

March 2017 Quarter Update

30 April 2017

ASX Announcement

Highlights

- Completed successful rollout through all Pizza Hut corporate stores in Canada, started implementation of the Algo at a franchisee in Toronto.
- Signs partnership with leading iPad point of sale (POS) platform, Revel Systems.
- Launches into \$2 billion frozen yoghurt segment with commercial rollout into New York. frozen yoghurt franchise following successful trial which was concluded early by customer, due to its successful results.
- Expands into lucrative hotel and resort market through agreement with global hospitality solutions provider Monscierge Inc.
- Continues to build customer base and recurring revenues.
- Number of near-term agreements in the pipeline setting up Dragontail for a strong year in 2017

Dragontail Systems Limited (ASX: DTS, the "Company") is pleased to release its quarterly report for the period ended 31 March 2017.

Operating Overview

DTS continues to make significant progress on the development and commercialisation of its novel proprietary food service technology, the Algo Dispatching System (The Algo). The Company has achieved a number of key milestones in the March quarter, including the expansion into new segments which has set them up for a strong year in FY2017.

The Company has accomplished successfully the roll out of the Algo through all Pizza Huts corporate stores in Canada. The roll out has been accomplished on time and on budget pursuant to the master agreement with Yum Restaurant Services Group Inc as summarized in the Company's prospectus dated 28 September 2016. The Company started to rollout the Algo with a Pizza Hut franchisee in Toronto.

The Company also signed an agreement with US-based Revel Systems during the quarter to integrate the Company's Algo into Revel's point-of-sale (POS) solutions. The agreement means that customers using the Revel POS system can easily implement the Algo into their restaurant operations – allowing clients to have one seamless integrated system that can handle orders through to payments and deliveries.

In addition to the integration the two companies also signed a mutual referral agreement under which Revel can market the Algo System to its client base, and vice versa.

New segments

During the quarter DTS signed an agreement with global hospitality solutions provider, Monscierge Inc. which has provided the company with a strategic entry point into the hotel and resort industry. Through the mutual referral agreement, the Algo is being marketed to Monscierge's hotel and resort clients. Monscierge operates in more than 60 countries and has a number of large hotel chains as clients including ACCOR Hotels, Hyatt, Intercontinental Hotels Group and Holiday Inn.

DTS believes that the Algo is ideally suited to hotel and resorts where it can be applied across a number of areas including optimising room service and in-house QSR operations.

DTS also made a successful entry into the frozen yoghurt market during the quarter with a commercial rollout to New York frozen yoghurt franchise, 16 Handles. The commercial rollout came after a successful trial, which was concluded early by the client due to the positive results that the Algo provided.

Following the strong success of the trial the Algo is now being installed in four 16 Handles frozen yoghurt stores and provides the Company with a platform to target other frozen yoghurt franchises in the US across the \$2 billion market^[1]. The Company has already commenced negotiations with other 16 Handles franchisees whom collectively operate more than 40 stores.

Corporate and Financials

The Company remains well-resourced to continue the development and commercialisation of the it's revolutionary Algo Dispatching System with a cash balance of A\$3,470K as at March 31, 2017. The Company continues to increase its recurring revenue base from every successful implementation of the Algo and anticipates to grow steadily throughout 2017 just through the roll out in Pizza Hut Canada. If some of the new sectors in which the Company has announced penetration and potential penetration commence commercial operations then increased revenues can be expected to grow aggressively .

Going forward, the Company expects that investment in the business should lead to higher sales levels over the next six to 12 months.

Outlook

The Company is confident of further growth in its customer pipeline and strengthening of its geographic reach over the remainder of FY2017 following a solid performance during the quarter.

"We have made strong progress during the first quarter of 2017, including the expansion into new market segments and the signing of a number of strategic partners which sets us up for a strong year," said Dragontail CEO Ido Levanon

"We continue to attract strong interest from potential clients across the QSR industry who have identified the benefits that the Algo System can bring to their business and we expect to announce new agreements in the near to medium term."

[1] <https://www.ibisworld.com/industry/frozen-yogurt-stores.html>

Company Secretary:

Deborah Ho

deborah@tridentms.com.au

+61 8 6211 5099

Media Enquiries:

Ben Grubb
Media and Capital Partners
ben.grubb@mcpartners.com.au
+61 414 197 508

About Dragontail Systems

Dragontail is revolutionising the Quick Service Restaurant (QSR) industry with its Algo, which uses a sophisticated patented algorithm to optimise and manage the entire food preparation process from order to delivery. The Algo is the first system in the world to fully automate and streamline the kitchen flow to deliver immediate and significant returns on investment to fast food and quick service restaurants. The Algo is setting a new standard for the global industry with a number of chains, such as Pizza Hut in North America and Israel, and a large Israeli burger chain already using the system.