

16 July 2019

ASX Announcement

DRAGONTAIL SECURES A\$4.3m DEBT FACILITY FROM LARGEST AUSTRALIAN SHAREHOLDER

Dragontail Systems Limited (ASX: DTS, the “**Company**” or “**Dragontail**”) is pleased to announce that it has secured debt funding from the Company’s largest Australian-based shareholder, Alceon Liquid Strategies Pty Ltd, a member of the Alceon Group and manager of the Alceon High Conviction Absolute Return Fund (“**Alceon**”). The facility is in the form of a senior, unsecured corporate loan (the “**Loan**”) for the amount of AUD \$4.3m and is for a two-year term. Other key terms of the Loan are set out in Appendix 1.

The Loan will be drawn down on July 16th and provides DTS with the working capital it needs to continue the aggressive roll-out of its products among its global, Tier 1 customer base as well as to pursue significant new opportunities. The Board believes that taking on modest debt funding from a supportive shareholder is a significantly more attractive source of capital than a highly dilutive equity raising at the current market capitalization.

Mr. Adam Ritter, Portfolio Manager of the Alceon High Conviction Fund, commented: “We have been significant shareholders of Dragontail for some time and are pleased to be able to add to our investment with this Loan. We remain very positive on the outlook for the company: their addressable market is huge, their technology is world class and has been validated by leading global quick service restaurant (QSR) chains and the management team are highly aligned and dedicated. We expect strong growth in their installed base in the years ahead to result in a high-quality recurring revenue stream with attractive profit margins.”

Mr. Ido Levanon, Dragontail’s Managing Director, added: “The Company is at a significant inflection point, with strong growth in our installed base and a deep pipeline for further growth. The capital from this Loan will allow us to execute on the significant opportunities we have in front of us, without significantly diluting existing shareholders. Dragontail has demonstrated its cutting-edge technologies with leading global customers and we are very excited about what the future holds for the Company.”

Appendix 1 – Material Loan terms

The material terms of the Loan are as follows:

1. Financial close date: 16 July 2019 ("Financial Close").
2. Drawdown: in full on Financial Close.
3. Term: two years from Financial Close.
4. Repayment: in full at maturity, or can be repaid early in full, at any time, subject to minimum interest payment of 6 months.
5. Interest rate: for month 1-8: 15.0% per annum, for month 9-24: 17.5% per annum.
6. Security: Senior, unsecured loan
7. Options to be issued, as follows:

Class of securities to be issued:	Unlisted call option to subscribe for fully paid ordinary shares in DTS.	Unlisted call option to subscribe for fully paid ordinary shares in DTS.
Maximum number of securities to be issued:	One option, to subscribe for 5,000,000 ordinary shares.	One option, to subscribe for 5,000,000 ordinary shares.
Purpose of the issue:	To enable DTS to comply with its obligations under terms of the Loan.	
Issue date:	Within 20 business days after Financial Close.	Within 20 business days after Financial Close.
Issue price:	A\$nil.	A\$nil.
Exercise price:	A\$0.22 per share.	A\$0.25 per share.
Exercise period:	From issue date until 5pm on 16 July 2021 (Sydney time).	From 16 March 2020 until 5pm on 16 July 2021 (Sydney time). If the Loan is repaid in full before 16 March 2020, then this option will lapse on the date of such repayment.
Whether the entity will seek securityholder approval in relation to the proposed issue:	At this stage, DTS does not intend to seek shareholder approval for the issue of these options.	
Whether the issue will be to a class of securityholders:	It is proposed that the option will be offered to Alceon under a prospectus to be issued by DTS.	
Will the issue be within the company's ASX Listing Rule 7.1 placement capacity:	Yes.	

8. The loan agreement contains other terms and conditions considered standard for agreements of this nature.

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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.