

Dragontail Systems Expands its Global Infrastructure with Leading QSR Entities

31 July 2018 (Melbourne): Dragontail Systems Limited (ASX: DTS, the "Company" or "Dragontail") is pleased to provide the market with its quarterly operational update covering the three months ended 30 June 2018 (Q2 2018).

Key Q2 Highlights:

- The company continues to establish solid, significant and lasting international relationships with the world's leading QSR brands including DOMINO'S, PH, KFC, BURGER KING, CARA and more.
- The Company's financial performance is as anticipated with costs reflecting the magnitude of the opportunities it is pursuing with global QSR brands, while revenues were steady, they are expected to accelerate with installation growth.
- The company is deepening its operations across the Asian market, while identifying the tremendous potential of thousands of QSR stores in the continent.
- Dragontail has signed a strategic agreement with Jubilant FoodWorks Limited (Jubilant), the master franchise for Domino's Pizza in India, with 1,134 stores, as well as the master franchise for Domino's Pizza in Sri Lanka, Nepal and Bangladesh and Dunkin' Donuts in India.
- Dragontail has completed its first nationwide installations of its Algo Dispatching System in all PH locations across Singapore with the highest roll out rate achieved.
- Commenced full service agreements for Total Technology Solution, that more than double revenue per store in QSR companies in the United States and Canada.
- A major part of the R&D activities has moved to Australia to support the Company's growing operations in the Asia-Pacific region by intensifying the number of scientists and developers in its ranks.

Dragontail is pleased to announce its achievements and milestones that were completed as of the second quarter of 2018.

Dragontail continues the acceleration of its two flagship products - the Algo Platform, an optimization algorithm that streamlines, enhances and manages the entire restaurant order and delivery process; and the artificial intelligence [AI] **QT Camera system's** sensor that instantly checks the quality of the food preparation. The Company's two flagship products have been installed in the leading international Quick Service Restaurants ("QSR") brands globally including: Pizza Hut ("PH") Canada, Domino's Australia, PH Singapore, Burger King Cyprus, Recipe

Unlimited Corporation Canada, (formerly Cara Operations Limited), and more.

The Company continues to establish solid, significant and lasting international relationships with the world's leading QSR brands. With a careful and responsible overview, and as the Company's products are designed to make a real difference in the QSR chains' operations, the products rate of installation takes into account the expected revolution in stores. The slightly slower installation rate than expected is rooted in a responsible and patient approach that will ensure successful installation creating enduring relationships with the customer, and successful diffusion of the Company's products within the customer's systems. The Company's business focus remains the successful penetration of its technology, leading to durable and long standing commercial terms with the World's largest QSR brands with ever improving installation and roll out times as efficiencies grow.

Q2 2018 financial Summary

The Appendix 4C quarterly report for the three months ended 30 June 2018 is attached. Summarized as follows:

- The cash flow was lower due to the timing of the funds collection expected to be received during the 3rd quarter of the year.
- Total cash usage (Net Cash Used from Operating Activities) in Q2 2018 of US\$1.6 million was predicted and in line with internal growth expectations and was indicated in Q1 2018.
- Cash usage for the quarter reflected the continued investment Dragontail is making in securing long term relationships with global QSR brands and further expanding its R&D team in Australia.

As a result of the Company's extensive investment in manpower, costs have increased to support strategic projects in the Asia-Pacific region and the Australian based team now outnumbers the Company's Israel-based R&D team. These projects include the projects that are already being conducted and those that are in the Company's pipeline.

Dragontail has demonstrated operational, professional and technological capabilities within its **successful first nationwide roll out of its Algo Dispatching System in all PH locations across Singapore.** The rapid and efficient manner in which the roll out was done, with the pace of installation of up to 6 stores a day, with a team flown specifically for the project, reflects the Company's robustness in properly carrying out its obligations to its customers.

The strategic project to install the QT quality control camera in hundreds of Domino's locations throughout Australia and New Zealand continues to advance. Dragontail has strengthened and enhanced the QT camera by additional features that were developed jointly by Dragontail and Domino's in recent months. The further development is expected to be completed within the coming weeks to allow the roll out to begin by Q4 2018.

One of the Company's major achievements in the second quarter of 2018 was the signing of the agreement with Jubilant FoodWorks Limited (Jubilant), the master franchise for Domino's Pizza in India, with 1,134 stores. Jubilant holds the master franchise for Domino's Pizza in India, Sri Lanka, Nepal and Bangladesh, as well as Dunkin' Donuts in India. Jubilant has 1,134 self-owned stores across 266 Indian cities, representing one of the top 3 markets globally for Domino's. The fact that all stores are owned by the company is an advantage, as it will contribute to the speed and ease with which the roll out could take place. Under the agreement, DTS will provide Jubilant the full

suite of its technology solutions – the 'Algo' optimization and analytics platform with the driver sharing module, and QT quality control camera – as well as future artificial intelligence [AI] technologies developed by DTS. The strategic alliance will maximize Julilant's operational efficiency with reduction in manpower and labour cost, delivery optimization, minimizing food waste, optimizing the food preparation processes, integrating quality control as part of the kitchen work process and much more.

The company is deepening its operations across the Asian market, while identifying the tremendous potential of thousands of QSR stores in the continent. In order to support the Company's growing operations in the Asia-Pacific region, the major part of the Company's R&D activities has moved to Australia, leading to a significant increase of its staff by data scientists and developers joining its ranks. As the company identifies projects and strategic initiatives that have emerged in recent months, the need to adapt the existing resources of the Company has arisen. Hence the R&D activities are now being concentrated and conducted mostly from Australia.

Deepening its relationship with KFC – Dragontail was the only delivery optimization technology company presenting at KFC's global franchisee conference that was held in Orlando last May. Evidencing the ever-strengthening relationship with KFC globally, Dragontail presented its flagship products at KFC's global franchisee conference in Orlando last May. This follows Dragontail's attendance and presentation at KFC Asia's regional "store of tomorrow" convention in January.

Commenting on the company's quarterly achievements, Managing Director, **Ido Levanon** said: "The Company is at a turning point where all seeds sown in recent months are expected to bear fruit and realize the Company's vision. We get more and more reinforcements from customers who are excited by our revolutionary products, and it is clear that a QSR chain that wants to float above its competitors will need our systems. In an era when everyone is competing for every single percent of profit, it is obvious that any improvement in operations that will lead to more productive processes will provide a significant advantage to our customers".

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About Dragontail Systems

Dragontail is revolutionising the Quick Service Restaurant (QSR) and foodservice industry with its Algo System and computer-vision QT quality system that uses artificial intelligence (AI) machine learning.

The Algo System uses a sophisticated patented algorithm to optimise and manage the entire food preparation process from order to delivery. It is the first system in the world to fully automate and streamline the kitchen flow to deliver an immediate and significant return on investment to fast food and quick service restaurants.

The QT system's sensor and camera automatically monitor the preparation and cooking process in the kitchen to improve the quality and consistency of meals. Using proprietary advanced AI machine-learning technology, the system keeps improving its diagnostics, becoming even more efficient. For more information, visit www.dragontailsystems.com.