

24 January 2019

ASX Announcement

OPERATIONAL UPDATE Q4 OF 2018

Key Q4 Highlights:

- **Total cash receipts for 2018 financial year 3 times greater than 2017.**
- **Receipts in Q4 were lower than Q3 due to timing of invoice receipts being subsequent to 31 December 2018. This is in no way reflective of the installation base growth which is currently at approximately 80% increase over Q3 install base.**
- **Due to circumstances beyond the control of Dragontail, some of the installations planned for late 2018 were postponed to early part of 2019. The Company has adjusted its forecasts accordingly and estimates that the base of 1,700 installations will be reached during Q2 2019.**
- **Tiger Global Investments (a US based \$20 billion fund) invests \$6m AUD into Dragontail. This provided the Company with the strong backing and stability required to maximize Dragontail's activity in 2019.**
- **As of the end of Q4, the installation of the QT Camera has begun in 2 Australian states as part of the planned deployment of 850 in Australia and New Zealand throughout the beginning of 2019.**
- **Pizza Hut Australia (owned by YUM! Brands - the world's largest QSR company), to implement Dragontail's Algo and driver sharing platform in its 280 stores across Australia.**
- **Pizza Hut Canada chose the Full "Algo" and the Algo Light Platforms, as the Brand standard solution of PH stores in Canada (part of YUM!). Installation rate is accelerating to realize projected install base of over 350 stores during 2019.**
- **Recipe Unlimited Corporation (formerly Cara Operations Limited), Canada's largest full service restaurant operator, to be the first to implement the Algo light platform independently, with only remote control of Dragontail.**

24 January 2019 (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 31 December 2018 (Q4 2018). The Company continues to maintain a close relationships with leading QSR food groups around the globe, and securing more projects which will enhance its position in the industry.

The Appendix 4C quarterly report for the three months ended 31 December 2018 is attached.

During the course of 2018, out of a long-term vision and the desire to realize the tremendous potential within the Company, various strategic partnerships were established, construction of marketing-sales infrastructure was created. The Company signed agreements with the leading Quick Service Restaurant (QSR) groups, point of Sale (POS) companies, partners who specialize in operating synergetic platforms (some of them Internet platforms) and others. These partnerships are with groups from all over the globe, on almost all continents: North America, Europe, Asia and Australia. The goal was to establish and stabilize Dragontail's position and create significant gripping points. The last quarter of 2018 was designed to be the most significant acceleration point, in terms of Dragontail's installation base. Accordingly, the Company has made preparations in terms of the financial and other resources required to support the global operations. Due to circumstances out of the Company's control, some of the planned installations were postponed to 2019. The Company has adjusted its forecast and believe that the install base of 1,700 installations should be reached during Q2 2019.

The Company is also pleased to announce that there is not one customer who has chosen to relinquish the system after it was installed. The Company has received positive feedback and KPI improvements are reported by customers.

Tiger Global Investments invests AUD\$6M in Dragontail providing financial momentum to achieve the goals set by the Company for 2019. Tiger Global Investments invested over \$6m AUD into Dragontail in October 2018. The investment price of \$0.187 was a 10% premium to the closing share price of the Company and 28% premium to the weighted average price over the 7 days prior to the raise.

Tiger Global Management, is an investment firm based in New York currently manages over USD\$20 billion in assets and has extensive experience investing in leading software as a service companies globally. The firm also has a number of investments leveraged to growth in restaurant spending and mobile app enabled food delivery.

As of the end of Q4, the installation of the QT Camera has spread into two Australia states - Victoria and Queensland - as part of the planned nationwide deployment of approximately 150 stores in Australia by the end of Q1 2019.

As part of the rollout, a significant operational advantage was achieved in the completion of the ability to remotely install the QT Camera system. That capability will diminish the need of Dragontail's presence in store to install the system. This leads to a more efficient installation procedure, independence for the stores, and the significant reduction in manpower expenses for the Company.

Pizza Hut Australia, is to implement Dragontail's Algo and driver sharing platform in its stores across Australia, for streamlining restaurant and delivery operations. The rollout of the system is scheduled to take place in phases starting in January 2019, with the intention to install the Algo platform into more than 280 Pizza Hut stores across the country during 2019.

The agreement shows the continued deepening of the Company's presence in YUM! brands globally.

The Pizza Hut Australia agreement represents another customer installing the Algo system on a nationwide basis, following on from nationwide deployment in Singapore and Canada.

The Full "Algo" and the Algo Light Platforms, were selected as the mandatory solution for Pizza Hut Canada, and is expected to include the vast majority of PH Canada's 350 stores during 2019. The agreement signed by the Company with Pizza Hut Canada Company Inc., part of YUM!, designates Dragontail's technology as the brand mandated standard product for all PH stores in Canada. As part of the Agreement, the module - "Driver sharing" - is offered to all franchisees as an optional add-on component. This module can revolutionize the efficiency of the drivers in a particular store, allowing stores to share a pool of drivers among themselves, thereby maximizing the human resource, especially in an era where competition is challenging in that aspect as well.

Entering the new year, the Algo platform is expected to be installed at an accelerating rate with potential to reach up to 350 stores by the end of 2019 completing another nationwide rollout of the Algo, as was done in PH stores in Singapore.

Recipe Unlimited Corporation, (formerly Cara Operations Limited) to be the first to implement the Algo light platform independently, with only remote control from Dragontail. Recipe Unlimited Corporation is the first customer to install the Algo system itself, using their own IT team. Recipe Unlimited Corporation is using Dragontail's cloud solution that enables Dragontail to scale up for a fast and easy installation, while saving manpower costs.

Commenting on the Company's quarterly results and forward outlook, Managing Director, **Ido Levanon** said: "The final quarter of 2018 ends a fruitful year for Dragontail. Although all conditions have matured to expand the Company's installation base with its partners, some of the installations have been delayed by only few months. The market in which we operate is dynamic and changing and we have been able to adjust to the circumstances. The Company has been preparing and mobilizing all the necessary resources toward its current projects and those ahead. 2019 is expected to be a year in which most of the Company's efforts will be channeled toward increasing our installation base, and I'm sure that we are headed for a busy year with significant and successful achievements."

- END -

For further information please contact:

Corporate:

Ido Levanon, CEO
P: +61-3 9088 0374

Stephen Hewitt-Dutton, Company's Secretary
P: +61-8 6211 5099

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.