Held directly.
- 6. Comprising:
 - (a) 676,326 Options exercisable at \$0.13 each, expiring on or before the date that is 10 years from the date of issue (issued 11/11/22); and
 - (b) 1,177,447 Options exercisable at \$0.14 each, expiring on or before the date that is 10 years from the date of issue (issued 3/12/22).

The Company has determined the value of these Options to be \$690,839, based on the Black- Scholes option valuation model.

9.6 Agreements with Directors and related parties

The Company's policy in respect of related party arrangements is:

- (a) a Director with a material personal interest in a matter is required to give notice to the other Directors before such a matter is considered by the Board; and
- (b) for the Board to consider such a matter, the Director who has a material personal interest is not present while the matter is being considered at the meeting and does not vote on the matter.

The agreements between the Company and related parties are summarised in Section 10.3.

9.7 Corporate Governance

(a) ASX Corporate Governance Council Principles and Recommendations

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent applicable, the Company has adopted The Corporate Governance Principles and Recommendations (4th Edition) as published by ASX Corporate Governance Council (**Recommendations**).

In light of the Company's size and nature, the Board considers that the current board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined below and the Company's full Corporate Governance Plan is available in a dedicated corporate governance information section of the Company's website www.dragonflybiosciences.com.

(b) Board of Directors

The Board is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- (i) maintain and increase Shareholder value;
- (ii) ensure a prudential and ethical basis for the Company's conduct and activities consistent with the Company's stated values; and
- (iii) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

- (i) leading and setting the strategic direction, values and objectives of the Company;
- (ii) appointing the Chairperson of the Board, Managing Director or Chief Executive Officer and approving the appointment of senior executives and the Company Secretary;
- (iii) overseeing the implementation of the Company's strategic objectives, values, code of conduct and performance generally;
- (iv) approving operating budgets, major capital expenditure and significant acquisitions and divestitures;

- (v) overseeing the integrity of the Company's accounting and corporate reporting systems, including any external audit (satisfying itself financial statements released to the market fairly and accurately reflect the Company's financial position and performance);
- (vi) establishing procedures for verifying the integrity of those periodic reports which are not audited or reviewed by an external auditor, to ensure that each periodic report is materially accurate, balanced and provides investors with appropriate information to make informed investment decisions;
- (vii) overseeing the Company's procedures and processes for making timely and balanced disclosure of all material information that a reasonable person would expect to have a material effect on the price or value of the Company's securities;
- (viii) reviewing, ratifying and monitoring the effectiveness of the Company's risk management framework, corporate governance policies and systems designed to ensure legal compliance; and
- (ix) approving the Company's remuneration framework.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

(c) **Composition of the Board**

Election of Board members is substantially the province of the Shareholders in general meeting, subject to the following:

- (i) membership of the Board of Directors will be reviewed regularly to ensure the mix of skills and expertise is appropriate; and
- (ii) the composition of the Board has been structured so as to provide the Company with an adequate mix of directors with industry knowledge, technical, commercial and financial skills together with integrity and judgment considered necessary to represent Shareholders and fulfil the business objectives and values of the Company as well as to deal with new and emerging business and governance issues.

The Board currently consists of six Directors (three non-executive Directors and three executive Directors) of whom three are considered independent. The Board considers the current balance of skills and expertise to be appropriate given the currently planned level of activity of the Company.

To assist in evaluating the appropriateness of the Board's mix of qualifications, experience and expertise, the Board intends to maintain a Board Skills Matrix to ensure that the Board has the skills to discharge its obligations effectively and to add value.

The Board undertakes appropriate checks before appointing a person as a Director or putting forward to Shareholders a candidate for election as a Director or senior executive.

The Board ensures that Shareholders are provided with all material information in the Board's possession relevant to a decision on whether or not to elect or re-elect a Director.

The Company shall develop and implement a formal induction program for Directors, which is tailored to their existing skills, knowledge and experience. The purpose of this program is to allow new directors to participate fully and actively in Board decision-making at the earliest opportunity, and to enable new directors to gain an understanding of the Company's policies and procedures.

The Board maintains oversight and responsibility for the Company's continual monitoring of its diversity practices. The Company's Diversity Policy provides a framework for the Company to achieve enhanced recruitment practices whereby the best person for the job is employed, which requires the consideration of a broad and diverse pool of talent.

(d) **Identification and management of risk**

The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

(e) **Ethical standards**

The Board is committed to the establishment and maintenance of appropriate ethical standards and to conducting all of the Company's business activities fairly, honestly with integrity, and in compliance with all applicable laws, rules and regulations. In particular, the Company and the Board are committed to preventing any form of bribery or corruption and to upholding all laws relevant to these issues as set out in the Company's Anti-Bribery and Anti-Corruption Policy. In addition, the Company encourages reporting of actual and suspected violations of the Company's Code of Conduct or other instances of illegal, unethical or improper conduct. The Company and the Board provide effective protection from victimisation or dismissal to those reporting such conduct as set out in its Whistleblower Protection Policy.

(f) **Independent professional advice**

Subject to the Chairperson's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

(g) **Remuneration arrangements**

The remuneration of an executive Director will be decided by the Board, without the affected executive Director participating in that decision-making process.

In accordance with the Constitution, the total maximum remuneration of non-executive Directors is initially set by the Board and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective

contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$250,000 per annum.

In addition, a Director may be paid fees or other amounts for example, and subject to any necessary Shareholder approval, non-cash performance incentives (such as Options) as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in the performance of their duties as Directors.

The Board reviews and approves the remuneration policy to enable the Company to attract and retain executives and Directors who will create value for Shareholders having regard to the amount considered to be commensurate for a company of its size and level of activity as well as the relevant Directors' time, commitment and responsibility. The Board is also responsible for reviewing any employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

(h) **Trading policy**

The Board has adopted a policy that sets out the guidelines on the sale and purchase of securities in the Company by its key management personnel (i.e. Directors and, if applicable, any employees reporting directly to the Managing Director). The policy generally provides that, the written acknowledgement of the Chair (or the Board in the case of the Chairperson) must be obtained prior to trading.

(i) **External audit**

The Company in general meetings is responsible for the appointment of the external auditors of the Company. From time to time, the Board will review the scope, performance and fees of those external auditors.

(j) **Audit committee**

The Company will not have a separate audit committee until such time as the Board is of a sufficient size and structure, and the Company's operations are of a sufficient magnitude for a separate committee to be of benefit to the Company. In the meantime, the full Board will carry out the duties that would ordinarily be assigned to that committee under the written terms of reference for that committee, including but not limited to:

- (i) monitoring and reviewing any matters of significance affecting financial reporting and compliance;
- (ii) verifying the integrity of those periodic reports which are not audited or reviewed by an external auditor;
- (iii) monitoring and reviewing the Company's internal audit and financial control system, risk management systems; and
- (iv) management of the Company's relationships with external auditors.

(k) **Diversity policy**

The Company is committed to workplace diversity. The Company is committed to inclusion at all levels of the organisation, regardless of gender, marital or family status, sexual orientation, gender identity, age, disabilities, ethnicity, religious beliefs, cultural background, socio-economic background, perspective and experience.

The Board has adopted a diversity policy which provides a framework for the Company to achieve, amongst other things, a diverse and skilled workforce, a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff, improved employment and career development opportunities for women and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives.

(l) **Departures from Recommendations**

Under the ASX Listing Rules the Company will be required to provide a statement in its annual financial report or on its website disclosing the extent to which it has followed the Recommendations during each reporting period. Where the Company has not followed a Recommendation, it must identify the Recommendation that has not been followed and give reasons for not following it.

The Company's compliance and departures from the Recommendations will also be announced prior to admission to the Official List of the ASX.

9.8 Compliance with Australian laws

On completion of the Offer, it is the Company's intention to employ an Australian based company secretary with ASX experience, who will be charged with coordinating and ensuring that the Company meets its statutory, ASX Listing Rules and market reporting obligations in a timely manner.





Material Contracts

SECTION
10

10. MATERIAL CONTRACTS

Set out below is a brief summary of the certain contracts to which the Company is a party and which the Directors have identified as material to the Company or are of such a nature that an investor may wish to have details of particulars of them when making an assessment of whether to apply for Shares.

To fully understand all rights and obligations of a material contract, it would be necessary to review it in full and these summaries should be read in this light.

10.1 Capital raising agreements

10.1.1 JLM Mandate

On 16 May 2023, the Company entered into a lead manager mandate with Finexia Securities Limited (**Finexia**) and RM Corporate Finance (**RM**) pursuant to which it engaged Finexia and RM to act as joint lead managers to the Offer (**JLM Mandate**). The material terms and conditions of the Joint Lead Manager Mandate are summarised below:

Date	16 May 2023.
Term	12 months from the date of execution, unless otherwise extended by mutual agreement of the parties.
Scope of Work/Services	Under the terms of the JLM mandate, the JLMs have agreed to provide the services including, but not limited to, the following: <ul style="list-style-type: none"> (a) assist the Company in developing general strategy for successfully completing an IPO including advising on an appropriate offer structure, pricing, timing, structural aspects and coordinating and developing the process together with the Company's legal advisors; (b) liaise with the appropriate Australian regulatory authorities including the ASIC and ASX (in conjunction with the Company's legal and financial advisors) (c) present the Company's investment case to its investor networks and facilitate presentations to institutional investors; and (d) attend due diligence meetings (together, the Services).
Fees	Under the terms of this engagement, the Company has agreed to pay/issue the JLMs the following: <ul style="list-style-type: none"> (a) a 2% management fee of the total amount raised under the seed raising and Offer (exclusive of GST); (b) 4% capital raising fee of the total amount raised under the seed raising and Offer (exclusive of GST); and (c) 1,000,000 Shares, (together, the Fees). It is anticipated that all Fees will be split equally between the JLMs.

Expenses	The Company will reimburse the JLMs for all reasonable out-of-pocket expenses incurred in carrying out the Offer. The JLMs will not incur expenses in excess of \$5,000 without the prior consent of the Company.
Termination by JLM	The engagement may be terminated at any time by the JLM giving 30 days' written notice to the Company.
Termination by the Company	The Company may terminate the JLM Mandate at any time where the JLMs have materially breached the engagement. Such termination will not be effective unless: (a) the the Company has provided the JLMs notice in writing setting out the material breach (b) The JLMs have not remedied the breach within 14 days of receiving the notice set out in (a).
Payment of Fees in the event of termination	If any Fees have accrued and are owing to the JLMs on termination, or accrued after termination, the Company must pay the fee within 14 days of termination occurring or the date of accrual (as the case may be) together with any costs and expenses incurred by the JLMs.

The JLM Mandate otherwise contains provisions considered standard for an agreement of its nature (including representations, warranties and confidentiality provisions).

10.1.2 Acquisition Agreement

On 27 May 2021, the Company entered into an implementation heads of agreement with Dragonfly UK pursuant to which the Company agreed to make offers to acquire all the Dragonfly UK Shares and Dragonfly UK Convertible Notes from the Dragonfly UK Shareholders and Dragonfly UK Convertible Noteholders for consideration based on a valuation of Dragonfly UK (the **Acquisition Agreement**). The material terms and conditions of the Acquisition Agreement are summarised below:

Consideration	<p>The total consideration to be paid by the Company to the Dragonfly UK Shareholders and Dragonfly UK Convertible Noteholders in exchange for the Dragonfly UK Shares and the Dragonfly UK Convertible Notes is the issue of a total of 373,540,438 Shares comprising:</p> <p>(a) in respect of the Dragonfly UK Convertible Noteholders – 85,171,000 Shares; and</p> <p>(b) in respect of the Dragonfly UK Shareholders – 288,369,438 Shares,</p> <p>The Shares issued to the Dragonfly UK Convertible Noteholders were issued at a deemed issue price of \$0.16 per Share and the Shares were issued to the Dragonfly UK Shareholders at a deemed issue price of \$0.20 per Share.</p> <p>The above Shares were issued on a pre-consolidation basis.</p>
Conditions Precedent	<p>The obligations of the parties under the Acquisition Agreement were subject to and conditional upon:</p> <p>(a) completion of due diligence by the Company on Dragonfly UK and its assets, to the satisfaction of the Company;</p>

	<p>(b) completion of due diligence by Dragonfly UK on the Company and its assets, to the satisfaction of Dragonfly UK;</p> <p>(c) the Company obtaining all necessary regulatory and shareholder approvals required to complete the Acquisition;</p> <p>(d) Dragonfly UK obtaining all necessary approvals required to complete the Acquisition and the change of control arising as a result of the Acquisition;</p> <p>(e) the Company receiving conditional approval from ASX in respect of the admission to quotation of the Shares on the Official List;</p> <p>(f) the Company receiving the following documents from each of the Dragonfly UK Shareholders:</p> <ul style="list-style-type: none"> (a) share certificates; (b) updated separate instruments of transfer in registrable form; (c) completed application forms under a prospectus for the issue of the Consideration Shares; and (d) signed restriction agreements pursuant to Chapter 9 of the ASX Listing Rules; (e) the Company receiving the following documents from each of the Convertible Noteholders: (f) completed application forms under a prospectus for the issue of the Consideration Shares to the Convertible Noteholders; and (g) signed restriction agreements pursuant to Chapter 9 of the ASX Listing Rules in respect of any escrow applied by ASX, and <p>(g) the Company entering into a transfer agreement with each Dragonfly UK Shareholder and Convertible Noteholder (or a cancellation deed) or a duly authorised attorney for and on behalf of a Shareholder or Convertible Noteholder for the Company to acquire all of the Dragonfly UK Shares and Convertible Notes held by that Shareholder or Convertible Noteholder on the terms of the Acquisition Agreement subject only to the conditions.</p>
Settlement	It was agreed that settlement of the Acquisition would take place on the date which is five business days after the satisfaction or waiver of the final condition.

The Acquisition Agreement contains terms and conditions considered otherwise standard for an agreement of its nature.

10.2 Operational Agreements

10.2.1 Ceuta Agreement

On 2 August 2018, Dragonfly UK entered into an agreement with Ceuta Healthcare Limited (Company No. 2974951), a company based in Bournemouth, Dorset (**Ceuta**), pursuant to which the Company agreed to engage Ceuta to act as an agent to obtain orders and to promote the Company's products (**Ceuta Agreement**). The material terms and conditions of the Ceuta Agreement are summarised below:

Commencement and Term	2 August 2018 (Commencement Date), for an initial minimum period of four (4) years. Thereafter the agreement continues automatically on a one (1) year rolling basis, subject to the requirement in any event to provide not less than 6 months written notice of termination of this agreement after the expiry of the fixed term. Accordingly, the Ceuta Agreement was automatically renewed on 2 August 2022 for the period until 2 August 2023.
Territory	UK (including Northern Ireland) and other markets as agreed.
Engagement	<p>The Company agreed to appoint Ceuta to act as its exclusive agent in the territory of the UK and Northern Ireland (the Territory) to engage with third party retailers, assist with the distribution and promotion of the Company's products and solicitation of customers for the products and to negotiate sales of the product with third party retailers in the Territory.</p> <p>The Ceuta Agreement is exclusive in nature and affords the Company exclusivity with Ceuta as their sole CBD supplier to retail outlets in the UK and Northern Ireland.</p> <p>The Company agreed to deliver products to Ceuta at the elected sites or storehouses of the Agent's sub-contractor Alloga.</p>
Remuneration	<p>The Company and Ceuta agreed that the Company would (or may, as applicable) pay to Ceuta the following in consideration for the engagement:</p> <ul style="list-style-type: none"> (a) a commission on sales invoiced to customers, to be calculated and made payable by the Company as invoiced by Ceuta; (b) a commission on "net invoiced sales", being 5% sales fee for Holland and Barrett and 8% sales fee for all other accounts; (c) a fixed monthly fixed fee of £6,000 for marketing support provided between August 2018 and January 2019; (d) 6.5% of the "net invoice price" of sales for warehousing, distribution, invoicing, and credit control; (e) potential additional performance bonuses if the following target net sales are reached, in the corresponding bonus amounts: <ul style="list-style-type: none"> (i) 2019 –£2,000,000– additional £50,000; and (ii) 2020 - £5,000,000 – additional £150,000, (iii) potential recharges and bonus recharges (other costs and team or individual bonus

	payments) if and as agreed upon between the Company and Ceuta.
Termination	<p>It is a requirement under the Ceuta Agreement that a terminating party must provide not less than 6 months written notice of termination after the expiry of the fixed term (which lapsed on 2 August 2022), unless one of the following events occur, in which case, the agreement can be terminated by immediate written notice:</p> <ul style="list-style-type: none"> (a) material breach of the agreement incapable of being remedied following receipt of 30 days written notice by a party; (b) an encumbrancer takes possession of, or a receiver is appointed over, any of the property or assets of the other party; (c) an event of insolvency occurs to either party; and (d) change of ownership of Ceuta occurs, in which the new owner is a competitor of the Company. <p>In the event the Company does not wish to auto renew the Ceuta Agreement, the earliest date that the Company could give notice of termination by convenience is 2 August 2023, which would provide a 6 months' notice period to terminate the contract by 1 February 2024.</p>
Termination Fees	<p>Upon the termination of the Ceuta Agreement, the commission, fixed monthly fees, recharges and warehousing and distribution costs will be paid to the date of termination. Any bonus will be reviewed and calculated on a pro rata basis with any bonus calculated as earned becoming payable.</p> <p>The Company confirms that this bonus was only appropriate at the commencement of the Ceuta Contract in 2018 and confirms that no bonuses are currently payable by the Company to Ceuta. Other termination fees payable by the Company to Ceuta would be payable up to the date of termination and the Company confirms that the date of termination would determine any amounts payable.</p>

The Ceuta Agreement contains terms and conditions otherwise considered standard for an agreement of its nature.



10.2.2 Vetprom Agreement

On 29 August 2018, Dragonfly Biosciences Bulgaria Ltd (Unique Identification Code 203902381) (**Dragonfly Bulgaria**) entered into an agreement with Vetprom AD (Unique Identification Code 823073378) based in Radomir, Bulgaria (**Vetprom**), pursuant to which Dragonfly Bulgaria agreed to engage Vetprom to produce food supplements for the Company (**Vetprom Agreement**). The material terms and conditions of the Vetprom Agreement are summarised below:

Commencement and Term	<p>29 August 2018 (Commencement Date), for a term of five (5) years, unless terminated in accordance with applicable termination provisions.</p> <p>The Company notes that the Vetprom Agreement will expire on 29 August 2023. At or prior to its expiry, the Company confirms that it has every intention to renew the Vetprom Agreement on similar terms.</p>
Engagement	<p>Vetprom agreed to produce food supplements for and Dragonfly Bulgaria agreed to provide the active substances, auxiliaries, and packaging necessary for the production of the products.</p>
Undertakings and obligations	<p>Under the Vetprom Agreement, the Company undertakes:</p> <ul style="list-style-type: none"> (a) to receive applications for orders of products within one week after the end of the week for which the order was confirmed; (b) to provide its representative on the production site of Vetprom in carrying out inspections by the competent authorities in connection with the control of compliance with the legislation in this regard; and (c) to not to distribute it for the duration of the contract and after its termination.
Remuneration	<p>The prices payable to Vetprom for the various products, outlined in further detail in the Vetprom Agreement are:</p> <ul style="list-style-type: none"> (a) €1.00 excluding VAT for hammering, homogenising, primary and secondary packaging and microbiological analysis; (b) €0.70 excluding VAT for hammering, homogenising, primary packaging and microbiological analysis; and (c) 1 Bulgarian Lev/kg excluding VAT for hammering and homogenising, without microbiological analysis. (d) The prices are not subject to change for a period of one (1) year from the date of the first production. When production reaches more than 70,000 production units for three (3) consecutive months, the parties agree to renegotiate the prices.
Termination Fee	<p>In case of that the Vetprom Agreement is terminated and / or terminated by the Company's fault before repayment of all amounts owed by the Company, the Company owes to Vetprom a penalty of 0.1% per day of the overdue amount but no more than 10% thereof. As at the date of this Prospectus, the Company confirms there are no overdue payments to Vetprom and as such, in the event of termination by the Company's fault, the Company would not be entitled to pay any fees on overdue amounts.</p>

The Vetprom Agreement contains terms and conditions otherwise considered standard for an agreement of its nature.

10.2.3 IHEMPFARMS Agreement

On 10 January 2023, Dragonfly Biosciences Bulgaria Ltd (Unique Identification Code 203902381) (**Dragonfly Bulgaria**) entered into a framework agreement with IHEMPFARMS for the purchase and supply of Cannabis Sativa L. yielding seeds to the Company on an annual basis (**IHEMPFARMS Agreement**). The material terms and conditions of the IHEMPFARMS Agreement are summarised below:

Commencement and Term	10 January 2023 (Commencement Date), for a term of five (5) years.
Engagement	Pursuant to this arrangement, Dragonfly Bulgaria undertakes to submit an annual request for seed supply no later than 20 January of each calendar year for the Term, and IHEMPFARMS agrees to deliver the requested quantities of seed no later than 15 March of the relevant calendar year to the business base of Dragonfly Bulgaria, located in the village of Gaganitsa with coordinates 43°20'18.75"N 23° 7'10.41" E.
Seed requirements	The seeds must meet the following requirements: (a) be included in the list of certified seeds according to Council Directive 2002/57/EC of the EU; and (b) have the necessary documentation regarding origin, certificates, labels, organic origin.
Price	The price of seed is determined by the prevailing price at the time of purchase. There is an active secondary market for a whole range of hemp seed variants and is determined by the normal market variables such as supply and demand.

The IHEMPFARMS Agreement otherwise contains terms and conditions otherwise considered standard for an agreement of its nature.

10.2.4 HHI Agreement

On 20 April 2021, Dragonfly UK entered into a distribution agreement with Health House International Pty Ltd (HHI) to distribute Dragonfly CBD products within Australasia on a non-exclusive basis (**HHI Agreement**). The material terms and conditions of the HHI Agreement are summarised below:

Commencement and Term	1 April 2021 for two years, and then after automatically renewed on the same terms and conditions for another period of two years.	
Location	Australasia (Australia, NZ and Asia) (Location).	
Products	Product	RRP (per unit excluding GST) (AUD\$)
	Dragonfly CBD 500mg Narrow Spectrum 10ml	55
	Dragonfly CBD 1000mg Narrow Spectrum 10ml	75

	Dragonfly CBD 2000mg Narrow Spectrum 30ml	145
	Dragonfly CBD 3000mg Narrow Spectrum 30ml	205
	Dragonfly CBD 450mg Narrow Spectrum 10ml	55
	Dragonfly CBD 900mg Narrow Spectrum 10ml	75
Engagement	<p>HHI agrees to supply the Products to HHI to distribute in the Location on a non-exclusive basis.</p> <p>HHI will store, handle and label the Products in accordance with the requirements of any authority and in accordance with Dragonfly UK's recommendations. Dragonfly UK and HHI will mutually agree on the wholesale price and RRP for the sale of the Products to the customers and patients.</p>	
Payment	<p>HHI will pay for the Products once the Product(s) are sold as the Products are provided on a consignment basis. Payment to Dragonfly UK will occur on the third (3rd) Business Day of each month for any Products sold the month prior and paid for in full by the customer.</p>	
Termination	<p>Either party may terminate the agreement on the giving of one hundred and eighty (180) days written notice to the other party if at any time:</p> <ul style="list-style-type: none"> (a) one party fails to observe or perform any obligation or requirement under this Agreement or commits any breach of any provision of this Agreement; or (b) either party dies or becomes bankrupt or, if a company, an order or resolution is made for the winding up of such party or any provisional liquidator, official manager or receiver is appointed to such party; or (c) any party makes any assignment for the benefit of creditors; or (d) any cheque, promissory note or letter of credit is not honoured provided that Dragonfly UK shall have given HHI seven (7) days to honour any such cheque, promissory note or letter of credit which is not honoured upon its initial presentation; or (e) either party fails to observe any statute or regulation relating to the dealing, manufacturing and/or distribution of the Product; or (f) both parties agree in writing that the agreement has come to an end. 	

10.3 Agreements with Directors and management/related parties

10.3.1 Executive Services Agreements – Regan Saveall and Radost Draganova

The Company entered into an executive services agreement with Mr Regan Saveall (**ESA**) pursuant to which the Company has agreed to appoint Mr Saveall as Chief Executive Officer (**CEO**) of the Company. The material terms of the ESA are as follows:

Remuneration	£150,000 per annum plus a minimum 10% bonus entitlement.
Term	1 August 2021 (Commencement Date), to continue indefinitely unless terminated in accordance with its terms.
Restraint of trade period and area	1 month, within 100kms of the Company's office worked predominantly within 100kms of location of the Company's office located in QLD and NSW or within the states of QLD and NSW.
Termination after 1 year	(a) Notice of six (6) months will be provided unless otherwise agreed by both parties in writing. (b) The Company may provide payment in lieu of notice of the salary component of Mr Saveall's remuneration and immediately terminate the performance of Mr Saveall's duties during the notice period.
Termination for summary dismissal	The Company may terminate Mr Saveall's employment without notice in circumstances warranting summary dismissal including being convicted for an offence (including a criminal offence) precluding or inhibiting the further performance of his duties.
Resignation	Should Mr Saveall resign from his position of employment for any reason, notice of three (3) months must be given to the Company in writing unless otherwise agreed by both parties in writing.
Insurance	The Company will maintain any existing personal insurance Mr Saveall has in place at the time of employment for income protection and life insurance for the first two years of employment. After the first two years of employment, the Company may continue to maintain the insurances at its sole discretion.
Agreement to reimburse the Company	Mr Saveall agrees to reimburse the Company either via a deduction of his wages (pursuant to an Agreement in writing) or as a debt owing to the Company, any monies owing by Mr Saveall to the Company including: (a) any overpayment by the Company; (b) the value of any unreturned company property, with due allowance for fair wear and tear; (c) personal expenses (including personal fuel expenses, and personal insurance expenses); or (d) an advance on annual leave, wages or paid personal/carer's leave.
Intellectual property	Any Intellectual Property made, created or discovered by Mr Saveall in the course of his employment is owned by the Company. Any Intellectual Property made created or discovered by Mr Saveall in the course of his employment under the agreement shall be disclosed by Mr Saveall to the Company.

The ESA contains terms and conditions otherwise considered standard for an agreement of its nature.

The Company entered into an executive services agreement with Mrs Radost Draganova (**ESA**) pursuant to which the Company has agreed to appoint Mrs Draganova as Executive Director/Chair of the Company. The material terms of the ESA are as follows:

Remuneration	\$97,728.75 per annum
Term	1 October 2021 (Commencement Date), to continue indefinitely unless terminated in accordance with its terms.
Restraint of trade period and area	3 months, within 100kms of the Company's office worked predominantly within 100kms of location of the Company's office located in QLD and NSW or within the states of QLD and NSW.
Termination after 1 year	<p>(a) Notice of six (6) months will be provided unless otherwise agreed by both parties in writing.</p> <p>(b) The Company may provide payment in lieu of notice of the salary component of Ms Draganova-Nikolova's remuneration and immediately terminate the performance of Ms Draganova-Nikolova's duties during the notice period.</p>
Termination for summary dismissal	The Company may terminate Ms Draganova-Nikolova's employment without notice in circumstances warranting summary dismissal including being convicted for an offence (including a criminal offence) precluding or inhibiting the further performance of her duties.
Resignation	Should Ms Draganova-Nikolova resign from her position of employment for any reason, notice of six (6) months must be given to the Company in writing unless otherwise agreed by both parties in writing.
Insurance	The Company will maintain any existing personal insurance Ms Draganova-Nikolova has in place at the time of employment for income protection and life insurance for the first two years of employment. After the first two years of employment, the Company may continue to maintain the insurances at its sole discretion.
Agreement to reimburse the Company	<p>Ms Draganova-Nikolova agrees to reimburse the Company either via a deduction of her wages (pursuant to an Agreement in writing) or as a debt owing to the Company, any monies owing by Ms Draganova-Nikolova to the Company including:</p> <p>(a) any overpayment by the Company;</p> <p>(b) The value of any unreturned company property, with due allowance for fair wear and tear;</p> <p>(c) Personal expenses (including personal fuel expenses, and personal insurance expenses); or</p> <p>(d) An advance on annual leave, wages or paid personal/carer's leave.</p>
Intellectual property	Any Intellectual Property made, created or discovered by Ms Draganova-Nikolova in the course of their employment is owned by the Company. Any Intellectual Property made created or discovered by Ms Draganova-Nikolova in the course

[REDACTED] of their employment under the agreement shall be disclosed by Ms Draganova-Nikolova to the Company.

The ESA contains terms and conditions otherwise considered standard for an agreement of its nature.

10.3.2 Non-executive Director appointments

Mr Dale Klynhout, Mr Warren Goward and Mr Julian Karadjov have entered into appointment letters with the Company to act in the capacity of non-executive Directors. These Directors will receive the remuneration set out in Section 9.6.

10.4 Deeds of indemnity, insurance and access

The Company will enter into a deed of indemnity, insurance and access with each of its Directors. Under these deeds, the Company will agree to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company. The Company will also be required to maintain insurance policies for the benefit of the relevant officer and allow the officers to inspect board papers in certain circumstances.



Additional Information

SECTION
11

11. ADDITIONAL INFORMATION

11.1 Litigation

(a) Grenside Claim

A claim has been brought against Dragonfly UK by Mr Mark Nicholas Grenside in the High Court of the UK in relation to a proposed breach of contract (**Grenside Claim**). On 8 February 2022, the Company entered into a settlement agreement and release with Mr Mark Grenside (**Settlement Agreement**). Amongst other matters, the Settlement Agreement provides for instalment payments totalling £200,000 (which must be settled within 28 days of the IPO, of which £119,700 remains outstanding and will be paid by the Company from funds raised pursuant to the Offer as set out in Section 6.6) and a grant of Options to Mr Grenside with an exercise price that is 'at a discount of 60% on the share price based on the valuation of the shares as at the date of, and for the purposes of, the IPO such that the value of the shares to Mr Grenside (less the exercise price payable) is no less than £575,000 as at the date of the IPO'.

Assuming an exchange rate of 1 GBP = 1.86 AUD, £575,000 equals \$1,069,386. It is intended to offer shares in the IPO at \$0.20, so the number of Options to be issued to Mr Grenside will be at least 8,911,550 (\$1,069,386 AUD/\$0.12) (subject to any significant changes to the exchange rate).

The full terms and conditions of the Options are set out in Section 11.4.

(b) IWG Dispute

In September 2022, a claim was brought against Dragonfly UK by IW Group Services (UK) Limited (**IWG**) in the County Court at Central London in relation to a proposed breach of contract in relation to the Office Service Agreement. IWG is seeking payment under the Office Services Agreement for the premise located at 77 New Cavendish Street, W1W 6XB London, UK. Dragonfly UK occupied the office from July 2019 until March 2020. Dragonfly UK was obligated to leave the office following the COVID lockdown enforced by the UK Government at the time. Dragonfly UK terminated the agreement on 29 May 2020. IWG suspended services from 19 June 2020. IWG claims payment is due for the unoccupied period from June 2020 to October 2021 totalling £356,712 (net). Dragonfly UK is defending the 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.

11.2 Rights and liabilities attaching to Shares

The following is a summary of the more significant rights and liabilities attaching to the Securities being offered pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

(a) **General meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.

(b) **Voting rights**

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) **Dividend rights**

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit and which provides for any dividend which the Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain,

be applied by the Company to the payment of the subscription price of Shares.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he or she considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

(e) **Shareholder liability**

As the Shares issued will be fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) **Transfer of shares**

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the ASX Listing Rules.

(g) **Future increase in capital**

The issue of any new Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of securities contained in the ASX Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue Shares as they shall, in their absolute discretion, determine.

(h) **Variation of rights**

Under section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(i) **Alteration of constitution**

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

11.3 Terms of Options offered under the Offer

(a) **Entitlement**

Each Option entitles the holder to subscribe for one (1) Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph (j), the amount payable upon exercise of each Option will be \$0.35 (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on or before 31 December 2024 (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 5 Business Days after the latter of the following:

- (i) Exercise Date; and
- (ii) when excluded information in respect to, the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information,

but in any case, not later than 20 Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(iii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) **Quotation of Shares issued on exercise**

If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.

(j) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(k) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(l) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(m) **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws

11.4 Terms of Greside Options

(a) **Entitlement**

Each Option entitles the holder to subscribe for one (1) Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph (j), the amount payable upon exercise of each Option will be \$0.08 (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on or before the date that is five (5) years from the date that the Company is admitted to the official list of the ASX (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 5 Business Days after the latter of the following:

- (i) Exercise Date; and
- (ii) when excluded information in respect to, the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information,

but in any case, not later than 20 Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(iii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) **Quotation of Shares issued on exercise**

If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.

(j) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(k) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(l) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(m) **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

11.5 Interests of Directors

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

- (a) as an inducement to become, or to qualify as, a Director; or
- (b) for services provided in connection with:
 - (i) the formation or promotion of the Company; or
 - (ii) the Offer.

11.6 Interests of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or
- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or

- (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (a) the formation or promotion of the Company; or
- (b) the Offer.

Mazars has acted as Investigating Accountant and has prepared the Independent Limited Assurance Report which is included in Annexure B to this Prospectus. The Company estimates it will pay Mazars a total of \$20,000 (excluding GST) for these services. It is noted that Mazars has previously prepared and issued an independent limited assurance report with respect to the Company's Original Prospectus. During the 24 months preceding lodgement of this Prospectus with the ASIC, Mazars has invoiced \$39,700 to the Company for services relating to previously issued independent limited assurance reports. Mazars has received no other fees from the Company for audit services.

Finexia and RM as Joint Lead Managers will receive a management fee of 2.00% on the total amount raised by them and a capital raising fee of 4.00% on the total amount raised by them. In addition, the Joint Lead Managers receive 1,000,000 shares in the company following successful completion of the IPO.

Steinepreis Paganin has acted as the Australian legal advisers to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin \$100,000 (excluding GST) for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has not received fees from the Company for any other services.

Harper James has acted as the foreign (UK) legal adviser to the Company in relation to the Offer. During the 24 months preceding lodgement of this Prospectus with the ASIC, Harper James have received fees from the Company on various UK legal matters.

Gabriel Biris Partner, Biris Goran SPARL has acted as the foreign (Romanian) legal advisers to the Company in relation to the Offer. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Gabriel Biris Partner, Biris Goran SPARL has not received fees from the Company for any other services.

Djingov, Gouginski, Kyutchukov and Velichkov (**DGKV**) has acted as the foreign (Bulgarian) legal advisers to the Company in relation to the Offer. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, DGKV has not received fees from the Company for any other services.

The Company estimates it will pay an aggregate of \$25,325 (excluding GST) to the foreign legal advisers for their services in relation to the Offer.

11.7 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Shares), the Directors, any persons named in the Prospectus with their consent as proposed Directors, any underwriters, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section;
- (b) in light of the above, only to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section; and
- (c) has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

BDO LLP has given its written consent to being named as an auditor and to the inclusion of historical financial information in the Independent Limited Assurance Report in Annexure B in the form and context in which the information and report is included.

Djingov, Gouginski, Kyutchukov and Velichkov has given its written consent to being named as foreign (Bulgarian) legal advisers to the Company in relation to the Offer in this Prospectus and has consented to the inclusion of the legal report contained in Annexure A of this Prospectus.

Finexia has given its written consent to being named as a Joint Lead Manager to the Company in respect of the Offer in this Prospectus.

Gabriel Biris Partner, Biris Goran SPARL has given its written consent to being named as foreign (Romanian) legal advisers to the Company in relation to the Offer in this Prospectus and has consented to the inclusion of the legal report contained in Annexure A of this Prospectus.

Harper James has given its written consent to being named as foreign (UK) legal adviser to the Company in relation to the Offer in this Prospectus and has consented to the inclusion of the legal report contained in Annexure A of this Prospectus.

Mazars has given its written consent to being named as Investigating Accountant in this Prospectus and to the inclusion of the Independent Limited Assurance Report in Annexure B in the form and context in which the information and report is included.

PKF Littlejohn LLP has given its written consent to being named as an audit and to the inclusion of historical financial information in the Independent Limited Assurance Report in Annexure B in the form and context in which the information and report is included.

PKF Perth has given its written consent to being named as an auditor and to the inclusion of historical financial information in the Independent Limited Assurance Report in Annexure B in the form and context in which the information and report is included.

RM has given its written consent to being named as a Joint Lead Manager to the Company in respect of the Offer in this Prospectus.

Steinepreis Paganin has given its written consent to being named as the Australian legal advisers to the Company in relation to the Offer in this Prospectus.

11.8 Expenses of the Offer

The total expenses of the Offer (excluding GST) are estimated to be approximately \$516,522 for Minimum Subscription or \$638,817 for Maximum Subscription and are expected to be applied towards the items set out in the table below:

Item of Expenditure	Minimum Subscription (\$)	Maximum Subscription (\$)
ASIC fees	\$3,206	\$3,206
ASX fees	\$108,059	\$110,354
JLM Fees ¹	\$214,500	\$334,500
Australian Legal Fees	\$100,000	\$100,000
Foreign Legal Fees ²	\$21,265	\$21,265
Investigating Accountant's Fees	\$20,000	\$20,000
Auditor's Fees	\$19,492	\$19,492
Printing and Distribution	\$10,000	\$10,000
Miscellaneous	\$20,000	\$20,000
Total	\$516,522	\$638,817

Notes:

1. To be paid a combined 6% management and capital raising fee of the total amount raised under the Pre-IPO Convertible Notes seed raising and Offer. It is also proposed that the JLMs will be issued 1,000,000 Shares at a deemed issue price of \$0.20 per Share (equal to approximately \$200,000). Refer to Section 10.1.1 for a summary of the JLM Mandate. The Shares are to be divided equally between the two Joint Lead Managers.



Directors' Authorisation

SECTION
12

12. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

Radost Draganova
Executive Director and Proposed Chairperson
For and on behalf of
Dragonfly Biosciences Limited



Glossary

SECTION 13

13. GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

\$ means an Australian dollar.

£ means Great British Pound.

€ means Euros.

2021 Convertible Note has the meaning given to it in Section 6.7.

Acquisition Agreement means the agreement dated 27 May 2021 entered into between the Company and Dragonfly UK to effect the Acquisition.

Acquisition has the meaning given to it in Section 6.2, being the acquisition by the Company of 100% of Dragonfly UK from the Dragonfly UK Shareholders and Dragonfly UK Convertible Noteholders.

AEST means Australian Eastern Standard Time as observed in Brisbane, Queensland.

APAC means the Asia Pacific region.

Application Form means the application form attached to or accompanying this Prospectus relating to the Offer.

ASIC means Australian Securities & Investments Commission.

ASX Listing Rules means the official listing rules of ASX.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

AWST means Australian Western Standard Time as observed in Perth, Western Australia.

Board means the board of Directors as constituted from time to time.

Business Days means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

CBD means cannabidiol.

CBD Products has the meaning given to it in Section 6.4.

CBG means cannabigerol.

CBN means cannabinol.

Ceuta Agreement has the meaning given to it in Section 10.2.1.

Ceuta means Ceuta Healthcare Limited (Company number 2974951).

CHESS means the Clearing House Electronic Subregister System operated by ASX Settlement.

Closing Date means the closing date of the Offer as set out in the indicative timetable in the Key Offer Information Section (subject to the Company reserving the right to extend the Closing Date or close the Offer early).

CoA means certificates of analysis.

Company or **Dragonfly** means Dragonfly Biosciences Limited (ACN 137 176 393) (previously called "Siburan Resources Limited").

Conditions has the meaning set out in Section 5.6.

Consideration has the meaning given to it in Section 6.2.

Constitution means the constitution of the Company.

Convertible Note means a convertible note issued by the Company and convertible into Shares.

Convertible Noteholders has the meaning given to it in Section 6.2.

Corporations Act means *the Corporations Act 2001* (Cth).

Directors means the directors of the Company at the date of this Prospectus.

Dragonfly Australia Group for the purposes of section 7, means Dragonfly consolidated group of companies including: Dragonfly Biosciences Limited (Australia), Dragonfly Biosciences Limited (UK), Dragonfly Biosciences Bulgaria Limited (Bulgaria) and Premium Extraction Services (Bulgaria).

Dragonfly Bulgaria means Dragonfly Biosciences Bulgaria Ltd (Bulgaria Company No. UIC 203902381).

Dragonfly UK Group for the purposes of section 7, means Dragonfly consolidated group of companies including: Dragonfly Biosciences Limited (UK), Dragonfly Biosciences Bulgaria Limited (Bulgaria) and Premium Extraction Services (Bulgaria).

Dragonfly UK means Dragonfly Biosciences Limited (UK Company No.10842065).

Dragonfly UK Shareholders has the meaning given to it in Section 6.2.

Dragonfly UK Convertible Noteholders has the meaning given to it in Section 6.2.

eCargo means eCargo Holdings.

EFSA means the European Food Safety Authority.

EU means European Union.

Exposure Period means the period of 7 days after the date of lodgement of this Prospectus, which period may be extended by the ASIC by not more than 7 days pursuant to section 727(3) of the Corporations Act.

FDA means the Food and Drug Administration.

Finexia means Finexia Securities Limited (ACN 608 667 778) (AFSL 485760).

FSA means the **UK** Food Standards Agency.

GACP means Good Agricultural and Collection Practices.

Grenside Claim means the claim brought against Dragonfly UK by Mark Nicholas Grenside in the High Court in the UK in relation to a proposed breach of contract as further detailed in Section 11.1.

Grenside Options has the meaning given to it in Section 2.

HHI Agreement has the meaning given to it in Section (h).

HHI means Health House International Limited.

HPLC means High Performance Liquid Chromatography.

IHEMPFARMS Agreement has the meaning given to it in Section 10.2.3.

IHEMPFARMS means IHEMPFARMS Ltd.

Instrument means the *ASIC Corporations (Minimum Subscription and Quotation Conditions) Instrument 2016/70*.

Interest Shares has the meaning given to it in Section 2.

JLM Mandate has the meaning given to it in Section 10.1.1.

JLMs or Joint Lead Managers means Finexia Securities Limited (ACN 608 667 778) (AFSL 485760) and RM Corporate Finance Pty Ltd ACN 108 084 386) (AFSL 315235).

Joint Lead Manager Mandate means the agreement with the Joint Lead Managers summarised in Section 10.1.1.

Maximum Subscription means the maximum amount to be raised under the Offer, being \$5,000,000.

Minimum Subscription Condition has the meaning given in Section (b).

Minimum Subscription means the minimum amount to be raised under the Offer, being \$3,000,000.

Offer means the offer of Shares pursuant to this Prospectus as set out in Section 5.1.

Official List means the official list of ASX.

Official Quotation means official quotation by ASX in accordance with the ASX Listing Rules.

Option holder means a holder of an Option.

Option means an option to acquire a Share.

Original Prospectus means the original prospectus issued by the Company dated 12 April 2023 and lodged with the ASIC on that date.

OTC means over the counter.

Pre-IPO Convertible Notes has the meaning given to it in Section 6.7.

Prospectus means this prospectus.

Quotation Condition has the meaning given to it in Section (a).

Recommendations has the meaning set out in Section 9.7.

RM Corporate means RM Corporate Finance Pty Ltd (ACN 108 084 386) (AFSL 315235).

Section means a Section of this Prospectus.

Securities means Shares and Options.

Settlement Agreement has the meaning given to it in Section 2.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of Shares.

TGA means Australia's Therapeutic Goods Administration.

THC means Tetrahydrocannabinol.

UK means the United Kingdom.

US means the United States of America.

Vetprom Agreement has the meaning given to it in Section 10.2.2.

Vetprom means Vetprom AD.





Cannabis Industry Legal Reports

ANNEXURE

A

Our ref: 15103

Email: Nicola.Thoday@harperjames.com

**PRIVATE AND CONFIDENTIAL
LEGALLY PRIVILEGED**

Regan Saveall
CEO Dragonfly Biosciences
Kingsbury House
London
NW9 8UA

By email: regan@dragonfly.co.uk

28 March 2023

Dear Sirs

**DRAGONFLY BIOSCIENCES
CBD COMPLIANCE REPORT**

I am a solicitor qualified in England & Wales. I am a Senior Commercial Solicitor at Harper James Solicitors and am instructed to provide an independent legal opinion for Dragonfly Biosciences UK ('Dragonfly') relating to its CBD Operations in the UK. This legal opinion is legally privileged and is strictly confidential.

In preparing this advice I have had access to the following resources:

- Instructions from Dragonfly CEO – Mr Regan Saveall
- Dragonfly Biosciences CBD website - <https://dragonflycbd.com/>
- Food Standards Agency Register of CBD products linked to novel food applications – <https://data.food.gov.uk/cbd-products>

0800 689 1700 / enquiries@harperjames.co.uk / harperjames.co.uk

UK OFFICES: BIRMINGHAM / CAMBRIDGE / LONDON / MANCHESTER / OXFORD / SHEFFIELD

ADDRESS FOR ALL WRITTEN CORRESPONDENCE: Floor 5, Cavendish House, 39-41 Waterloo St, Birmingham B2 5PP

- Home Office Guidance (June 2020) Cannabis, CBD and other cannabinoids: drug licensing factsheet - <https://www.gov.uk/government/publications/cannabis-cbd-and-other-cannabinoids-drug-licensing-factsheet>
- Home Office Guidance relating to low-THC Industrial Hemp cultivation and use of non-controlled hemp products from fibre and seed - <https://www.gov.uk/guidance/controlled-drugs-licences-fees-and-returns#industrial-hemp>
- Dragonfly Compliance Report dated 21 June 2021 by Robert Jappie from Ince
- Advisory Council on Misuse of Drugs – Research and Analysis – Consumer cannabidiol (CBD) products report (updated 20 December 2021) <https://www.gov.uk/government/publications/acmd-advice-on-consumer-cannabidiol-cbd-products/consumer-cannabidiol-cbd-products-report>).

I have not reviewed any documents in addition to the above. I have relied on Dragonfly's representation that any information I have been provided remains valid and up to date

Overview

1. Cannabidiol (CBD) is a cannabinoid that has been extracted from the cannabis plant. CBD can be legally manufactured and sold in the UK. There are regulatory requirements in place to ensure that only safe, quality products are sold to consumers.
2. CBD is not a controlled cannabinoid and, therefore, no licence is required to handle and sell it. Tetrahydrocannabinol (THC) is controlled and the minor THC component generally present in CBD products is strictly regulated by, among other things, the UK Misuse of Drugs Regulations 2001.
3. CBD products must be clearly labelled and have independent lab testing reports prominently displayed. Furthermore, ingestible CBD products must be on the Food Standards Authority List of CBD products for authorisation.

4. CBD Vape and Cosmetics products are legal in the UK. Such products must be properly registered.

CBD Legal Status

5. To be legal in the UK CBD products must meet the following criteria:
 - a. CBD cannot be sold as a medicine.
 - b. The container must include less than 1mg of THC, THCV or CBN.
 - c. The product must not be packaged in a way that makes it easy to separate the controlled cannabinoids (THC, THCV and CBN).
 - d. CBD capsules, gummies, oils, pastes and other edibles must be on the list of CBD food products for authorisation with the FSA. (This element *does not apply to CBD vape juices, hemp tea or cosmetic products such as CBD balms and creams*).
6. If any one of these 4 criteria are not met, then the product is not legal and cannot be sold.
7. The above criteria is a reflection of the “Exempt Product” criteria under Regulation 2 of the UK Misuse of Drugs Regulations 2001. This exemption means is that it is legal to sell a product containing negligible amounts of THC in the UK, provided that the criteria referred to above are met.

UK CBD Food Products

8. Only ingestible products which are on the Food Standards Authority List of CBD products for authorisation should remain on the market. The current list is available on the Food Standards Agency website at <https://data.food.gov.uk/cbd-products>.

9. This list contains 27 product entries for Dragonfly Biosciences (see attached xls). The products include oil and oral drops.
10. The Food Standards Authority clarifies that inclusion of a CBD product in the list does not mean that it is authorised, only that the applicant is seeking authorisation. Within the Register, the Product status is “*awaiting evidence*”; this means that the application has not been validated but is progressing well towards providing this information, with evidence of plans to complete the studies required for a risk assessment. These studies must be of an acceptable quality and with a clear agreed deadline for submission for validation. The large majority of companies on the CBD product list are “*awaiting evidence*”. Provided the product is on the list, and not “removed” it may be made available for sale within the UK.

Cosmetics and Topicals

11. It is lawful to sell Cosmetics containing CBD in the UK, provided that certain regulatory requirements are met. The product can be registered by either the manufacturer or the retailer, but the product itself and not the name of the brand must be registered. This provides traceability compliance for all cosmetic products on the UK market.
12. The criteria as set out in paragraph 5 above must also be complied with. There can be no more than 1mg of THC per container. Provided this limit is complied with, then no licence is required to sell CBD cosmetics in the UK.

Dragonfly Business Operations – UK

13. I have reviewed the Dragonfly CBD product line which is currently being sold on the Dragonfly website, which consists of ingestible oils and skincare (as detailed in the attached .xls). The ingestible oils are heavily remediated products, which means that the controlled cannabinoids have been drawn out of the products. Therefore, whilst noting that I have not

carried out any independent product verification and that I have based my view solely on the information with which I have been provided, the products appear to comply with the 1mg controlled cannabinoid limit as set out in the Exempt Product criteria (see paragraph 5 above), as at the date of this letter.

14. Furthermore, I have reviewed the Food Standards Authority List of CBD products for authorisation. I can see that, as at the date of this letter, Dragonfly are “*awaiting evidence*” for 27 of their products, as are the majority of CBD companies in the UK.

15. I have reviewed the topical products (as detailed in the attached .xls) and can see that the active ingredient is CBD isolate. Isolate is a pure form of CBD and will contain only trace amounts of controlled cannabinoid. Therefore, whilst noting that I have not carried out any independent product verification and that I have based my view solely on the information with which I have been provided, these products appear to comply with the 1mg controlled cannabinoid limit as set out in the Exempt Product criteria (see paragraph 5 above), as at the date of this letter.

Conclusion

16. I have reviewed the Dragonfly product range, along with the relevant supporting documentation as set out above. In respect of the ingestible products, 27 of Dragonfly’s products are on the FSA list of CBD products for authorisation at <https://data.food.gov.uk/cbd-products> . Those Dragonfly products, on the FSA list as at the date of this letter, are currently able to be sold in the UK lawfully, whilst they remain on the list.

17. In respect of the cosmetic products (detailed in the attached .xls), I am satisfied that, as at the date of this letter, they currently meet the exempt product criteria and therefore no licence is currently required to sell these products in the UK.

This legal opinion is based on current legislation in England and Wales and the information accessible and made available to me, as at the date of this letter.

This position may change (for example, due to changes or additions to Dragonfly's products or changes to relevant legislation), and no facts or circumstances not referred to in this letter, or which arise after the date of this letter, are covered by this legal opinion.

This letter is addressed to Dragonfly and is given for its sole benefit. It is provided for information purposes only and is not to be construed as advice, or a recommendation or representation, to any third party, and no reliance for any purpose should be placed on its contents by any recipient other than Dragonfly without seeking their own further independent professional advice. This legal opinion is provided on the strict understanding that we shall have no duty or liability whatsoever in respect to any such recipient.

No part of this letter may be published, distributed or made available without our prior written permission.

Yours faithfully

A handwritten signature in black ink that reads "Harper James". The signature is written in a cursive, flowing style.

Nicola Thoday
Senior Commercial Solicitor
For and on behalf of
Harper James

MEMORANDUM

DATE: March 27, 2023

TO: Dragonfly Biosciences Limited

FROM: DGKV

RE: Legal Opinion on CBD and Hemp Compliance for Australian Stock Exchange Listing

CONFIDENTIAL AND SUBJECT TO ATTORNEY CLIENT PRIVILEGE

1 Scope of appointment

We have been asked to render a legal opinion regarding the business operations in Bulgaria of the Bulgarian subsidiaries of Dragonfly Biosciences Limited (the “**Client**”). The Bulgarian subsidiaries of the Client include Dragonfly Biosciences Bulgaria EOOD, UIN 203902381 (“**Dragonfly Bulgaria**”) and Premium Extraction Services EOOD, UIN 205253276 (both Bulgarian subsidiaries referred to as the “**Bulgarian Subsidiaries**”). The present legal opinion covers the following legal matters:

- 1.1 overview of all relevant Bulgarian regulations in relation to cannabidiol (“**CBD**”) and hemp;
- 1.2 assessment of the compliance with these regulations by the Bulgarian Subsidiaries;
- 1.3 conclusion confirming that the Bulgarian Subsidiaries are operating lawfully in Bulgaria.

2 Documents reviewed

In connection with the foregoing, we have examined the following documents (the “**Reviewed Documents**”):

- 2.1 Scanned copy of a permit, issued to Dragonfly Bulgaria, for the cultivation of hemp plants containing less than 0.2% by weight of tetrahydrocannabinol (“**THC**”) determined in the leaves, the flowers and the fruit tips, No. RD 09-170/24.02.2021 by the Minister of Agriculture, Food and Forestry (the “**Hemp Permit**”), along with an English translation thereof;
- 2.2 Scanned copy of a farmer registration card, issued to Dragonfly Bulgaria by the Regional Directorate of Agriculture of Sofia (the “**Farmer Registration**”);

- 2.3 Scanned copy of a permit, issued to Dragonfly Bulgaria, for the production of sowing material - oil and fiber crops, No. 2872/08.02.2018 by the Executive Director of the Executive Agency for Sorting, Approbation and Seed Control (the "**Seed Cultivation Permit**"), along with an English translation thereof;
- 2.4 Scanned copy of a Global G.A.P. certificate, issued to Dragonfly Bulgaria, certifying that the production of Industrial Hemp has been found to be compliant with the standard of Global G.A.P., Certificate No. C8743-21-01.2020 by Control Union Certifications B.V. (the "**Global G.A.P. Certificate**");
- 2.5 Scanned copy of an accreditation certificate, issued to Dragonfly Bulgaria, for the certified activity of organic plant production, Certificate No. BG2300A/1-20 by the Managing Director of Balkan Biocert OOD (the "**Accreditation Certificate**");
- 2.6 Scanned copy of a Framework Agreement for the Production of Food Additives containing CBD oil, concluded between Dragonfly Bulgaria and Vetprom AD on 29.08.2018 (the "**Framework Production Agreement**");
- 2.7 Scanned copy of Schedule No. 2 to the Framework Production Agreement ("**Schedule 2**").

3 Assumptions

For the purposes of rendering this opinion we have assumed that as of the date hereof:

- 3.1 Each of the Reviewed Documents is a true copy of its respective original.
- 3.2 Each of the Reviewed Documents has been duly and validly issued by a competent authority and is in full force and effect, has not been withdrawn, cancelled, revoked, suspended or otherwise invalidated.
- 3.3 The activities of the Bulgarian Subsidiaries are limited to the activities described in an e-mail from Robert Jappie to DGKV, dated 12 July 2021, i.e. crop cultivation, harvesting, transportation; product development, research and development; product formulation; management of third-party manufacturers; local accounting & human resources; quality control testing and documentation; and production planning & management (the "**Activities**").
- 3.4 All of the Activities that are related to CBD and hemp (also the "**CBD and Hemp Activities**") in Bulgaria are carried out solely by Dragonfly Bulgaria.
- 3.5 The CBD and Hemp Activities that are carried out by Dragonfly Bulgaria are as explained by local management in both e-mail correspondence and a series of telephone conversations between 12 July and 21 July 2021 and as described hereinbelow. The CBD and Hemp Activities of Dragonfly Bulgaria are limited to and are carried out strictly as follows:
 - (i) Dragonfly Bulgaria obtains hemp seeds from France through intra-Community acquisition and, in any event, does not import such seeds from a third country outside the EU. The seeds are from the Cannabis sativa L. variety and are officially certified as "basic seeds"

or "certified seeds", within the meaning of Council Directive 2002/57/EC of 13 June 2002 on the marketing of seed of oil and fibre plants;

- (ii) Dragonfly Bulgaria cultivates hemp plants on the territory of Bulgaria containing less than 0.2% by weight of THC in the leaves, the flowers and the fruit tips;
 - (iii) Dragonfly Bulgaria harvests the hemp plants and thereafter transports them to Romania, where they are processed by the Romanian branch of Premium Extraction Services EOOD in order to extract CBD oil. At all relevant times Dragonfly retains its ownership over the harvested hemp plants and does not trade with hemp plants;
 - (iv) The CBD oil that has been produced in Romania is thereafter transported into Bulgaria by Dragonfly Bulgaria and provided as source material to Vetprom AD in accordance with the Framework Production Agreement and Schedule 2 thereto for the production of food additives containing CBD oil for Dragonfly Bulgaria;
 - (v) The hemp seeds that were not used for the extraction of CBD oil are also transported into Bulgaria by Dragonfly Bulgaria and thereafter used to produce food in the form of hemp seed oil in Bulgaria.
- 3.6 No processing of hemp, except for the hemp seeds, is undertaken by the Bulgarian Subsidiaries on the territory of the Republic of Bulgaria. Additionally, no extraction of CBD oil is undertaken by the Bulgarian Subsidiaries on the territory of the Republic of Bulgaria.
- 3.7 All hemp- and CBD-based products of the Bulgarian Subsidiaries are THC-free.
- 3.8 Vetprom AD possesses a registration under the Foods Act, within the meaning of Art. 11, item 3 of Ordinance No. 1 of 12.03.2018 on the Conditions and Procedure for Issuance of Permits for the Cultivation of Hemp Plants.

4 Limitations of the opinion

This opinion is subject to the following limitations:

- 4.1 This legal opinion and the conclusions therein are based entirely on the Bulgarian legislation as applicable on the territory of Bulgaria and as deemed relevant by the DGKV team taking into consideration the scope of the appointment as per Section 1 above.
- 4.2 Our legal analysis is based on the status of the relevant Bulgarian legislation as described in Section 4.1 above, as well as on the status of the Reviewed Documents as of the respective date of each such Reviewed Document. No facts or circumstances after these respective dates are covered by this legal opinion.
- 4.3 For the purposes of rendering this legal opinion we have analysed the following Bulgarian legal acts: Narcotic Substances and Precursors Control Act, Seed Stock and Planting Stock Act, Foods Act, Ordinance on the Classification of Plants and Substances as Narcotic ("**Classification Ordinance**") and Ordinance No. 1 of 12.03.2018 on the Conditions and Procedure for Issuance of Permits for the Cultivation of Hemp Plants ("**Ordinance No. 1**").

- 4.4 The Activities subject to analysis and assessment under the present legal opinion are limited to the CBD and Hemp Activities, as defined in Section 3.4 and Section 3.5 above, carried out exclusively on the territory of the Republic of Bulgaria.
- 4.5 The processing and/or extraction activities carried out in Romania by the Bulgarian Subsidiaries as per Section 3.5(iii). above fall outside of the scope of this legal opinion.
- 4.6 Our legal opinion on the compliance of the CBD and Hemp Activities of the Bulgarian Subsidiaries with the applicable Bulgarian legislation is based on the Reviewed Documents under Section 2 and the Assumptions listed in Section 3 above. Where we have opined on the lawfulness of the CBD and Hemp Activities of the Bulgarian Subsidiaries, we have checked the CBD and Hemp Activities of the Bulgarian subsidiaries against the Reviewed Documents and the applicable Bulgarian legislation. We have not made any independent verifications, on-site checks, review of technical information or technical reports in relation to the CBD and Hemp Activities, and we have not examined and opined on any potential or existing omissions or incompliances by the Bulgarian Subsidiaries which may have occurred in the course of carrying out the CBD and Hemp Activities, as no such omissions or incompliances have been reported to us by the local management or established by competent authorities and disclosed to us.

5 Opinion

Overview of the Bulgarian Regulation in Relation to the CBD and Hemp Activities

Bulgarian legislation concerning the regulation of the CBD and Hemp Activities extends to all of the aspects of the production, marketing, importation, transportation and trading of hemp and CBD that are not already covered by the EU common agricultural policy.

Hemp is expressly listed as a plant presenting high risk to public health due to the harmful effect of abuse thereof, which is prohibited for use in human and veterinary medicine in Schedule 1 of the Classification Ordinance. As such and pursuant to Art. 30 of the Narcotic Substances and Precursors Control Act, it may not be produced, processed, traded, stored, imported, exported, transported, transferred, supplied, acquired, used or possessed, except subject to the restrictions on THC content and for the purposes laid out under Art. 29 of the Narcotic Substances and Precursors Control Act.

CBD is not listed in Schedule I to the Classification Ordinance. Moreover, the European Court of Justice has recently ruled that CBD with a THC content not exceeding 0.2% may not be considered as a narcotic.

Pursuant to Art. 29, para. 1 of the Narcotic Substances and Precursors Control Act, the cultivation of hemp plants intended for fibre, seeds for animal feed or food, or sowing (with a content of less than 0.2% by weight of THC determined in the foliage) is placed under a license regime. More specifically, any natural or legal person wishing to cultivate hemp plants for the abovementioned purposes must obtain a permit from the Minister of Agriculture, Food and Forestry. To that end, an applicant must be a registered farmer in accordance with Art. 2, para. 1, item 1 of Ordinance No. 1, as well as Ordinance No. 3 on the Creation and Maintenance of a Register for Farmers.

Hemp seeds may be imported into Bulgaria for the purposes of Art. 29, para. 1 of the Narcotic Substances and Precursors Control Act, so long as they are of the Cannabis sativa L. variety and

officially certified as "basic seeds" or "certified seeds", in accordance with Art. 3 of Council Directive 2002/57/EC of 13 June 2002 on the marketing of seed of oil and fibre plants, as transposed by para. 1, item 5 of the Supplementary Provisions of Ordinance No. 1.

Trading with the hemp plants, cultivated for the purposes outlined in Art. 29, para. 1 of the Narcotic Substances and Precursors Control Act, and namely for fibre, seeds for animal feed, food or sowing, is a regulated activity, subject to control by the Bulgarian Seed Testing, Crop Approbation and Seed Control Executive Agency as well as by the Bulgarian Food Safety Agency. According to Art. 11 of Ordinance No. 1, the produced hemp plants may be traded with the following entities: (i) those engaged in processing hemp stalks and/or producing fibre, when the production is traded for fibre; (ii) those that are registered in accordance with the Animal Feed Act, when the seeds are traded for animal fibre; (iii) those that are registered in accordance with the Foods Act, when the seeds are traded for food; (iv) those that have received a permit under Art. 29, para. 1 of the Narcotic Substances and Precursors Control Act, when the seeds are traded as sowing material.

As already explained above, since THC-free CBD is not included in Schedule I to the Classification Ordinance, THC-free CBD oil is similarly not caught by the prohibition of Art. 30 of the Narcotic Substances and Precursors Control Act. As such, THC-free CBD oil may be freely transported and processed within the Republic of Bulgaria.

Similarly, the seeds that were produced as a result of cultivating hemp plants within the meaning of Art. 29 of the Narcotic Substances and Precursors Control Act, should also fall outside the scope of Schedule I to the Classification Ordinance. While a stricter interpretation of Schedule I to the Classification Ordinance is possible, as it does list "hemp" among the plants and/or substances presenting high risk to public health due to the harmful effect of abuse thereof, it must be noted that para. 1, item 2 of the Supplementary Provisions to the Narcotic Substances and Precursors Control Act provides that hemp is understood to encompass the leaves and/or the flowers or fruit tips of the hemp plant, whereas seeds are not mentioned. Besides, by analogy to the exception under Art. 29, para. 1 of the Narcotic Substances and Precursors Control Act, which is grounded upon the understanding that the cultivated hemp plants will contain no more than 0.2% THC, the seeds from such cultivated hemp plants, which often do not contain any THC at all (and in any event less than 0.2% THC), should not be considered to present high risk to public health due to the harmful effect of abuse thereof which is the rationale behind the creation of Schedule I to the Classification Ordinance. This conclusion is also in line with the reasoning of the ECJ in the BS/CA case cited above.

Based on the above considerations we are of the opinion that THC-free hemp seeds may be processed in Bulgaria for the purposes of their use as food.

In accordance with para. 1, item 21 of the Supplementary Provisions to the Foods Act, food additives are defined as a type of food.

Conclusions

Based upon the foregoing and subject to the limitations of this opinion set above in Section 4, we are of the opinion that as of the date hereof:

- Dragonfly Bulgaria is duly licensed to carry out the CBD and Hemp Activities.

- The Bulgarian Subsidiaries are carrying out the CBD and Hemp Activities in compliance with Bulgarian legislation, including, inter alia, Art. 29 of the Narcotic Substances and Precursors Control Act, as long as Dragonfly Bulgaria cultivates hemp plants with the allowed THC content, the harvested hemp is processed outside Bulgaria to extract CBD oil and the resulting CBD oil is used for the production of food additives as per the Foods Act, whereas the leftover hemp seeds are used for the production of hemp seed oil in Bulgaria, as a type of food within the meaning of the Foods Act.

6 Benefit of the opinion

This opinion shall be construed in accordance with Bulgarian law. It is addressed to the Client and is given for its sole benefit and may not be disclosed or quoted to, or relied upon by any other person, without our prior written consent in each specific case. However, the Client may release a copy of this opinion (i) to the extent required by any applicable law or regulation; (ii) to its investors; (iii) to any regulatory authority having jurisdiction over them, in each case for the purposes of information only on the strict understanding that we assume no duty or liability whatsoever to any such recipient as a result or otherwise.



Valentin Bojilov
Partner
DGKV



Memorandum

Attorney Client Communication

Strictly confidential

To: Radost Draganova, Dragonfly Biosciences Ltd.

From: Gabriel Biris, Biriș Goran SPARL
Radu Jianu, Biriș Goran SPARL

Date: 23 March 2023

Re: **Overview of changes in certain legal enactments**

The purpose of this Memorandum is to provide an overview of changes brought to certain legal enactments as of 20 August 2021, as well as to confirm whether certain conclusions are valid as of the date of this Memorandum.

This Memorandum shall provide an overview of changes which took place as of 20 August 2021 until the date of this Memorandum.

Please note that the scope of this Memorandum is restricted solely to providing the previously mentioned overview and assessment, without any further analysis into the legal implications of the operations described therein.

I. Analyzed legislative enactments

For the purpose of the scope outlined above, the following legislative enactments are therefore relevant:

1. Law no. 339/2005 regarding the legal regime of narcotic and psychotropic plants, substances and mixtures ("**Law 339**");
2. The implementing norms for Law no. 339/2005, as approved pursuant to Government Decision no. 1915/2006 (the "**Implementing Norms**");
3. The 1961 United Nations Single Convention on Narcotic Drugs, as amended by the 1972 Protocol (the "**UN Narcotic Drugs Convention**");
4. The 1971 Convention on Psychotropic Substances (the "**Psychotropic Substances Convention**");
5. Order no. 244/2005 ("**Order 244**");
6. Law no. 142/2018 on drug precursors ("**Law 142**");
7. Regulation (EU) no. 273/2004 ("**Regulation 273**");
8. Regulation (EU) no. 1307/2013 ("**Regulation 1307**");
9. Regulation (EU) no. 111/2005 ("**Regulation 111**").

Order 244, Law 142, the Implementing Norms, the UN Narcotic Drugs Convention and the Psychotropic Substances Convention were not amended during the reference period. Please see below for more details regarding the other enactments, which were amended.



II. Changes to relevant legislative enactments

a. Law 339

Law 339 was amended through Law no. 96/2022 ("**Law 96**"), which entered into force on 17 April 2022 and brought changes to the lists which are attached as an appendix to Law 339.

Pursuant to Law 96, new items were added to table no. 1 (*Plants, substances and mixtures of prohibited psychotropic and narcotic substances, which present no medicinal interest*), which is an appendix of Law 339. Specifically, 15 new items were added to the „Narcotics” section of table no. 1 and 32 new items were added to the „Psychotropics” section of table no. 1.

Furthermore, certain items which were part of the „*Plants and Substances placed under national control*” section of table no. 1 were repealed and certain substances were added to table no. 2 (*Plants, substances and mixtures containing narcotic and psychotropic substances, which present medicinal interest and are subject to strict control*) and to table no. 3 (*Plants, substances and mixtures containing narcotic and psychotropic substances, which present medicinal interest and are subject to control*).

For a list of the items that were added or repealed (which included their original Romanian language names, as well as an automatically generated English translation), please see the appendix no. 1 to this Memorandum.

b. Regulation 273

Regulation 273 was amended pursuant to Regulation (EU) no. 2022/1518 dated 29 March 2022 ("**Regulation 1518**").

Changes were made to Annex no. I to Regulation 273, by inserting two new entries to the table for Category 1: ethyl alpha-phenylacetoacetate (EAPA) (also known as ethyl 3-oxo-2-phenylbutanoate) and methyl 3-oxo-2-(3,4-methylenedioxyphenyl)butanoate (MAMDPA) (also known as methyl 2-(2H-1,3-benzodioxol-5-yl)-3-oxobutanoate, according to IUPAC).

Furthermore, Regulation 237 was amended pursuant to Regulation (EU) no. 2023/196 dated 25 November 2022.

Changes were made to Annex no. I to Regulation 273, by inserting new entries to the table for Category 1: 'diethyl (phenylacetyl) propanedioate (DEPADP), 'ethyl 3-(2H-1,3-benzodioxol-5-yl)-2-methyloxirane-2-carboxylate (PMK ethyl glycidate), N-phenylpiperidin-4-amine (4-AP), 'tert-butyl 4-anilinopiperidine-1-carboxylate (1-boc-4-AP) and 'N-phenyl-N-(piperidin-4-yl) propanamide (norfentanyl). Also, the names of two substances in the table were amended.

c. Regulation 111

Regulation 111 was amended pursuant to Regulation 1518.

Changes were made to Annex no. I to Regulation 273, by inserting two new entries to the table for Category 1: ethyl alpha-phenylacetoacetate (EAPA) (also known as ethyl 3-oxo-2-phenylbutanoate) and methyl 3-oxo-2-(3,4-methylenedioxyphenyl)butanoate (MAMDPA) (also known as methyl 2-(2H-1,3-benzodioxol-5-yl)-3-oxobutanoate, according to IUPAC).

Furthermore, Regulation 111 was amended pursuant to Regulation (EU) no. 2023/196 dated 25 November 2022.

Changes were made to Annex no. I to Regulation 111, by inserting new entries to the table for Category 1: 'diethyl (phenylacetyl) propanedioate (DEPADP), 'ethyl 3-(2H-1,3-benzodioxol-5-yl)-2-methyloxirane-2-carboxylate (PMK ethyl glycidate), N-phenylpiperidin-4-amine (4-AP), 'tert-butyl 4-anilinopiperidine-1-carboxylate (1-boc-4-AP) and 'N-phenyl-N-(piperidin-4-yl) propanamide (norfentanyl). Also, the names of two substances in the table were amended.

d. Regulation 1307

Regulation 1307 was amended through the Regulation (EU) no. 2022/42 dated 8 November 2021. Changes were made to the national ceilings provided in Appendix II and Appendix III to Regulation 1307.

III. Background. Reviewed documents.

Based on the information we have been provided with, our understanding of the factual situation concerning Dragonfly Biosciences Limited is as follows:

1. Dragonfly Biosciences Limited holds 100% of the share capital of Dragonfly Biosciences Limited, a company based in the United Kingdom, having registration number 10842065 ("**Dragonfly**");
2. In its turn, Dragonfly is the sole shareholder of Premium Extraction Services EOOD ("**PES**"), which has established a branch in Romania – Premium Extraction Services S.R.L. – Sofia- Sucursala Bailesti (the "**Romanian Branch**");
3. The Romanian branch operates the processing facility located at 101, Revolutiei Street, Bailesti, Dolj county (the "**Facility**"), where it is engaged in the extraction of CBD extract and CBD isolate from certified hemp plants of Cannabis Sativa L. (Futura 75) with a THC content under 0,2%, plants which are not grown in Romania (the "**Activities**");
4. The hemp plants used in the Activities are solely certified hemp plants of the Cannabis Sativa L. (Futura 75) strain, with a THC content of less than 0,2%, which are grown in Bulgaria by Dragonfly (which is fully authorized to do so, holding the prerequisite licenses and approvals, as per the applicable Bulgarian legislation);
5. The plants that are grown in Bulgaria are then transported to the Facility exclusively by Dragonfly, where they are processed, after which the resulting THC-free materials (CBD extract and CBD isolate) are transported exclusively by Dragonfly back to Bulgaria, for further processing, along with the remaining stock of plants and seeds;
6. As of the date of this document, there have been no changes in the technological production process regarding the Activities, as described in the updated technical report dated 13 December 2019, which was filed with the Romanian Ministry of Health ("**MoH**") under no. 59900 on 9 January 2020;
7. Neither PES, nor the Romanian Branch, are engaged in any activities in Romania other than the Activities and, specifically, they are not engaged in the cultivation of hemp, in the transport of hemp, in any further processing of the CBD extract and/or CBD isolate obtained as a result of the Activities or in the commercialisation or make available on the Romanian markets of CBD extract, CBD isolate or any end product manufactured with inputs obtained further to the Activities.

For the purpose of our assessment, we have examined and rely upon the following documents (hereinafter referred to as the "**Documents**"):

1. The confirmation of the Anti-drug Agency (the "**AA**") no. 4057466 dated 10 June 2019 (the "**First AA Confirmation**");
2. The confirmation of the AA no. 4057791 dated 12 November 2019 (the "**Second AA Confirmation**");
3. The confirmation issued by the MoH under no. 59900 on 14 February 2020 (the "**MoH Confirmation**"),

The First AA Confirmation, the Second AA Confirmation and the MoH Confirmation shall hereinafter be collectively referred to as the "**Confirmations**",



4. The letter to the MoH dated 30 January 2020, along with attached documentation;
5. The letter to the MoH dated 20 December 2019;
6. The letter to the AA registered under no. 4057466 dated 30 May 2019;
7. Dolj County Agriculture Directorate Letter no. 2708 dated 25 March 2019;

IV. Assumptions and limitations

In relation to the assessment below, given the Documents and information we were provided with, we have operated under the following assumptions:

1. All of the Documents are in force, are accurate, and, as of the date of this memorandum, have not been amended, replaced, modified or superseded in any way;
2. All of the seals, signatures and/or initials applied on any of the Documents are genuine;
3. All documents supplied to us as copies are full and accurate copies of the original versions;
4. All documents have been executed by persons bearing full authority to do so;
5. The Activities include solely the processing of plants that are only of the Cannabis Sativa L. (Futura 75) strain, with a THC concentration of under 0,2%, which are grown solely in Bulgaria by Dragonfly, which is in full compliance with all applicable legal provisions;
6. The Activities carried out by the Romanian Branch concern solely the extraction of CBD extract and CBD isolate by processing hemp plants at the Facility and do not involve any further cultivation of hemp, transport of the hemp plants or any further processing, commercialisation or making available in any other form on the Romanian market of any sort of products based on the Cannabis Sativa L. Plants processed during the Activities;
7. As a result of the technological process used for the Activities, THC is completely and irreversibly transformed into a non-regulated substance and that the technological process does not involve the use of samples of THC or of other regulated substances that qualify as either narcotic or psychotropic substances, as drug precursors or as other types of regulated substances.

V. Conclusion

It would seem that some of the analysed legislative enactments suffered minor changes, concerned mostly with including new narcotic and psychotropic substances in the appropriate lists. None of the identified amendments seems to refer to Cannabis or CBD.

Considering the aforementioned changes, we confirm that the following conclusions remain valid:

1. The MoH Confirmation was issued on 14 February 2020 by the Ministry of Health, which is the competent authority for authorizing activities with psychotropic and narcotic substances under Law no. 339/2005;
2. The First AA Confirmation was issued on 10 June 2019 and the Second AA Confirmation was issued on 12 November 2019 by the AA, which is the competent authority for granting licenses and registration in respect of activities involving drug precursors under Law no. 142/2018 on drug precursors;
3. The Specific Confirmations were issued to the benefit of PES, acting through the Romanian Branch;
4. Pursuant to the issuance of the Specific Confirmations, and subject to complying with the relevant legislation and to the special conditions and restrictions set forth in the MoH Confirmation, PES is able to lawfully undertake the Activities in Romania, in consideration of the following:



- a. The MoH Confirmation expressly provides that the processing of plants of Cannabis Sativa L. species does not fall under the scope of Law no. 339/2005, but is subject to EU Regulation no. 1307/2013, EC Regulation no. 178/2002 and MADR Order no. 244/401/2005. It follows, that, no specific authorization under Law no. 339/2005 is required for the Activities, if the Activities concern exclusively Cannabis Sativa L. plants which comply with requirements under EU Regulation 1307/2013 and further, the CBD extract and CBD isolate resulted from the Activities are not incorporated in products qualified as food supplements in Romania and sold as such on the Romanian market;
- b. The MoH Confirmation includes the following special conditions and restrictions: (i) the raw input (Cannabis Sativa L plants) used must come exclusively from crops authorized and controlled by the competent authorities in Bulgaria, and (ii) the final product (the oil containing cannabidiol and which, in accordance with the technical specifications filed with the MoH does not contain THC) must not be sold on the Romanian market;
- c. The First AA Confirmation confirms that, from the perspective of the AA, as relevant Romanian authority under Law no. 142/2018, EU Regulation 273/2004 and EU Regulation no. 111/2005 (together, the "**Drug Precursor Legislation**"), the assessment and potential permitting process regarding the Activities should be done as per Law no. 339/2005, by the MoH, which is the relevant authority thereunder;
- d. The Second AA Confirmation concerns the matter of the legal regime of the substances intended to be used as analytical standards for testing as part of the Activities. The Second AA Confirmation confirms that the analytical standards indicated in the application submitted by PES (CBD, CBDA, THC, THCA, CBN, CBG) are not drug precursors under the Drug Precursors Legislation and therefore the license under Law no. 142/2018 and the provisions of this latter law are not applicable in respect thereof.

We hope you find the information above useful. We remain at your disposal for any additional information or clarifications.

Best regards,

Gabriel Biris



Appendix no. 1 – Changes brought to Law 339

a. Items added to Table I, „Narcotics” Section:

21.4-Fluoroisobutirfentanil (4-FIBF) = N-(4-fluorofenil)-N-(1-fenetilpiperidin-4-il)isobutiramidă	21.4-Fluoroisobutylfentanyl (4-FIBF) = N-(4-fluorophenyl)-N-(1-phenethylpiperidin-4-yl)isobutyramide
22.Acetilfentanil = N-fenil-N-[1-(2-feniletıl)-4-piperidinil]acetamidă	22.Acetylfentanyl = N-phenyl-N-[1-(2-phenylethyl)-4-piperidinyl]acetamide
23.Acriloilfentanil = N-fenil-N-[1-(2-feniletıl)piperidin-4-il] prop-2-enamidă	23.Acrylylfentanyl = N-phenyl-N-[1-(2-phenylethyl)piperidin-4-yl]prop-2-enamide
24.Carfentanil = metil 1-(2-feniletıl)-4-[fenil(propanoil) amino]piperidin-4-carboxilat	24.Carfentanyl = methyl 1-(2-phenylethyl)-4-[phenyl(propanoyl) amino]piperidin-4-carboxylate
25.Crotonilfentanil = (E)-N-(1-fenetilpiperidin-4-il)-N-fenilbut-2-enamidă	25.Crotonylfentanyl = (E)-N-(1-phenethylpiperidin-4-yl)-N-phenylbut-2-enamide
26.Ciclopropilfentanil=N-fenil-N-[1-(2-feniletıl)piperidin-4-il]ciclopropancarboxamidă	26.Cyclopropylfentanyl=N-phenyl-N-[1-(2-phenylethyl)piperidin-4-yl]cyclopropanecarboxamide
27.Furanilfentanil = N-fenil-N-[1-(2-feniletıl)piperidin-4-il]furan-2-carboxamidă	27.Furanylfentanyl = N-phenyl-N-[1-(2-phenylethyl)piperidin-4-yl]furan-2-carboxamide
28.Isotonitazen = N, N-dietil-2-[[4-(1-metiletoxi)fenil]metil]-5-nitro-1H-benzimidazol-1-etanamină	28.Isotonitazen = N, N-diethyl-2-[[4-(1-methylethoxy)phenyl]methyl]-5-nitro-1H-benzimidazole-1-ethanamine
29.Metoxiacetilfentanil = 2-Metoxi-N-fenil-N-[1-(2-feniletıl) piperidin-4-il]acetamidă	29.Methoxyacetylfentanyl = 2-methoxy-N-phenyl-N-[1-(2-phenylethyl) piperidin-4-yl]acetamide
30.MT-45 = 1-ciclohexil-4-(1,2-difeniletıl)piperazină	30.MT-45 = 1-cyclohexyl-4-(1,2-diphenylethyl)piperazine
31.Ocfentanil = N-(2-fluorofenil)-2-metoxi-N-[1-(2-feniletıl) piperidin-4-il]acetamidă	Ocfentanil = N-(2-fluorophenyl)-2-methoxy-N-[1-(2-phenylethyl) piperidin-4-yl]acetamide
32.Ortofluorofentanil = N-(2-Fluorofenil)-N-[1-(2-feniletıl) piperidin-4-il]propanamidă	32.Orthofluorofentanil = N-(2-Fluorophenyl)-N-[1-(2-phenylethyl) piperidin-4-yl]propanamide
33.Parafluorobutirfentanil = N-(4-Fluorofenil)-N-[1-(2-feniletıl) piperidin-4-il]butanamidă	33.Parafluorobutyrylfentanyl = N-(4-Fluorophenyl)-N-[1-(2-phenylethyl) piperidin-4-yl]butanamide
34.Tetrahidrofuranilfentanil (THF-F) = N-fenil-N-[1-(2-feniletıl) piperidin-4-il]tetrahidrofuran-2-carboxamidă	34.Tetrahydrofuranylfentanyl (THF-F) = N-phenyl-N-[1-(2-phenylethyl) piperidin-4-yl]tetrahydrofuran-2-carboxamide
35.Valerilfentanil = N-(1-fenetilpiperidin-4-il)-N-fenilpentanamidă.	35.Valerylfentanyl = N-(1-phenethylpiperidin-4-yl)-N-phenylpentanamide.

b. Items added to Table I, „Psychotropics” Section:

33. 4-MEC (4-methylethcathinone) = 2-etilamino-1-(4-metilfenil)-1-propanonă	33. 4-MEC (4-methylthcathinone) = 2-ethylamino-1-(4-methylphenyl)-1-propanone
34. AM-2201 = 1-[(5-fluoropentil)-1H-indol-3-il]-(naftalen-1-il) metanonă	34. AM-2201 = 1-[(5-fluoropentyl)-1H-indol-3-yl]-(naphthalen-1-yl) methanone
35. JWH-018 = Naftalen-1-il-(1-pentilindol-3-il) metanonă	35. JWH-018 = Naphthalene-1-yl-(1-pentylindol-3-yl) methanone
36. Metilendioxipirovaleronă (MDPV)	36. Methylenedioxypropylvaleron (MDPV)
37. 4-metilmecatcinonă (mefedronă) = 1-(4-metilfenil)-2-metilaminopropan-1-onă	37. 4-methylmethcathinone (mephedrone) = 1-(4-methylphenyl)-2-methylaminopropan-1-one
38. β-ceto-MDMA (metilonă) = 2-metilamino-1-(3,4-metilendioxifenil) propan-1-onă	38. β-keto-MDMA (methylone) = 2-methylamino-1-(3,4-methylenedioxyphenyl) propan-1-one
39. BZP (benzilpiperazină)	39. BZP (benzylpiperazine)
40. Pentedronă = 2-(metilamino)-1-fenil-1-pentanonă	40. Pentedrone = 2-(methylamino)-1-phenyl-1-pentanone
41. UR-144 = (1-pentilindol-3-il)-(2,2,3,3-tetrametilciclopropil) metanonă	41. UR-144 = (1-Pentylindol-3-yl)-(2,2,3,3-tetramethylcyclopropyl) methanone
42. XLR-11 = 1-(5-fluoropentil)-1H-indol-3-il)-(2,2,3,3-tetrametilciclopropil)metanonă	42. XLR-11 = 1-(5-fluoropentyl)-1H-indol-3-yl)-(2,2,3,3-tetramethylcyclopropyl)methanone
43. Alfa-PVP = 1-fenil-2-(1-pirolidinil)-1-pentanonă	43. Alpha-PVP = 1-phenyl-2-(1-pyrrolidinyl)-1-pentanone
44. DOC (2,5-dimetoxi-4-cloroamfetamină) = 1-(4-clor-2,5-dimetoxi-fenil)propan-2-amină	44. DOC (2,5-dimethoxy-4-chloroamphetamine) = 1-(4-chloro-2,5-dimethoxy-phenyl)propan-2-amine
45. 2C-T-2 = 2,5-dimetoxi-4-etiltiofenetilamină	45. 2C-T-2 = 2,5-dimethoxy-4-ethylthiophenethylamine
46. 4-Fluoroamfetamină (4-FA) = 1-(4-Fluorofenil)propan-2-amină	46. 4-Fluoroamphetamine (4-FA) = 1-(4-Fluorophenyl)propan-2-amine
47. 4F-MDMB-BINACA = metil(S)-2-(1-(4-fluorobutil)-1Hindazol-3-carboxamido)-3,3-dimetilbutanoat	47. 4F-MDMB-BINACA = methyl(S)-2-(1-(4-fluorobutyl)-1Hindazol-3-carboxamido)-3,3-dimethylbutanoate
48. 5F-ADB/5F-MDMB-PINACA = metil(2S)-2-[[1-(fluoropentil)-1H-indazol-3-carbonil]amino]-3,3-dimetilbutanoat	48. 5F-ADB/5F-MDMB-PINACA = methyl(2S)-2-[[1-(fluoropentyl)-1H-indazole-3-carbonyl]amino]-3,3-dimethylbutanoate
49. 5F-AMB-PINACA (5F-AMB) = metil 2-[[1-(5-fluoropentil)-1H-indazol-3il]carbonil]amino)-3-metilbutanoat	49. 5F-AMB-PINACA (5F-AMB) = methyl 2-[[1-(5-fluoropentyl)-1H-indazol-3-yl]carbonyl]amino)-3-methylbutanoate
50. 5F-MDMB-PICA(5F-MDMB-2201) = metil(S)-2-(1-(5-fluoropentil)-1H-indol-3-carboxamido)-3,3-dimetilbutanoat	50. 5F-MDMB-PICA(5F-MDMB-2201) = metil(S)-2-(1-(5-fluoropentyl)-1H-indol-3-carboxamido)-3,3-dimetilbutanoat
51. 5F-PB-22 = quinolin-8-il 1-(5-fluoropentil)-1H-indol-3-carboxilat	

<p>52. AB-CHMINACA = N-[(2S)-1-amino-3-metil-oxobutan-2-il]-1-(ciclohexilmetil)-1H-indazol-3-carboxamidă</p> <p>53. AB-FUBINACA = N-[(2S)-1-amino-3-metil-1-oxobutan-2-il]-1-[(4-fluorofenil)metil]indazol-3-carboxamidă</p> <p>54. AB-PINACA = N-[(2S)-1-amino-3-metil-1-oxobutan-2-il]-1-pentil-1H-indazol-3-carboxamidă</p> <p>55. ADB-CHMINACA (MAB-CHMINACA) = N-[(2S)-1-amino-3,3-dimetil-1-oxobutan-2-il]-1-(ciclohexilmetil)-1H-indazol-3-carboxamidă</p> <p>56. ADB-FUBINACA = N-[(2S)-1-amino-3,3-dimetil-1-oxobutan-2-il]-1-[(4-fluorofenil)metil]-1H-indazol-3-carboxamidă</p> <p>57. ALPHA-PHP = (RS)-1-fenil-2-(pirolidin-1-il)hexan-1-onă</p> <p>58. Clefedronă (4-CMC) = 1-(4-clorofenil)-2-(metilamino)-1-propanonă</p> <p>59. CUMYL-4CN-BINACA = 1-(4-cianobutil)-N-(2-fenilpropan-2-il)-1H-indazol-3-carboxamidă</p> <p>60. Flualprazolam = 8-Cloro-6-(2-fluoro-fenil)-1-metil-4hbenzo[f][1,2,4]triazolo[4,3-a][1,4]diazepină</p> <p>61. FUB-AMB (MMB-FUBINACA) = metil(2S)-2-({1-[4-fluorofenil]metil-1H-indazol-3-carbonil}amino)-3-metilbutanoat</p> <p>62. N-Etilhexedronă = 2-(etilamino)-1-fenil-1-hexanonă</p> <p>63. Efilonă (N-Etilnorpentilonă) = 1-(2H-1,3-benzodioxol-5-il)-2-(etilamino)pentan-1-onă</p> <p>64. TMA-2 = 2,4,5-trimetoxiamfetamină</p>	<p>51. 5F-PB-22 = quinolin-8-yl 1-(5-fluoropentyl)-1H-indole-3-carboxylate</p> <p>52. AB-CHMINACA = N-[(2S)-1-amino-3-methyl-oxobutan-2-yl]-1-(cyclohexylmethyl)-1H-indazole-3-carboxamide</p> <p>53. AB-FUBINACA = N-[(2S)-1-amino-3-methyl-1-oxobutan-2-yl]-1-[(4-fluorophenyl)methyl]indazole-3-carboxamide</p> <p>54. AB-PINACA = N-[(2S)-1-amino-3-metil-1-oxobutan-2-il]-1-pentil-1H-indazol-3-carboxamidă</p> <p>55. ADB-CHMINACA (MAB-CHMINACA) = N-[(2S)-1-amino-3,3-dimethyl-1-oxobutan-2-yl]-1-(cyclohexylmethyl)-1H-indazole-3-carboxamide</p> <p>56. ADB-FUBINACA = N-[(2S)-1-amino-3,3-dimetil-1-oxobutan-2-il]-1-[(4-fluorofenil)metil]-1H-indazol-3-carboxamidă</p> <p>57. ALPHA-PHP = (RS)-1-phenyl-2-(pyrrolidin-1-yl)hexan-1-one</p> <p>58. Clephedrone (4-CMC) = 1-(4-chlorophenyl)-2-(methylamino)-1-propanone</p> <p>59. CUMYL-4CN-BINACA = 1-(4-cyanobutyl)-N-(2-phenylpropan-2-yl)-1H-indazol-3-carboxamide</p> <p>60. Flualprazolam = 8-Cloro-6-(2-fluoro-fenil)-1-metil-4hbenzo[f][1,2,4]triazolo[4,3-a][1,4]diazepină</p> <p>61. FUB-AMB (MMB-FUBINACA) = methyl(2S)-2-({1-[4-fluorophenyl]methyl-1H-indazol-3-carbonyl}amino)-3-methylbutanoate</p> <p>62. N-Ethylhexedrone = 2-(ethylamino)-1-phenyl-1-hexanone</p> <p>63. Ethyl (N-Ethylnorpentylone) = 1-(2H-1,3-benzodioxol-5-yl)-2-(ethylamino)pentane-1-one</p> <p>64. TMA-2 = 2,4,5-trimethoxyamphetamine</p>
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c. Items repealed in Table I, „Plants and substances placed under national control” Section:

<p>6. BZP (benzilpiperazina),</p> <p>7. DOC (2,5-dimetoxi-4-cloroamfetamina) = 1-(4-clor-2,5-dimetoxi-fenil) propan-2-amina,</p> <p>.....</p>	<p>6. BZP (benzylpiperazine),</p> <p>7. DOC (2,5-dimethoxy-4-chloroamphetamine) = 1-(4-chloro-2,5-dimethoxy-phenyl) propan-2-amine,</p> <p>.....</p>
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16. JWH-018 = Naftalen-1-il-(1-pentilindol-3-il) metanona,	16. JWH-018 = Naphthalene-1-yl-(1-pentylindol-3-yl) methanone,
17. 4-metilmetcatinona (mefedrona) = 1-(4-metilfenil)-2-metilaminopropan-1-ona,	17. 4-methylmethcathinone (mephedrone) = 1-(4-methylphenyl)-2-methylaminopropan-1-one,
.....
24. β-ceto-MDMA (metilona) = 2-metilamino-1-(3,4-metilendioxfenil) propan-1-ona,	24. β-keto-MDMA (methylone) = 2-methylamino-1-(3,4-methylenedioxyphenyl) propan-1-one,
.....
30. Metilendioxirovaleronă (MDPV),	30. Methylenedioxypropylvalerone (MDPV),
.....
41. AM-2201 = 1-[(5-fluoropentyl)-1H-indol-3-yl]-(naphtalen-1-yl)methanone,	41. AM-2201 = 1-[(5-fluoropentyl)-1H-indol-3-yl]-(naphthalen-1-yl)methanone,
.....
43.UR-144=(1-pentylindol-3-yl)-(2,2,3,3-ethremethylcyclopropyl) methanone,	43.UR-144=(1-pentylindol-3-yl)-(2,2,3,3-ethremethylcyclopropyl) methanone,
44. XLR-11 = 1-(5-fluoropentyl)-1H-indol-3-yl)-(2,2,3,3-tetramethylcyclopropyl) methanone,	44. XLR-11 = 1-(5-fluoropentyl)-1H-indol-3-yl)-(2,2,3,3-tetramethylcyclopropyl) methanone,
.....
53. 4-MEC (4-methylethcatinone) = 2-ethylamino-1-(4-methylphenyl)-1-propanone,	53. 4-MEC (4-methylthcatinone) = 2-ethylamino-1-(4-methylphenyl)-1-propanone,
.....
56. Pentedrone = 2-(methylamino)-1-phenyl-1-pentanone,	56. Pentedrone = 2-(methylamino)-1-phenyl-1-pentanone,
.....
60. Alfa-PVP = 1-phenyl-2-(1-pyrolidinyl)-1-pentanone.	60. Alpha-PVP = 1-phenyl-2-(1-pyrolidinyl)-1-pentanone.

d. Items included in Table II, „Narcotics” Section:

104. Dihidroetorfină = 7,8-dihidro-7alfa-[1-(R)-hidroxi-1-metilbutil]-6,14-endo-etanotetrahidrooripavină	104. Dihydroethorphine = 7,8-dihydro-7-alpha-[1-(R)-hydroxy-1-methylbutyl]-6,14-endo-ethanotetrahydrooripavin
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e. Items included in Table II, „Psychotropics” Section:

23. Amineptină = acid 7-[(10,11-dihidro-5H-dibenzo[a, d]ciclohepten-5-il)amino]heptanoic	23. Amineptine = 7-[(10,11-dihydro-5H-dibenzo[a, d]cyclohepten-5-yl)amino]heptanoic acid
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f. Items included in Table III, „Psychotropics” Section:

23. Etizolam = 4-(2-Clorofenil)-2-etil-9-metil-6H-tieno[3,2-f][1,2,4]triazolo[4,3a][1,4]diazepină	Etizolam = 4-(2-Clorofenil)-2-etil-9-metil-6H-tieno[3,2-f][1,2,4]triazolo[4,3a][1,4]diazepină
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Investigating Accountant's Report

ANNEXURE
B

Directors
Dragonfly Biosciences Limited

Dear Sirs,

Independent Limited Assurance Report on Dragonfly Biosciences Limited (ABN 58 137 176 393) historical and pro forma historical financial information

We have been engaged by Dragonfly Biosciences Limited (ABN 58 137 176 393) ("Dragonfly Australia Group") to report on the consolidated historical financial information and consolidated pro forma historical financial information of Dragonfly Biosciences Limited (ABN 58 137 176 393) and Dragonfly Biosciences Limited (UK Co. No. 10842065) ("Dragonfly UK Group") as at 31 December 2022 and for the period then ended for inclusion in the prospectus, to be dated on or about 26 June 2023, and relating to the issue of shares in Dragonfly Biosciences Limited (ABN 58 137 176 393) ("Prospectus").

Expressions and terms defined in the Prospectus have the same meaning in this report.

Scope

Historical Financial Information

You have requested Mazars Assurance Pty Ltd review the following consolidated historical financial information of Dragonfly Australia Group ("Responsible Party") and Dragonfly UK Group included in the Prospectus:

- the Historical Consolidated Statements of Profit or Loss and Other Comprehensive Income for the periods ended 30 June 2020, 31 December 2020, 30 June 2021, 31 December 2021, 30 June 2022, and 31 December 2022.
- the Historical Consolidated Statements of Cash Flows for the periods ended 30 June 2020, 31 December 2020, 30 June 2021, 31 December 2021, 30 June 2022, and 31 December 2022.
- the Consolidated Historical and Consolidated Pro Forma Historical Statement of Financial Position as at 31 December 2022.

The historical financial information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the company's adopted accounting policies. The historical consolidated financial information has been extracted from the financial reports of Dragonfly Australia Group and Dragonfly UK Group for the periods ended 30 June 2020, 31 December 2020, 30 June 2021, 31 December 2021, 30 June 2022, and 31 December 2022, which were audited or reviewed by BDO LLP, PKF Littlejohn LLP, or PKF Perth in accordance with International Standards on Auditing (as adopted in UK) or Australian Auditing Standards (as adopted in Australia). BDO LLP, PKF Littlejohn LLP, or PKF Perth, respectively issued audit opinions or review conclusions on the respective relevant historical financial statements. The historical financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Pro Forma historical financial information

You have requested Mazars Assurance Pty Ltd to review the pro forma historical consolidated statement of financial position as at 31 December 2022 and pro forma historical consolidated statements of profit or loss and other comprehensive income for the periods ended 30 June 2020, 31 December 2020, 30 June 2021, 31 December 2021, 30 June 2022, and 31 December 2022 and pro forma historical consolidated statements of cash flows for the periods ended 30 June 2020, 31 December 2020, 30 June 2021, 31 December 2021, 30 June 2022, and 31 December 2022 (referred to as “pro forma historical financial information”).

The pro forma historical financial information has been derived from the historical financial information of Dragonfly Australia Group and Dragonfly UK Group, after adjusting for the effects of pro forma adjustments described in section 6.5 of the Prospectus. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in section 6.5 of the Prospectus, as if those event(s) or transaction(s) had occurred as at the date of the historical financial information. Due to its nature, the pro forma historical financial information does not represent the company’s actual or prospective financial position, financial performance, and/or cash flows.

Directors’ responsibility

The directors of Dragonfly Biosciences Limited (ABN 58 137 176 393) are responsible for the preparation of the historical financial information and pro forma historical financial information, including the selection and determination of pro forma adjustments made to the historical financial information and included in the pro forma historical financial information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of historical financial information and pro forma historical financial information that are free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

Material uncertainty related to going concern

We draw attention to section 6.3 of the Prospectus, which describes the application of the going concern basis of reporting and other matters related to the application of the going concern assumption to the financial information. In addition, PKF Perth's report on Dragonfly's financial information for the period ended 31 December 2022 included an emphasis of matter regarding a material uncertainty related to going concern. These matters indicate that in the event that the capital raising transaction does not proceed, or that other matters addressed in the Prospectus occur, or do not occur, there remains material uncertainty whether the company will continue as a going concern, and therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial information. Our opinion is not modified in respect of this matter.

Conclusions

Historical financial information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the historical financial information, as described in section 6 of the Prospectus, and comprising:

- the Historical Consolidated Statements of Profit or Loss and Other Comprehensive Income for the periods ended 30 June 2020, 31 December 2020, 30 June 2021, 31 December 2021, 30 June 2022, and 31 December 2022.
- the Historical Consolidated Statements of Cash Flows for the periods ended 30 June 2020, 31 December 2020, 30 June 2021, 31 December 2021, 30 June 2022, and 31 December 2022.
- the Historical Consolidated Statements of Financial Position as at 31 December 2022.

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 6 of the Prospectus.

Pro Forma historical financial information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the pro forma historical financial information being pro forma historical consolidated statement of financial position as at 31 December 2022 and pro forma historical consolidated statements of profit or loss and other comprehensive income for the periods ended 30 June 2020, 31 December 2020, 30 June 2021, 31 December 2021, 30 June 2022, and 31 December 2022 and pro forma historical consolidated statements of cash flows for the periods ended 30 June 2020, 31 December 2020, 30 June 2021, 31 December 2021, 30 June 2022, and 31 December 2022 (referred to as "pro forma historical financial information") is not presented fairly, in all material respects, in accordance with the stated basis of preparation as described in section 6 of the Prospectus.

Restriction on Use

Without modifying our conclusions, we draw attention to section 6.2 of the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

Consent

Mazars Assurance Pty Limited has consented to the inclusion of this assurance report in the Prospectus in the form and context in which it is included.

Liability

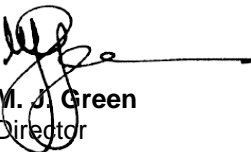
The liability of Mazars Assurance Pty Limited is limited to the inclusion of this report in the Prospectus. Mazars makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Prospectus.

Declaration of Interest

Mazars Assurance Pty Limited does not have any interest in the outcome of this transaction other than in the issuance of this report for which normal professional fees will be received.

Mazars

MAZARS ASSURANCE PTY LIMITED


M. J. Green
Director

Brisbane, 26 June 2023



Corporate Governance Statement

ANNEXURE

C

ANNEXURE C – CORPORATE GOVERNANCE STATEMENT

DRAGONFLY BIOSCIENCES LIMITED
ACN 137 176 393
(Company)

CORPORATE GOVERNANCE STATEMENT

FOR THE FINANCIAL YEAR ENDING 30 JUNE 2021

This Corporate Governance Statement is current as at 19 July 2021 and has been approved by the Board of the Company on that date.

This Corporate Governance Statement discloses the extent to which the Company has, during the financial year ending 30 June 2021, followed the recommendations set by the ASX Corporate Governance Council in its publication Corporate Governance Principles and Recommendations – 4th Edition (**Recommendations**). The Recommendations are not mandatory, however the Recommendations that have not been followed for any part of the reporting period have been identified and reasons provided for not following them along with what (if any) alternative governance practices were adopted in lieu of the recommendation during that period.

The Company has adopted a Corporate Governance Plan which provides the written terms of reference for the Company's corporate governance duties.

Due to the current size and nature of the existing Board and the magnitude of the Company's operations, the Board does not consider that the Company will gain any benefit from individual Board committees and that its resources would be better utilised in other areas as the Board is of the strong view that at this stage the experience and skill set of the current Board is sufficient to perform these roles. Under the Company's Board Charter, the duties that would ordinarily be assigned to individual committees are currently carried out by the full Board under the written terms of reference for those committees.

The Company's Corporate Governance Plan is available on the Company's website at www.dragonflybiosciences.com

RECOMMENDATIONS (4 TH EDITION)	COMPLY	EXPLANATION
Principle 1: Lay solid foundations for management and oversight		
<p>Recommendation 1.1</p> <p>(a) A listed entity should have and disclose a board charter which sets out the respective roles and responsibilities of the Board, the Chair and management, and includes a description of those matters expressly reserved to the Board and those delegated to management.</p>	YES	<p>The Company has adopted a Board Charter that sets out the specific roles and responsibilities of the Board, the Chair and management and includes a description of those matters expressly reserved to the Board and those delegated to management.</p> <p>The Board Charter sets out the specific responsibilities of the Board, requirements as to the Board's composition, the roles and responsibilities of the Chairman and Company Secretary, the establishment, operation and management of Board Committees, Directors' access to Company records and information, details of the Board's relationship with management, details of the Board's performance review and details of the Board's disclosure policy.</p> <p>A copy of the Company's Board Charter, which is part of the Company's Corporate Governance Plan, is available on the Company's website.</p>
<p>Recommendation 1.2</p> <p>A listed entity should:</p> <p>(a) undertake appropriate checks before appointing a director or senior executive or putting someone forward for election as a Director; and</p> <p>(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director.</p>	YES	<p>(a) The Company has guidelines for the appointment and selection of the Board and senior executives in its Corporate Governance Plan. The Company's Nomination Committee Charter (in the Company's Corporate Governance Plan) requires the Nomination Committee (or, in its absence, the Board) to ensure appropriate checks (including checks in respect of character, experience, education, criminal record and bankruptcy history (as appropriate)) are undertaken before appointing a person or putting forward to security holders a candidate for election, as a Director. In the event of an unsatisfactory check, a Director is required to submit their resignation.</p>

RECOMMENDATIONS (4 TH EDITION)	COMPLY	EXPLANATION
		(b) Under the Nomination Committee Charter, all material information relevant to a decision on whether or not to elect or re-elect a Director must be provided to security holders in the Notice of Meeting containing the resolution to elect or re-elect a Director.
<p>Recommendation 1.3</p> <p>A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.</p>	YES	<p>The Company's Nomination Committee Charter requires the Nomination Committee (or, in its absence, the Board) to ensure that each Director and senior executive is personally a party to a written agreement with the Company which sets out the terms of that Director's or senior executive's appointment.</p> <p>The Company has had written agreements with each of its Directors and senior executives for the past financial year.</p>
<p>Recommendation 1.4</p> <p>The Company Secretary of a listed entity should be accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.</p>	YES	<p>The Board Charter outlines the roles, responsibility, and accountability of the Company Secretary. In accordance with this, the Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.</p>
<p>Recommendation 1.5</p> <p>A listed entity should:</p> <p>(a) have and disclose a diversity policy;</p> <p>(b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and</p> <p>(c) disclose in relation to each reporting period:</p> <p>(i) the measurable objectives set for that period to achieve gender diversity;</p> <p>(ii) the entity's progress towards achieving those objectives; and</p> <p>(iii) either:</p>	NO	<p>(a) The Company is committed to the principle of equal opportunity for all employees at all levels of employment within the Company and this is reflected in the Diversity Policy. The policy includes requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.</p> <p>(b) The Company recognises that a talented and diverse workforce is a key competitive advantage. The Company is committed to developing a workplace that promotes diversity. The Company's policy is to recruit and manage based on competence and performance regardless of age, nationality, race, gender, religious beliefs, sexuality, physical ability or cultural background.</p>

RECOMMENDATIONS (4 TH EDITION)	COMPLY	EXPLANATION
<p>the respective proportions of men and women on the Board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in the Workplace Gender Equality Act. If the entity was in the S&P / ASX 300 Index at the commencement of the reporting period, the measurable objective for achieving gender diversity in the composition of its board should be to have not less than 30% of its directors of each gender within a specified period.</p>		<p>(c) The Board does not disclose the progress towards meeting the Policy's diversity targets at the end of each reporting period. It is the Board intention to formalize this disclosure at a time when the size of the Company and its activities warrant such disclosures.</p> <ul style="list-style-type: none"> (i) the Board did not anticipate there would be a need to appoint any new Directors or senior executives due to the limited nature of the Company's existing and proposed activities and the Board's view that the existing Directors and senior executives have sufficient skill and experience to carry out the Company's plans; and (ii) if it became necessary to appoint any new Directors or senior executives, the Board considered the application of the measurable diversity objectives and determined that, given the small size of the Company and the Board, requiring specified objectives to be met, unduly limit the Company from applying the Diversity Policy as a whole and the Company's policy of appointing the best person for the job;] and (iii) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes) for the past financial year is disclosed in the Company's Annual Report

RECOMMENDATIONS (4 TH EDITION)	COMPLY	EXPLANATION
<p>Recommendation 1.6</p> <p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and</p> <p>(b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.</p>	YES	<p>(a) The Company's Nomination Committee (or, in its absence, the Board) is responsible for evaluating the performance of the Board, its committees and individual Directors on an annual basis. It may do so with the aid of an independent advisor. The process for this is set out in the Company's Corporate Governance Plan, which is available on the Company's website.</p> <p>(b) The Company's Corporate Governance Plan requires the Company to disclose whether or not performance evaluations were conducted during the relevant reporting period. The Company has completed performance evaluations in respect of the Board, its committees (if any) and individual Directors for the past financial year in accordance with the above process</p>
<p>Recommendation 1.7</p> <p>A listed entity should:</p> <p>(a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and</p> <p>(b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.</p>	YES	<p>(a) The Company's Nomination Committee (or, in its absence, the Board) is responsible for evaluating the performance of the Company's senior executives on an annual basis. The Company's Remuneration Committee (or, in its absence, the Board) is responsible for evaluating the remuneration of the Company's senior executives on an annual basis. A senior executive, for these purposes, means key management personnel (as defined in the Corporations Act) other than a non-executive Director.</p> <p>The applicable processes for these evaluations can be found in the Company's Corporate Governance Plan, which is available on the Company's website.</p> <p>(b) The Company has completed performance evaluations in respect of the senior executives (if any) for the past financial year in accordance with the applicable processes.</p>

RECOMMENDATIONS (4 TH EDITION)	COMPLY	EXPLANATION
Principle 2: Structure the Board to be effective and add value		
<p>Recommendation 2.1</p> <p>The Board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <ul style="list-style-type: none"> (i) has at least three members, a majority of whom are independent Directors; and (ii) is chaired by an independent Director, and disclose: <ul style="list-style-type: none"> (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	NO	<p>(a) The Company does not have a nomination committee. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the formation of separate or special committees at this time. The Board is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards. In particular, the full Board considers those matters that would usually be the responsibility of a nomination committee. The Board considers that no efficiencies or other benefits would be gained by establishing a separate nomination committee. Retirement and rotation of Directors are governed by the Corporations Act 2001 and the Constitution of the Company. All Directors, with the exception of the Managing Director (if appointed), serve for a period of three years before they are requested to retire and if eligible offer themselves for re-election. [, and which must be chaired by an independent Director [</p> <p>(b) The Company did not have a Nomination Committee for the past financial year as the Board did not consider the Company would benefit from its establishment. In accordance with the Company's Board Charter, the Board carries out the duties that would ordinarily be carried out by the Nomination Committee under the Nomination Committee Charter, including the following processes to address succession issues and to ensure the Board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively:</p> <ul style="list-style-type: none"> (i) devoting time at least annually to discuss Board succession issues and updating the Company's Board skills matrix; and

RECOMMENDATIONS (4 TH EDITION)	COMPLY	EXPLANATION
		(ii) all Board members being involved in the Company's nomination process, to the maximum extent permitted under the Corporations Act and ASX Listing Rules.
<p>Recommendation 2.2</p> <p>A listed entity should have and disclose a Board skills matrix setting out the mix of skills that the Board currently has or is looking to achieve in its membership.</p>	YES	<p>Under the Nomination Committee Charter (in the Company's Corporate Governance Plan), the Nomination Committee (or, in its absence, the Board) is required to prepare a Board skills matrix setting out the mix of skills that the Board currently has (or is looking to achieve) and to review this at least annually against the Company's Board skills matrix to ensure the appropriate mix of skills to discharge its obligations effectively and to add value and to ensure the Board has the ability to deal with new and emerging business and governance issues.</p> <p>The Company has, for the past financial year, had a Board skill matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership. A copy is available in the Company's Annual Report and on the Company's website.</p> <p>The Board Charter requires the disclosure of each Board member's qualifications and expertise. Full details as to each Director and senior executive's relevant skills and experience are available in the Company's Annual Report.</p>
<p>Recommendation 2.3</p> <p>A listed entity should disclose:</p> <p>(a) the names of the Directors considered by the Board to be independent Directors;</p>	YES	<p>(a) The Board Charter requires the disclosure of the names of Directors considered by the Board to be independent. The Company has disclosed those Directors it considered to be independent in its Annual Report.</p> <p>(b) N/A</p>

RECOMMENDATIONS (4 TH EDITION)	COMPLY	EXPLANATION
<p>(b) if a Director has an interest, position or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendations (4th Edition), but the Board is of the opinion that it does not compromise the independence of the Director, the nature of the interest, position or relationship in question and an explanation of why the Board is of that opinion; and</p> <p>(c) the length of service of each Director</p>		<p>(c) The Company's Annual Report discloses the length of service of each Director, as at the end of each financial year.</p>
<p>Recommendation 2.4</p> <p>A majority of the Board of a listed entity should be independent Directors.</p>	YES	<p>The Company's Board Charter requires that, where practical, the majority of the Board should be independent.</p> <p>There was an independent majority of the Board during all of of the past financial year.</p> <p>The Board currently comprises a total of 3 directors, of whom 2 are considered to be independent. As such, independent directors currently comprise the majority of the Board.</p>
<p>Recommendation 2.5</p> <p>The Chair of the Board of a listed entity should be an independent Director and, in particular, should not be the same person as the CEO of the entity.</p>	NO	<p>The Board Charter provides that, where practical, the Chair of the Board should be an independent Director and should not be the CEO/Managing Director.</p> <p>The Chair of the Company during the past financial year was not an independent Director and was the Managing Director.</p> <p>The Board did not have an independent Chair because it was not feasible due to the company's current size and Board structure .</p>

RECOMMENDATIONS (4 TH EDITION)	COMPLY	EXPLANATION
<p>Recommendation 2.6</p> <p>A listed entity should have a program for inducting new Directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as Directors effectively.</p>	YES	<p>In accordance with the Company's Board Charter, the Nominations Committee (or, in its absence, the Board) is responsible for the approval and review of induction and continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities. The Company Secretary is responsible for facilitating inductions and professional development including receiving briefings on material developments in laws, regulations and accounting standards relevant to the Company.</p>

Principle 3: Instil a culture of acting lawfully, ethically and responsibly		
<p>Recommendation 3.1</p> <p>A listed entity should articulate and disclose its values.</p>	YES	<p>(a) The Company and its subsidiary companies (if any) are committed to conducting all of its business activities fairly, honestly with a high level of integrity, and in compliance with all applicable laws, rules and regulations. The Board, management and employees are dedicated to high ethical standards and recognise and support the Company's commitment to compliance with these standards.</p> <p>(b) The Company's values are set out in its Code of Conduct (which forms part of the Corporate Governance Plan) and are available on the Company's website. All employees are given appropriate training on the Company's values and senior executives will continually reference such values.</p>

RECOMMENDATIONS (4 TH EDITION)	COMPLY	EXPLANATION
<p>Recommendation 3.2</p> <p>A listed entity should:</p> <p>(a) have and disclose a code of conduct for its Directors, senior executives and employees; and</p> <p>(b) ensure that the Board or a committee of the Board is informed of any material breaches of that code.</p>	YES	<p>(a) The Company's Corporate Code of Conduct applies to the Company's Directors, senior executives and employees.</p> <p>(b) The Company's Corporate Code of Conduct (which forms part of the Company's Corporate Governance Plan) is available on the Company's website. Any material breaches of the Code of Conduct are reported to the Board or a committee of the Board.</p>
<p>Recommendation 3.3</p> <p>A listed entity should:</p> <p>(a) have and disclose a whistleblower policy; and</p> <p>(a) ensure that the Board or a committee of the Board is informed of any material incidents reported under that policy.</p>	YES	<p>The Company's Whistleblower Protection Policy (which forms part of the Corporate Governance Plan) is available on the Company's website. Any material breaches of the Whistleblower Protection Policy are to be reported to the Board or a committee of the Board.</p>
<p>Recommendation 3.4</p> <p>A listed entity should:</p> <p>(a) have and disclose an anti-bribery and corruption policy; and</p> <p>(b) ensure that the Board or committee of the Board is informed of any material breaches of that policy.</p>	YES	<p>The Company's Anti-Bribery and Anti-Corruption Policy (which forms part of the Corporate Governance Plan) is available on the Company's website. Any material breaches of the Anti-Bribery and Anti-Corruption Policy are to be reported to the Board or a committee of the Board.</p>
Principle 4: Safeguard the integrity of corporate reports		
<p>Recommendation 4.1</p> <p>The Board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(i) has at least three members, all of whom are non-executive Directors and a majority of whom are independent Directors; and</p> <p>(ii) is chaired by an independent Director, who is not the Chair of the Board,</p>	NO	<p>(a) The Company's Corporate Governance Plan contains an Audit and Risk Committee Charter that provides for the creation of an Audit and Risk Committee with at least three members, all of whom must be non-executive Directors, and majority of the Committee must be independent Directors. The Committee must be chaired by an independent Director who is not the Chair.</p>

RECOMMENDATIONS (4 TH EDITION)	COMPLY	EXPLANATION
<p>and disclose:</p> <ul style="list-style-type: none"> (iii) the charter of the committee; (iv) the relevant qualifications and experience of the members of the committee; and (v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>		<p>The Company did not have an Audit and Risk Committee for the past financial year as the Board did not consider the Company would benefit from its establishment, and does not currently have one. In accordance with the Company's Board Charter, the Board carries out the duties that would ordinarily be carried out by the Audit and Risk Committee under the Audit and Risk Committee Charter including the following processes to independently verify the integrity of the Company's periodic reports which are not audited or reviewed by an external auditor, as well as the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner:</p> <ul style="list-style-type: none"> (b) the Board devotes time at annual Board meetings to fulfilling the roles and responsibilities associated with maintaining the Company's internal audit function and arrangements with external auditors; and <p>all members of the Board are involved in the Company's audit function to ensure the proper maintenance of the entity and the integrity of all financial reporting.</p>
<p>Recommendation 4.2</p> <p>The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	YES	<p>The Company's Audit and Risk Committee Charter requires the CEO and CFO (or, if none, the person(s) fulfilling those functions) to provide a sign off on these terms.</p> <p>The Company has obtained a sign off on these terms for each of its financial statements in the past financial year.</p>
Recommendation 4.3		

RECOMMENDATIONS (4 TH EDITION)	COMPLY	EXPLANATION
A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.	YES	The Company has included in each of its (to the extent that the information contained in the following is not audited or reviewed by an external auditor): (a) quarterly reports, or in its annual report or on its website, a description of the process it undertook to verify the integrity of the information in its quarterly reports.
Principle 5: Make timely and balanced disclosure		
Recommendation 5.1 A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.	YES	(a) The Company's Corporate Governance Plan details the Company's Continuous Disclosure policy. (b) The Corporate Governance Plan, which incorporates the Continuous Disclosure policy, is available on the Company's website.
Recommendation 5.2 A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.	YES	Under the Company's Continuous Disclosure Policy (which forms part of the Corporate Governance Plan), all members of the Board receive material market announcements promptly after they have been made.
Recommendation 5.3 A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.	YES	All substantive investor or analyst presentations were released on the ASX Markets Announcement Platform ahead of such presentations.
Principle 6: Respect the rights of security holders		
Recommendation 6.1 A listed entity should provide information about itself and its governance to investors via its website.	YES	Information about the Company and its governance is available in the Corporate Governance Plan which can be found on the Company's website.

RECOMMENDATIONS (4 TH EDITION)	COMPLY	EXPLANATION
<p>Recommendation 6.2</p> <p>A listed entity should have an investor relations program that facilitates effective two-way communication with investors.</p>	YES	<p>The Company has adopted a Shareholder Communications Strategy which aims to promote and facilitate effective two-way communication with investors. The Strategy outlines a range of ways in which information is communicated to shareholders and is available on the Company's website as part of the Company's Corporate Governance Plan.</p>
<p>Recommendation 6.3</p> <p>A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.</p>	YES	<p>Shareholders are encouraged to participate at all general meetings and AGMs of the Company. Upon the despatch of any notice of meeting to Shareholders, the Company Secretary shall send out material stating that all Shareholders are encouraged to participate at the meeting.</p> <p>The Company provided Shareholders with the opportunity to participate in shareholder meetings by live webcasting meetings online and allowing voting in person, by proxy or online.</p>
<p>Recommendation 6.4</p> <p>A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.</p>	YES	<p>All substantive resolutions at securityholder meetings were decided by a poll rather than a show of hands.</p>
<p>Recommendation 6.5</p> <p>A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.</p>	YES	<p>The Shareholder Communication Strategy provides that security holders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX, including the release of the Annual Report, half yearly reports and quarterly reports. Links are made available to the Company's website on which all information provided to the ASX is immediately posted.</p> <p>Shareholders queries should be referred to the Company Secretary at first instance.</p>

RECOMMENDATIONS (4 TH EDITION)	COMPLY	EXPLANATION
Principle 7: Recognise and manage risk		
<p>Recommendation 7.1</p> <p>The Board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(i) has at least three members, a majority of whom are independent Directors; and</p> <p>(ii) is chaired by an independent Director, and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework.</p>	NO	<p>(a) The Company's Corporate Governance Plan contains an Audit and Risk Committee Charter that provides for the creation of an Audit and Risk Committee with at least three members, all of whom must be non-executive Directors, and majority of the Committee must be independent Directors. The Committee must be chaired by an independent Director who is not the Chair.</p> <p>A copy of the Corporate Governance Plan is available on the Company's website.</p> <p>(b) The Company did not have an Audit and Risk Committee for the past financial year as the Board did not consider the Company would benefit from its establishment, and does not currently have one. In accordance with the Company's Board Charter, the Board carries out the duties that would ordinarily be carried out by the Audit and Risk Committee under the Audit and Risk Committee Charter including the following processes to oversee the entity's risk management framework:</p> <p>(i) the Board devotes time at quarterly Board meetings to fulfilling the roles and responsibilities associated with overseeing risk and maintaining the entity's risk management framework and associated internal compliance and control procedures.</p>
<p>Recommendation 7.2</p> <p>The Board or a committee of the Board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the Board; and</p>	YES	<p>(a) The Audit and Risk Committee Charter requires that the Audit and Risk Committee (or, in its absence, the Board) should, at least annually, satisfy itself that the Company's risk management framework continues to be sound and that the Company is operating with due regard to the risk appetite set by the Board.</p>

RECOMMENDATIONS (4 TH EDITION)	COMPLY	EXPLANATION
(b) disclose in relation to each reporting period, whether such a review has taken place		(b) The Company's Board has completed a review of the Company's risk management framework in the past financial year.
<p>Recommendation 7.3</p> <p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its governance, risk management and internal control processes.</p>	NO	<p>(a) The Audit and Risk Committee Charter provides for the Audit and Risk Committee to monitor and periodically review the need for an internal audit function, as well as assessing the performance and objectivity of any internal audit procedures that may be in place.</p> <p>(b) The Company did not have an internal audit function for the past financial year. function. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the formation of an internal audit function at this time. The Board as a whole, continually evaluates and improves the effectiveness of its risk management and internal control processes, and in doing so is subject to the overall supervision of the board.</p>
<p>Recommendation 7.4</p> <p>A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.</p>	YES	<p>The Audit and Risk Committee Charter requires the Audit and Risk Committee (or, in its absence, the Board) to assist management to determine whether the Company has any potential or apparent exposure to environmental or social risks and, if it does, put in place management systems, practices and procedures to manage those risks.</p> <p>Where the Company does not have material exposure to environmental or social risks, the Committee will report the basis for that determination to the Board, and where appropriate benchmark the Company's environmental or social risk profile against its peers.</p> <p>The Company discloses this information in its Annual Report and on the Company's website in compliance with its continuous disclosure obligations.</p>

RECOMMENDATIONS (4 TH EDITION)	COMPLY	EXPLANATION
Principle 8: Remunerate fairly and responsibly		
<p>Recommendation 8.1</p> <p>The Board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(i) has at least three members, a majority of whom are independent Directors; and</p> <p>(ii) is chaired by an independent Director, and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	YES	<p>(a) The Company's Corporate Governance Plan contains a Remuneration Committee Charter that provides for the creation of a Remuneration Committee (if it is considered it will benefit the Company), with at least three members, a majority of whom are independent Directors, and which must be chaired by an independent Director.</p> <p>(b) The Company did not have a Remuneration Committee for the past financial year as the Board did not consider the Company would benefit from its establishment, and does not currently have one. In accordance with the Company's Board Charter, the Board carries out the duties that would ordinarily be carried out by the Remuneration Committee under the Remuneration Committee Charter including the following processes to set the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive:</p> <p>(i) the Board devotes time at the annual Board meeting to assess the level and composition of remuneration for Directors and senior executives;</p>
<p>Recommendation 8.2</p> <p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive Directors and the remuneration of executive Directors and other senior executives.</p>	YES	<p>The Company's Corporate Governance Plan requires the Board to disclose its policies and practices regarding the remuneration of Directors and senior executives, which is disclosed in the remuneration report contained in the Company's Annual Report as well as being disclosed on the Company's website.</p>
<p>Recommendation 8.3</p> <p>A listed entity which has an equity-based remuneration scheme should:</p>	NO	<p>(a) The Company did not have an equity-based remuneration scheme during the past financial year.</p>

RECOMMENDATIONS (4 TH EDITION)	COMPLY	EXPLANATION
<p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>		
Additional recommendations that apply only in certain cases		
<p>Recommendation 9.1</p> <p>A listed entity with a director who does not speak the language in which board or security holder meetings are held or key corporate documents are written should disclose the processes it has in place to ensure the director understands and can contribute to the discussions at those meetings and understands and can discharge their obligations in relation to those documents.</p>	N/A	<p>All current Board members are English speaking, and no translation is required.</p> <p>.</p>
<p>Recommendation 9.2</p> <p>A listed entity established outside Australia should ensure that meetings of security holders are held at a reasonable place and time.</p>	N/A	<p>All Shareholder meetings have been held in Australia and at a reasonable place and time for shareholders</p>
<p>Recommendation 9.3</p> <p>A listed entity established outside Australia, and an externally managed listed entity that has an AGM, should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	N/A	<p>PKF Perth attended the Company's Annual General Meeting and was available to answer questions from Shareholders in respect of the Company's audit.</p>



Application Form

CORRECT FORMS OF REGISTRABLE TITLE

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual	Mr John Richard Sample	J R Sample
Joint Holdings	Mr John Richard Sample & Mrs Anne Sample	John Richard & Anne Sample
Company	ABC Pty Ltd	ABC P/L or ABC Co
Trusts	Mr John Richard Sample <Sample Family A/C>	John Sample Family Company
Superannuation Funds	Mr John Sample & Mrs Anne Sample <Sample Family Super A/C>	John & Anne Superannuation Fund
Partnerships	Mr John Sample & Mr Richard Sample <Sample & Son A/C>	John Sample & Son
Clubs/Unincorporated Bodies	Mr John Sample <Health Club A/C>	Health Club
Deceased Estates	Mr John Sample <Estate Late Anne Sample A/C>	Anne Sample (Deceased)

INSTRUCTIONS FOR COMPLETING THE FORM

YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

This is an Application Form for fully paid ordinary Shares and free-attaching Options in Dragonfly Biosciences Limited ACN 137 176 393 (**Company**) made under the terms set out in the Replacement Prospectus dated 27 June 2023.

Capitalised terms not otherwise defined in this document has the meaning given to them in the Prospectus. The Prospectus contains important information relevant to your decision to invest and you should read the entire Prospectus before applying for Shares. If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the Prospectus and any supplementary Prospectus (if applicable). While the Prospectus is current, the Company will send paper copies of the Prospectus, and any supplementary Prospectus (if applicable) and an Application Form, on request and without charge.

- Shares Applied For & Payment Amount** - Enter the number of Shares & the amount of the application monies payable you wish to apply for. Applications must be for a minimum of 10,000 Shares at \$0.20 per Share (i.e. for a minimum subscription amount of \$2,000). A larger number of Shares may be applied for in multiples of 2,500 Shares.
- Applicant Name(s) and Postal Address** - ONLY legal entities can hold Shares. The Application must be in the name of a natural person(s), companies or other legal entities acceptable by the Company. At least one full given name and surname is required for each natural person. Refer to the table above for the correct forms of registrable title(s). Applicants using the wrong form of names may be rejected. Next, enter your postal address for the registration of your holding and all correspondence. Only one address can be recorded against a holding.
- Contact Details** - Please provide your contact details for us to contact you between 9:00am and 5:00pm (AWST) should we need to speak to you about your application. In providing your email address you elect to receive electronic communications. You can change your communication preferences at any time by logging in to the Investor Portal accessible at <https://investor.automic.com.au/#/home>
- CHESS Holders** - If you are sponsored by a stockbroker or other participant and you wish to hold Shares allotted to you under this Application on the CHESS subregister, enter your CHESS HIN. Otherwise leave the section blank and on allotment you will be sponsored by the Company and a "Securityholder Reference Number" ("SRN") will be allocated to you.
- TFN/ABN/Exemption** - If you wish to have your Tax File Number, ABN or Exemption registered against your holding, please enter the details. Collection of TFN's is authorised by taxation laws but quotation is not compulsory and it will not affect your Application.
- Payment** - Payments for Applications made using a paper Application Form can only be made by cheque. Your cheque must be made payable to "Dragonfly Biosciences Limited" and drawn on an Australian bank and expressed in Australian currency and crossed "Not Negotiable". Cheques or bank drafts drawn on overseas banks in Australian or any foreign currency will NOT be accepted. Any such cheques will be returned and the acceptance deemed to be invalid. Sufficient cleared funds should be held in your account as your acceptance may be rejected if your cheque is dishonoured. Completed Application Forms and accompanying cheques must be received before 5:00pm (AWST) on the Closing Date by being delivered or mailed to the address set out in the instructions below.
Applicants wishing to pay by BPAY® or EFT should complete the online Application, which can be accessed by following the web address provided on the front of the Application Form. Please ensure that payments are received by 5:00pm (AWST) on the Closing Date. Do not forward cash with this Application Form as it will not be accepted.

DECLARATIONS

BY SUBMITTING THIS APPLICATION FORM WITH THE APPLICATION MONIES, I/WE DECLARE THAT I/WE:

- Have received a copy of the Prospectus, either in printed or electronic form and have read the Prospectus in full;
- Have completed this Application Form in accordance with the instructions on the form and in the Prospectus;
- Declare that the Application Form and all details and statements made by me/us are complete and accurate;
- I/we agree to provide further information or personal details, including information related to tax-related requirements, and acknowledge that processing of my application may be delayed, or my application may be rejected if such required information has not been provided;
- Agree and consent to the Company collecting, holding, using and disclosing my/our personal information in accordance with the Prospectus; and
- Where I/we have been provided information about another individual, warrant that I/we have obtained that individual's consent to the transfer of their information to the Company.
- Acknowledge that once the Company accepts my/our Application Form, I/we may not withdraw it;
- Apply for the number of Shares that I/we apply for (or a lower number allocated in a manner allowed under the Prospectus);
- Acknowledge that my/our Application may be rejected by the Company in its absolute discretion;
- Authorise the Company and their agents to do anything on my/our behalf necessary (including the completion and execution of documents) to enable the Shares to be allocated;
- Am/are over 18 years of age;
- Agree to be bound by the Constitution of the Company; and
- Acknowledge that neither the Company nor any person or entity guarantees any particular rate of return of the Shares, nor do they guarantee the repayment of capital.

LODGEMENT INSTRUCTIONS

The Offer opens on 27 June 2023 and is expected to close on 20 July 2023. The Directors reserve the right to close the Offer at any time once sufficient funds are received or to extend the Offer period. Applicants are therefore encouraged to submit their Applications as early as possible. Completed Application Forms and payments must be submitted as follows:

Paper Application and Cheque

By Post:

or

By Hand Delivery:

Dragonfly Biosciences Limited
C/- Automic Pty Ltd
GPO Box 5193
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ASSISTANCE

Need help with your application, no problem. Please contact Automic on:



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