

DRAGONTAIL SYSTEMS LIMITED

ACN 614 800 136

Prospectus

in relation to the issue of up to 2 New Options

This Prospectus is a transaction-specific prospectus issued in accordance with section 713 of the *Corporations Act 2001* (Cth). This document is important. Carefully read this Prospectus in full and consult your licensed financial adviser, accountant, stockbroker, lawyer or other professional adviser if you are in any doubt as to what to do.

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

Important Information

This Prospectus is an important document and requires your prompt attention. You should read it carefully. It is important that you consider the risk factors (see section 3) before deciding on your course of action as these could affect the financial performance of Dragontail Systems Limited (ACN 614 800 136) (**DTS** or the **Company**).

Lodgement

This Prospectus is dated 26 July 2019 and a copy of this Prospectus was lodged with ASIC on that date.

Neither ASX nor ASIC takes any responsibility for the contents of this Prospectus. The fact that the Company is admitted to the official list of the ASX is not to be taken in any way as an indication of the merits of the Company or the New Options offered under this Prospectus.

Expiry date

No New Options will be issued on the basis of this Prospectus later than 13 months after the date of issue of this Prospectus. New Options offered pursuant to this Prospectus will be issued on the Terms of the Offer.

Foreign jurisdictions – restrictions on distribution

The Offer is being made in Australia only. This Prospectus does not constitute an offer in any place which, or to any person whom, it would not be lawful to make such an offer. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus in such jurisdictions should seek advice on and observe any such 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 New Options or the Offer, or otherwise to permit a public offering of the New Options, in any jurisdiction outside Australia.

The New Options have not been, and will not be, registered under the US Securities Act 1933 (**US Securities Act**) and may not be offered or sold in the United States of America, or to, or for the account or benefit of, "US Persons" (as defined in Rule 902 under the US Securities Act) except under an available exemption from registration under the US Securities Act. The New Options may only be resold or transferred in the United States of America, or to, or for the account or benefit of, US Persons if registered under the US Securities Act or pursuant to an exemption from registration under the US Securities Act and in compliance with state securities laws. The Company is under no obligation and has no intention to register any of the New Options in the United States of America.

Representations

No person is authorised to give any information or make any representations in connection with the Offer other than as contained in this Prospectus. Any information or representation in connection with the Offer not contained in this Prospectus is not, and may not be relied on as having been, authorised by the Company (or any of its officers).

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, Directors and 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 our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 3 of this Prospectus.

Disclaimer

This Prospectus contains general information only, and does not take into account the individual investment objectives, financial situation or particular needs of any person. Nothing in this Prospectus should be construed as a recommendation by the Company or any other person concerning an investment in the Company. You should read

the entire Prospectus and, in particular, in considering the prospects for the Company, you should consider the risk factors that could affect the financial performance of the Company. You should carefully consider these factors in light of your personal circumstances (including financial and taxation issues), and if you are in any doubt as to what to do in relation to the Offer, you should seek professional advice from a licensed financial adviser, accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest in the Company.

Electronic Prospectus

This Prospectus may be viewed by investors online at <https://www.dragontail.com/investors/>. The website and its contents do not form part of this Prospectus and are not to be interpreted as part of, nor incorporated into, this Prospectus. Investors who receive the electronic version of this Prospectus should ensure that they download and read the entire Prospectus.

The Offer to which the electronic Prospectus relates is only available to persons receiving the electronic Prospectus in Australia. Persons having received a copy of this Prospectus in its electronic form may obtain a paper copy of the Prospectus (including any supplementary document and the Application Form) (free of charge) during the period of the Offer by contacting the Company.

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.

Defined terms and Glossary

Certain capitalised words and expressions used in this Prospectus are defined in the Glossary at page 26 of this Prospectus.

Financial amounts

Financial amounts in this Prospectus are expressed in Australian dollars unless otherwise stated. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

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 endorses the Prospectus or its contents or that the assets shown in them are owned by the Group. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

Privacy

The Company collects information about each Applicant provided on an Application for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's security holding in the Company.

By submitting an Application, each Applicant agrees that the Company may use the information provided by that Applicant on that Application for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Share Registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to the ASX, ASIC and other regulatory authorities.

If an Applicant becomes a security holder of the Company, the Corporations Act requires the Company to include information about the security holder (name, address and details of the securities held) in its public register. This information must remain in the register even if that person ceases to be a security holder of the Company. Information contained in the Company's register is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

If you do not provide the information required on the Application, the Company may not be able to accept or process your Application.

An Applicant has a right to gain access to the information that the Company and the Share Registry holds about that person subject to certain exemptions under law. Access requests must be made in writing to the Company.

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NOTE: Capitalised terms used in this Prospectus are defined in the Glossary (Section 5).

Important Dates and Key Offer Statistics

KEY DATES:

Lodgement of this Prospectus with ASIC	26 July 2019
Opening date of the Offer	26 July 2019
Closing date of the Offer	2 August 2019
Allotment of New Options	5 August 2019

Dates may change

Other than the date of lodgement of this Prospectus, the above dates are subject to change and are indicative only. The Company reserves the right to vary the dates and times of the Offer, including to close the Offer early, extend the Offer or accept late Applications, without notifying any recipient of this Prospectus or any Applicants, subject to the Corporations Act, the ASX Listing Rules and other applicable laws.

KEY OFFER STATISTICS:

New Tranche 1 Option	Number to be issued under the Offer*	1
	Offer Price	\$nil
	Exercise Price	\$0.22
	Expiry date	16 July 2021
	Number of Ordinary Shares to be issued on exercise	5 million

New Tranche 2 Option	Number to be issued under the Offer*	1
	Offer Price	\$nil
	Exercise Price	\$0.25
	Expiry date	16 July 2021 [#]
	Number of Ordinary Shares to be issued on exercise	5 million

NOTES:

* Assuming the Offer is fully subscribed.

If the Alceon Loan is repaid in full before 16 March 2020, then the New Tranche 2 Option will lapse on the date of such repayment.

HOW TO APPLY:

Only parties invited by the Board may apply under the Offer, by following the instructions set out in Section 1 and on the Application Form.

QUESTIONS:

Please contact the Company on +61 8 6211 5099 from 9:00am to 5:00pm (Perth time) Monday to Friday, if you have any questions about this Prospectus.

If you are in any doubt as to what to do in relation to the Offer, you should seek professional advice from a licensed financial adviser, accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest in the Company

1 Details of the Offer

1.1 Background

The Company has entered into a loan arrangement with Alceon (**Alceon Loan**) with the following key terms:

- (a) Loan amount: \$4.3 million
- (b) Purpose of the loan: For the Group's general working capital purposes
- (c) Maturity date: 16 July 2021
- (d) Non-default interest rate: 15% per annum during the first 8 months, and 17.5% per annum after the first 8 months
- (e) Options: As consideration for providing the loan, DTS is to issue to Alceon options to subscribe for Ordinary Shares as follows:
 - (i) **New Tranche 1 Option**: one call option to subscribe for 5,000,000 Ordinary Shares with an exercise price of \$0.22 per Ordinary Share, and with an exercise period commencing on allotment until 5pm on 16 July 2021 (Sydney time)
 - (ii) **New Tranche 2 Option**: one call option to subscribe for 5,000,000 Ordinary Shares with an exercise price of \$0.25 per Ordinary Share, and with an exercise period commencing on 16 March 2020 until 5pm on 16 July 2021 (Sydney time), except that if the Alceon Loan is repaid in full before 16 March 2020, then this option will lapse on the date of such repayment

The purpose of the Offer is to enable the Company to comply with its obligations under the loan arrangement with Alceon. Accordingly, the Company is issuing this Prospectus to facilitate the issue of the New Tranche 1 Option and the New Tranche 2 Option (together, **New Options**) to Alceon in compliance with the Corporations Act.

1.2 The Offer

The Company is offering 2 New Options, subject to and on the Terms of the Offer.

1.3 Offer and Exercise Price

The Offer Price is \$nil per New Option.

The Exercise Price for the New Tranche 1 Option is \$0.22 per Ordinary Share.

The Exercise Price for the New Tranche 2 Option is \$0.25 per Ordinary Share.

1.4 Minimum subscription

There is no minimum subscription in respect of the Offer.

1.5 No ASX quotation

The New Options will not be quoted on the ASX.

1.6 How to accept the Offer

Only parties invited by the Board may apply under the Offer.

Applications for New Options must be made using the Application Form attached to this Prospectus and must follow the procedures advised to them by the Company.

By returning the Application Form, the Applicant provides authorisation to be registered as a holder of the New Options subscribed for and agrees to be bound by the Company's constitution and the Terms of the Offer.

Application Forms received after the Closing Date may not be accepted.

The Board reserves the right to:

- (a) not proceed with the Offer at any time prior to the allotment of New Options to Applicants;
- (b) reject any Application or to allocate to any Applicant fewer New Options than the number applied for.

As the Offer Price is \$nil, if the Offer does not proceed or an Application is rejected or scaled back, then no refund is required.

1.7 **Application is binding**

Receipt of a completed Application Form constitutes a binding acceptance of the Company's Offer of New Options on the Terms of the Offer and an acknowledgement by the Applicant that it has received and read this Prospectus, it has acted in accordance with the Terms of the Offer, and that it agrees to all of the Terms of the Offer.

Each Application, once lodged, cannot be withdrawn.

The Application does not need to be signed to be binding. If an Application Form is not completed correctly, the Company, in its absolute discretion, can reject the Application or treat it as valid, whether in whole or in part. The Company's decision as to whether to accept or reject an Application (in whole or in part) or how to interpret an incorrectly completed Application Form is final.

1.8 **Opening and Closing Dates**

Your completed Application Form must reach the Company by no later than the Closing Date, which is currently 5:00pm (Perth time) on 2 August 2019.

The Company reserves the right, subject to the Corporations Act, the ASX Listing Rules and any requirements of the ASX, to accept late Applications or to extend the Closing Date without prior notice.

If the Closing Date is varied, subsequent dates may also be varied accordingly. Unless the Company decides to accept late Applications or extend the Closing Date, Applications received after the Closing Date may be rejected.

1.9 **Brokerage, commission and stamp duty**

No brokerage, commission or stamp duty is payable by Applicants under the Offer.

1.10 **No underwriting**

The Offer is not underwritten.

1.11 **Allotment of New Options**

It is currently expected that the New Options will be allotted on 5 August 2019 and holding statements for the New Options will be despatched within one business day after allotment.

1.12 **Issuer sponsored subregister**

Each successful Applicant will be registered in the Company's issuer sponsored subregister, and a holding statement will be despatched by the Share Registry which will contain the number of New Options issued to it under this Prospectus and its security holder reference number.

1.13 Foreign selling restrictions

The Offer is being made in Australia only. This Prospectus does not constitute an offer in any place which, or to any person whom, it would not be lawful to make such an offer. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus in such jurisdictions should seek advice on and observe any such 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 New Options or the Offer, or otherwise to permit a public offering of the New Options, in any jurisdiction outside Australia.

1.14 Risks

Investors should carefully read the risk factors in Section 3 of the Prospectus. An investment in New Options involves various risks, a number of which are specific to the Group and the industry in which it operates.

An investment in New Options should be regarded as speculative.

1.15 Taxation

It is the responsibility of all potential Applicants to satisfy themselves of the particular tax consequences that apply to them, by consulting their own professional financial and taxation advisers. Neither the Group nor any of its officers, employees or agents, nor its taxation or other advisers accepts any liability or responsibility in respect of taxation consequences connected with the Offer.

1.16 Professional advice

If you are in any doubt as to what to do in relation to the Offer, you should seek professional advice from a licensed financial adviser, accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest in the Company.

2 Purpose and effect of the Offer on the Company

2.1 Purpose of the Offer

As explained in Section 1.1:

- (a) the Company is entering into a loan arrangement with Alceon to fund the Group's general working capital requirements;
- (b) the purpose of the Offer is to enable the Company to comply with its obligations under the loan arrangement with Alceon; and accordingly
- (c) the Company is issuing this Prospectus to facilitate the issue of the New Options to Alceon in compliance with the Corporations Act.

2.2 Use of funds

As the Offer Price for each New Option is \$nil, the Company will not be raising any funds from payment of the Offer Price.

2.3 Effect on capital structure of the Company

The following table sets out the Company's current capital structure and its fully diluted capital structure immediately following the successful completion of the Offer, assuming that:

- (a) the Offer is fully subscribed;
- (b) no other Securities are issued between the date of this Prospectus and completion of the Offer;
- (c) none of the existing Performance Shares are converted into Ordinary Shares; and
- (d) none of the existing options to subscribe for Ordinary Shares are exercised.

Existing Ordinary Shares on issue as at the date of this Prospectus	248,883,148
Existing Performance Shares on issue as at the date of this Prospectus (all unlisted)	25,000,000
Existing options on issue as at the date of this Prospectus (all unlisted)	18,891,582
PLUS: Ordinary Shares to be issued upon exercise of New Options	10,000,000
Fully diluted share capital upon completion of the Offer assuming all existing options and all New Options are exercised, and all Performance Shares are converted into Ordinary Shares	302,774,730

The Company's actual position on completion of the Offer may differ from the position illustrated in the pro-forma capital structure table above if the Offer is not fully subscribed.

If the Offer is not fully subscribed, fewer New Options will be issued (and, consequently, fewer Ordinary Shares which could be issued on exercise of those New Options) than shown in the table above. After the Closing Date, the Company will announce to the ASX the actual number of New Options to be issued under the Offer.

2.4 Effect on control of the Company

As the New Options do not confer any voting rights on their holders, the issue of the New Options under the Offer will, of itself, have no effect on the control of the Company. However, the issue of Ordinary Shares on the exercise of New Options could have an effect on the control of the Company, depending on:

- (a) to what extent an existing Securityholder accepts the Offer; and
- (b) the extent to which New Options are exercised.

Alceon and its associates are existing Ordinary Shareholders of the Company, with 14,625,000 Ordinary Shares as at the date of this Prospectus.

The potential effect of the Offer on the Securityholdings in the Company assuming the Offer is fully subscribed by Alceon and no further Securities are issued before the Closing Date can be summarised as follows:

Securities	As at the date of this Prospectus		Following exercise of all New Options by Alceon	
	Number	% share capital	Number	% share capital
Ordinary Shares held by Alceon and its associates	14,625,000	5.0%	24,625,000	8.1%
Ordinary Shares held by other Shareholders	234,258,418	80.0%	234,258,418	77.4%
Existing Performance Shares on issue (all unlisted)	25,000,000	8.5%	25,000,000	8.3%
Existing options on issue (all unlisted)	18,891,582	6.5%	18,891,582	6.2%
Fully diluted share capital	292,775,000	100.00%	302,775,000	100.00%

ASSUMPTIONS / NOTES:

1. The Offer is fully subscribed.
2. Except for the Ordinary Shares allotted upon exercise of the New Options, no other Securities are issued between the date of this Prospectus and exercise of the New Options.
3. % share capital figures are rounded to 2 decimal places.

2.5 Prohibition on exceeding 20% voting power threshold

New Optionholders must have regard to and comply with the takeovers prohibition in section 606 of the Corporations Act (that is, the 20% voting power threshold) (**section 606**), when exercising New Options allotted under this Prospectus.

The Company expressly disclaims any responsibility for ensuring that New Optionholders do not breach section 606 as a result of the exercise of the New Options.

If New Optionholders may be at risk of breaching section 606 as a result of the exercise of New Options, the choices available to them include:

- (a) selling their New Options off market;
- (b) selling some or all of their shares in the Company prior to exercising any New Options held by them; or
- (c) relying on another exemption from the takeovers prohibition in section 611 of the Corporations Act (such as the 3% creep exemption in item 9 of that section).

If a New Optionholder may be at risk of exceeding the 20% voting power threshold in section 606 or increasing their voting power from a position above 20% as a result of the acquisition of Ordinary Shares following exercise of New Options, New Optionholders should seek professional advice before exercising New Options.

2.6 Effect on financial position of the Company

The Offer Price for the New Options is \$nil, and there will be no proceeds from the Offer after paying for the expenses of the Offer of approximately \$22,000. The expenses of the Offer will be met from the Company's existing cash reserves.

As the Offer will have no material effect on the Company's cash and financial position, a pro forma statement of financial position of the Company showing the financial effect of the Offer has not been included in this Prospectus.

3 Risk Factors

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

An investment in the Company is not risk free and the Directors strongly recommend that investors consider the risk factors described below, together with information contained elsewhere in this Prospectus, and consult their professional advisers, before deciding whether to apply for New Options.

There are specific risks which relate directly to the Company and its business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this Section 3, and other risk factors, may have a material impact on the financial performance of the Company and the market price / value of the Securities.

3.1 Risks associated with the Offer

(a) Value of New Options

The New Options that are issued as part of the Offer, are issued for the Offer Price and require the applicable Exercise Price to be paid at the time of exercise. If the prevailing trading price of Ordinary Shares is lower than the applicable Exercise Price, then it is likely that the New Options will not be exercised. In this case, for investors, the unexercised New Options will not have value and will lapse on the expiry date of the New Options.

If the New Options are not exercised, or only some of the New Options are exercised or partially exercised, then the Company may not receive the proceeds that would otherwise be generated if New Optionholders pay the Exercise Price. This possibility may reduce the amount of capital that the Company would receive if all of the New Options are exercised on or before the expiry date of the New Options.

(b) Liquidity of New Options

There will not be a liquid market for trading of the New Options.

3.2 Specific risk factors

(a) Future profitability

The Group is in the growth stage of its development and its R&D expenses have resulted in it making losses since its foundation in 2013. The Group's profitability may be impacted by, among other things, the success of its business strategies (such as growth and expansion, research and development, and sales and marketing), its ability to successfully provide a high quality product and level of service to customers, economic conditions in the markets in which it operates, competition factors and any regulatory developments. Accordingly, the extent of future profits (if any) and the time required to achieve sustained profitability are uncertain and cannot be reliably predicted.

(b) New industry challenges

The Company's business continues to depend on additional customers agreeing to adopt the Algo Dispatching System and/or the QT Camera quality control system, which generally involves significant changes to the preparation, delivery, marketing and management processes of their restaurants. This process takes time and resources to implement and learn, which can be a difficult prospect for restaurants given the fast paced nature of their working environments and the long trading hours they already have to deal with. Although the Company's products are already implemented in hundreds of stores worldwide, there is a risk that other restaurants will decide not to adopt the Company's technologies in fear of potentially impacting operations during the implementation and learning period, or simply because it is an unfamiliar technology to them which represents a significant departure from traditional restaurant operations.

The Company notes, however, that its products have already been adopted by some of the biggest companies in the QSR (Quick Service Restaurants) industry and believes that it will be able to keep accelerating market awareness for the Company's technologies through marketing programs and through any customers reporting successful results from the Company's technologies.

(c) QSR industry risks

Naturally, the Company will only be able to retain a customer for as long as the customer remains in business. The restaurant industry in particular is extremely competitive and restaurants are often forced to shut down as a result. If a restaurant that was using the Company's technologies were to close down, the Company's revenues from that customer would also stop. This may affect the performance of the Company, particularly if several customers close down at about the same time (eg, amidst difficult economic conditions).

(d) Growth and expansion risks

One of the Company's strategies moving forward is to continue to grow and expand, with a focus on Israel, Canada, the USA, Europe, Australia and Asia. This expansion plan may place significant strain on the Company's managerial, operational and financial resources. Although the Company is confident about its prospects in these markets, there is no guarantee that the Company's growth and expansion strategies will be successful in any or all of these markets. The capacity of management to properly implement and manage the strategic direction of the Company will affect the Company's financial performance.

Further, the Company cannot give assurance that its personnel, systems, procedures and controls will be effectively replicated in new offices or will otherwise be adequate to support growth in new markets. The Company will, however, take steps to mitigate risks associated with growth and expansion, including by undertaking appropriate due diligence.

The Company's ability to retain existing customers will depend upon their satisfaction level with the Company's products and services. As the Company's operations expand, the Company may be unable to meet each and every customer's demands if it does not have adequate resources to do so. The Company intends to manage its growth rate to ensure it has sufficient resources to maintain high levels of customer service.

The Company may seek to develop products and services that allow it to enter into new markets beyond the restaurant industry, such as the supermarket delivery and airline catering industries. Moving into these new markets may require the Company to devote significant resources and incur considerable expenses. The potential demand for the Company's products and services in new markets is unknown and there is a risk that the Company may not be able to successfully commercialise its products and services and meet the needs of customers in these markets.

The Company also considers that the success of its research and development, and sales and marketing programs will impact on its ability to successfully grow and expand into existing and new markets.

(e) Research and development risk

In order to maintain its competitive position in the market, the Company will undertake R&D from time to time, including on Algo, its 'quality assurance sensors and QT camera system' (Quality Control Camera) and, potentially, new products. The Company considers R&D to be a key means by which it will sustain its market position and grow its business. There is a risk that, despite significant time and expenditure being applied to R&D projects, certain projects may not result in an advancement of the Company's technology and products. The failure of an R&D project could have a materially adverse impact on the Company's operations and financial performance.

(f) Sales and marketing success

The Company intends to use some of its available funds on sales and marketing measures to continue to promote the Company's technologies and grow its business. By

their nature, there is no guarantee that the Company's sales and marketing campaigns will continue to be successful.

(g) Faults with products and services

Because the Company's products are technologically complex, errors or defects may be identified by the Company or its customers which could harm the Company's reputation and business. Technology-based products often contain undetected errors when first introduced or when new versions or enhancements are released.

Though the Company provides support to clients and is continuously updating and improving its products, there is a risk that the products provided are faulty or do not perform as intended. The Company has a strategy in place to ensure that such faults are resolved prior to being provided to the customer, but in instances where a fault still occurs it could adversely impact the Company's brand and reputation.

At times, the Company engages third parties to implement the Company's technologies into its customers' restaurants. Whether undertaken by the Company or a third party agent, there is always a risk that installation or customer training is incorrectly performed. This may adversely affect the customer's experience with the Company's technologies, as well as the Company's reputation and business.

Customers may need to engage with the Company's customer service personnel in certain circumstances, such as if they have a question about its products or if there is a dispute. The Company will continuously need to recruit and retain staff with interpersonal skills sufficient to respond appropriately to customer services requests. Poor customer service experiences may result in the loss of customers. If the Company loses key customer service personnel, or fails to provide adequate training and resources for customer service personnel, or if the computer systems relied on by customer service personnel are disrupted by technological failures, this could lead to adverse publicity, litigation, regulatory inquiries or a decrease in customers, all of which may negatively impact on the Company's profitability.

(h) Reputational damage

Like most businesses, the Company's reputation is important for attracting and retaining customers. There is a risk that the Company's reputation could be tarnished by incidents such as negative publicity, data security breaches or unforeseen events that negatively reflect on the Company, any of which may be outside the control of the Company. The occurrence of such incidents may result in the Company losing existing customers and failing to attract new customers, which is likely to adversely affect the Company's financial performance.

(i) International operations

The Company currently operates in Israel, Canada, the USA, Europe, Australia and Asia. The Company will also consider expanding into other markets internationally in the future. Therefore, the Company will be exposed to risks relating to operating in those countries. Many of these risks are inherent in doing business internationally, and will include, but are not limited to:

- (i) changes in the regulatory environment;
- (ii) trade barriers or the imposition of taxes;
- (iii) difficulties with staffing or managing any foreign operations;
- (iv) issues or restrictions on the free transfer of funds;
- (v) technology export or import restrictions; and
- (vi) delays in dealing across borders caused by customers or regulatory authorities.

(j) Competition and new technologies

Although the Company is not aware of any existing products or technologies similar to the Company's technologies, the Company does still compete against other providers of software and services in the broader technology space, and its operating performance is influenced by a number of competitive factors such as the Company continuing to update and upgrade its services to provide the solutions that its customers need. The Company may fail to anticipate and adapt to technology changes or client expectations.

Further, competitors may attempt to compete with the Company's technologies directly through technological innovation, marketing or price discounting. The Company will have no influence or control over the activities or actions of competitors.

(k) Protection of intellectual property rights

To an extent, the value of the Company's key asset and flagship products, the Algo Dispatching System and the QT Camera, are dependent on the Company's ability to protect its intellectual property rights. If the Company fails to protect its intellectual property rights, competitors may gain access to its technology which would in turn harm its business. However, this risk is partially mitigated as third parties may find it difficult to replicate the Company's technologies without the Company's deep knowledge and experience in the technology and QSR industries.

The Company has been granted patents in the USA and New Zealand in respect of the QT Camera, and has pending patent applications in respect of certain of the Company's technologies in the USA, Canada, Australia, China, Thailand and Singapore.. There is no guarantee that pending patent applications will be granted, or that any other future patent applications will be granted. Any patents issued may not provide the Company with any competitive advantages, or may be challenged by third parties.

Third parties may knowingly or unknowingly infringe on the Company's intellectual property rights. Legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain and vary. Effective patent, trademark, copyright and trade secret protection may not be available to the Company in every country in which its products are available. Accordingly, despite its efforts, the Company may not be able to prevent third parties from infringing upon or misappropriating its intellectual property.

The Company may be required to incur significant expenses in monitoring and protecting its intellectual property rights. It may initiate or otherwise be involved in litigation against third parties for infringement, or to establish the validity, of its rights. Any litigation, whether or not it is successful, could result in significant expense to the Company and cause a distraction to management.

Unauthorised use of the 'Algo', 'QT' or 'Dragontail' brands in counterfeit products or services may not only result in potential revenue loss, but also have an adverse impact on its brand value and perceptions of its product qualities.

(l) Infringement of third party intellectual property rights

There is a risk that a third party may allege that the Company has infringed on its intellectual property rights without consent or permission. Resolution of such claims may require protracted negotiation, litigation and the payment of damages. In addition, such claims may increase as the Company grows and expands its business into new markets. If the Company was found to have infringed a third party's intellectual property rights, the Company's operations and financial performance may be adversely affected.

(m) Contract risk

The Company is, and intends to be, party to a number of contracts with customers and service providers, under which it either provides products and services, or receives products and services, for the purposes of its operations. If one or more of these contracts were to be terminated as a result of, for example, default by a party, then the Company's operations and financial performance may be adversely impacted. In addition, if one or

more of these contracts were not renewed upon expiry, and the Company was unable to enter into a similar contract with another party, then its operations and financial performance may also be adversely affected.

Further, the Company must ensure that its trade payables are aligned with its trade receivables to allow the Company to efficiently maintain its working capital. Customers are required to pay the Company a monthly licensing fee to use the Company's technologies. If customers make payments late or not at all, the Company's working capital will be affected and it may materially impact on the Company's ability to pay its creditors. This could create solvency issues for the Company, or otherwise affect the Company's operations and performance.

(n) Reliance on key personnel

To an extent, the Company's success is dependent upon the retention of key personnel, in particular, one of its founders, Managing Director, Ido Levanon, as well as other members of the senior management team and Directors. There is no assurance that engagement contracts for such personnel will not be terminated or will be renewed on their expiry. If such contracts were terminated, or if members of the senior management team were otherwise no longer able to continue in their role, the Company would need to replace them which may not be possible if suitable candidates are not available. As a result, the Company's operations and financial performance would likely be adversely affected.

The Company considers that the risk of Ido leaving the Group is reduced by the fact that he is a Shareholder and will hold Performance Shares which only convert into Shares if the Company achieves annual EBITDA of US\$5,500,000 by the end of 2019.

(o) Unforeseen expenditure risk

Expenditure may need to be incurred that has not been considered at the date of this Prospectus. Although the Company is not currently aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of the Company and its proposed business plans.

(p) Future funding needs

Further funding may be required by the Company to support its ongoing operations and implement its strategies. For example, funding may be needed to develop new and existing products, or acquire complementary businesses and technologies. Accordingly, the Company may need to engage in equity or debt financings to secure additional funds. There can be no assurance that such funding will be available on satisfactory terms or at all at the relevant time. Any inability to obtain sufficient financing for the Company's activities and future projects may result in the delay or cancellation of certain activities or projects, which would likely adversely affect the potential growth of the Company.

(q) Foreign exchange risks

The Company's costs and expenses in Israel are denominated in US dollars and Israeli new shekels. Accordingly, the depreciation of the Australian dollar, or the appreciation of the US dollar relative to the Australian dollar, may result in a translation loss on consolidation which is taken directly to shareholder equity. In addition, the Company's financial reports are denominated in US dollars. Any depreciation of the US dollar relative to the Australian dollar may result in lower than anticipated revenues or profits.

The Company is exposed to foreign exchange risks between various foreign currencies, primarily the Australian, Canadian and US dollars and the Israeli new shekel, on an ongoing basis and, accordingly, it will have to continuously monitor this risk. Any change in the ability to convert US dollars to Australian dollars due to currency control may have an adverse effect on the financial position of the Company from time to time.

(r) Hacker attacks

The Company relies on the availability of its customers' IT systems in order to provide its services. Hackers could render a customer's IT system unavailable through disruptive attacks. Although the Company has strategies in place to minimise such attacks, these strategies may not be successful. Hacker attacks could hinder the Company's ability to retain existing customers or attract new customers, which would have a material adverse impact on the Company's activities.

Hacker attacks may also result in the leak of commercially sensitive information or private data (eg, customer data), which could affect the Company's reputation and business.

(s) Litigation

The Company may in the ordinary course of business become involved in litigation and disputes, for example with service providers, customers or third parties infringing the Company's intellectual property rights. Any such litigation or dispute could involve significant economic costs and damage to relationships with contractors, customers or other stakeholders. Such outcomes may have an adverse impact on the Company's business, reputation and financial performance.

(t) Insurance coverage

The Company maintains adequate insurance over its operations within the ranges that the Company believes to be consistent with industry practice and having regard to the nature of its activities. However, the Company may not be insured against all risks because, for instance, appropriate cover is not available, or the Directors consider the required premiums to be excessive having regard to the benefits they provide.

3.3 General risks(a) Investment risk

The Securities to be issued under this Prospectus should be considered highly speculative. There is no guarantee that the prevailing trading price of Ordinary Shares will be higher than the applicable Exercise Price, in which case it is likely that the New Options will not be exercised. In this case, for investors, the unexercised New Options will not have value and will lapse on the expiry date of the New Options. If exercised and the holder becomes the holder of Ordinary Shares, there is no guarantee as to the payment of dividends, return of capital or the market value of the Ordinary Shares from time to time. The price at which an investor is able to trade the Ordinary Shares may be above or below the Exercise Price paid for the Ordinary Shares. Whilst the Directors commend the Offer, investors must make their own assessment of the risks and determine whether an investment in the Company is appropriate in their own circumstances.

(b) Share market

Share market conditions may affect the value of the Company's Securities regardless of the Company's operating performance. There is no assurance that the price of the Securities will increase even if the Company's earnings increase. Some factors include, but are not limited to, the following:

- (i) general economic outlook;
- (ii) interest rates and inflation rates;
- (iii) currency fluctuations;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital;
- (vi) terrorism or other hostilities; and
- (vii) other factors beyond the control of the Company.

(c) Changes to laws and regulations

The Company may be affected by changes to laws and regulations (in Australia and other countries in which the Company operates) concerning property, the environment, superannuation, taxation trade practices and competition, government grants, incentive schemes and accounting standards. Such changes could have adverse impacts on the Company from a financial and operational perspective.

(d) Economic risks

The future viability of the Company is also dependent on a number of other factors affecting performance of all industries and not just the technology industry including, but not limited to, the following:

- (i) general economic conditions in jurisdictions in which the Company operates;
- (ii) changes in government policies, taxation and other laws in jurisdictions in which the Company operates;
- (iii) the strength of equity and share markets in Australia and throughout the world and, in particular, investor sentiment towards the technology sector;
- (iv) movement in, or outlook on, interest rates and inflation rates in jurisdictions in which the Company operates; and
- (v) natural disasters, social upheaval or war in jurisdictions in which the Company operates.

(e) Taxation

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 point of view and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisers accept no liability or responsibility with respect to the taxation consequences of applying for Securities under this Prospectus.

(f) Force majeure

Events may occur within or outside the markets in which the Company operates that could impact upon the global and Australian economies, the operations of the Company and the market price of its Securities. These events include acts of terrorism, outbreaks of international hostilities, fires, pandemics, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease, and other man-made or natural events or occurrences that can have an adverse effect on the demand for the Company's services and its ability to conduct business. Given the Company has only a limited ability to insure against some of these risks, its business, financial performance and operations may be materially and adversely affected if any of the events described above occur.

3.4 Other risks

This list of risk factors above is not an exhaustive list of the risks faced by the Company or by investors in the Company. The risk factors described in this Section 3 as well as risk factors not specifically referred to above may in the future materially affect the financial performance of the Company and the value of its Securities. Therefore, the Securities offered under this Prospectus carry no guarantee with respect to the payment of dividends, return of capital or their market value.

Investors should consider that an investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Securities under this Prospectus.

4 Additional Information

4.1 Continuous disclosure and inspection of documents

The Company is a disclosing entity for the purpose of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations.

The Company believes that it has complied with the general and specific disclosure requirements of the Corporations Act and the ASX Listing Rules, which require the Company to notify the ASX of information about specific events or matters as they arise, for the purpose of the ASX making that information available to the market conducted by the ASX.

This Prospectus is issued under section 713 of the Corporations Act. This section enables disclosing entities to issue a prospectus in relation to options to acquire securities in a class which has been continuously quoted by the ASX at all times during the 3 months before the date of the Prospectus. Apart from prescribed matters, this Prospectus need only contain information relating to the Terms of the Offer, the effect of the Offer on the Company and the rights and liabilities attaching to the New Options and the Ordinary Shares issued on exercise of the New Options. Accordingly, this Prospectus does not contain the same level of disclosure as an initial public offer prospectus.

Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an office of ASIC.

The Company will make available a copy of each of the following documents, free of charge, to any person who asks for it during the Offer period:

- (a) The annual financial report for the year ended 31 December 2018 (being the annual financial report most recently lodged with ASIC in relation to the Company before the issue of this Prospectus), a copy of which is available at the Company's website <https://www.dragontail.com/investors/>; and
- (b) Any continuous disclosure notices given by the Company after the lodgement with ASIC of the annual financial report referred to at 4.1(a) above and before the lodgement with ASIC of a copy of this Prospectus. These include the following announcements, which are listed in the same reverse chronological order as appears on the ASX webpage for the Company's announcements:

Date lodged	Announcement
25/07/2019	Dragontail Allies with World Leading Food Aggregators
16/07/2019	Dragontail Secures Debt from Largest Aust Shareholder
09/07/2019	Appendix 3B and s708A Notice
24/06/2019	ASIC Form 484 re Buy Back
21/06/2019	Appendix 3B and s708A Notice
07/06/2019	Dragontail Continues its Install Base Growth
06/06/2019	Appendix 3F
29/05/2019	Results of Annual General Meeting
29/05/2019	DTS Completes Nationwide Rollout of its AI Camera in ANZ
28/05/2019	MD Presentation - Annual General Meeting

Date lodged	Announcement
16/05/2019	Appendix 3C
15/05/2019	Appendix 3B
01/05/2019	Dragontail Achieves a New Monthly Installation Record
29/04/2019	Notice of Annual General Meeting/Proxy Form
16/04/2019	Dragontail Systems Quarterly Review and Appendix 4C
12/04/2019	Change of Director's Interest Notice X2
11/04/2019	Appendix 3B - End of voluntary escrow
10/04/2019	Dragontail Cash Receipts Grow 250% in March Quarter
05/04/2019	Release of Voluntary Escrow
02/04/2019	Dragontail Continues Rapid Installations Growth
29/03/2019	Appendix 4G

This Prospectus contains details specific to the Offer. If investors require any further information in relation to the Company, investors should take advantage of the ability to inspect or obtain copies of the documents referred to above.

4.2 Existing options

(a) Summary of existing options

As at the date of this Prospectus:

- (i) the Company does not have any quoted options on issue; and
- (ii) the Company has the following unlisted existing options on issue:

Exercise price	Expiry date	Number
\$0.25	31 December 2019	1,500,000
\$0.40	4 September 2020	1,500,000
\$0.40	20 June 2020	1,500,000
\$0.25	31 December 2020	2,500,000
\$0.35	31 December 2020	2,500,000
\$0.22	12 April 2025	5,300,000
\$0.00	15 November 2025	566,582
\$0.15	15 November 2025	3,525,000

(b) Effect of exercise of existing options

The exercise or non-exercise of the Company's existing options as mentioned above has no impact on the number of New Options which may be issued under this Prospectus.

4.3 Performance Shares

(a) Summary of Performance Shares

As at the date of this Prospectus:

- (i) the Company does not have any quoted Performance Shares on issue; and

- (ii) the Company has 25 million unlisted Performance on issue on the terms set out in the Company's Prospectus dated 28 September 2016.

(b) Effect of conversion of Performance Shares

The conversion or non-conversion of the Company's existing Performance Shares has no impact on the number of New Options which may be issued under this Prospectus.

4.4 Substantial shareholders

Based on substantial shareholder notices lodged as at the date of this Prospectus, those persons who, together with their associates, have a relevant interest in 5% or more of the Ordinary Shares on issue are set out below. Holdings may have changed since lodgement of the substantial shareholder notice.

Substantial shareholder	Number of Ordinary Shares	Voting power
Ido Levanon	22,975,830	9.3%
Yehuda Shamai	35,051,763	14.1%
Internet Fund IIIA Pte Ltd	32,500,000	13.1%
Alceon Liquid Strategies Pty Ltd	10,875,000	5.05%

4.5 Market price of Ordinary Shares

The highest and lowest market sale price of the Company's Ordinary Shares on the ASX during the 3 calendar months immediately preceding the date of issue of this Prospectus and the last market price on the last day of trading before lodgement is set out below:

	Price	Date
Highest	\$0.225	30 May 2019
Lowest	\$0.15	24 June 2019
Last	\$0.18	25 July 2019

4.6 Rights attaching to Ordinary Shares (including Ordinary Shares issued on exercise of the New Options)

The following is a general description of the more significant rights and liabilities attaching to the Ordinary Shares. This summary is not exhaustive. Full details of provisions relating to rights attaching to the Ordinary Shares are contained in the Corporations Act, the ASX Listing Rules and the Company's Constitution.

A copy of the Company's Constitution is available upon request by contacting the Company.

(a) Ranking of Ordinary Shares

At the date of this Prospectus, all Ordinary Shares are of the same class and rank equally in all respects. Ordinary Shares issued upon exercise of New Options will rank equally with the existing Ordinary Shares then on issue.

(b) Voting rights

Subject to any special rights or restrictions (at present there are none), at any meeting each member present in person or by proxy has one vote on a show of hands, and on a poll has one vote for each Ordinary Share held.

(c) Dividend rights

Subject to any special rights (at present there are none), any dividends that may be declared by the Company are payable on all Ordinary Shares in proportion to the amount paid up.

(d) Variation of rights

The rights attaching to Ordinary Shares may only be varied by the consent in writing of the holders of 75% of the Ordinary Shares, or with the sanction of a special resolution passed at a general meeting.

(e) Transfer of Ordinary Shares

Subject to the Company's Constitution, the Corporations Act, the ASX Listing Rules and any other applicable laws, Ordinary Shares are freely transferable. The Directors may refuse to register a transfer of Ordinary Shares only in limited circumstances, such as where the ASX Listing Rules require or permit the Company to do so.

(f) General meetings

Each Ordinary Shareholder is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be furnished to Ordinary Shareholders under the Company's Constitution, the Corporations Act and the ASX Listing Rules.

(g) Rights on winding up

If the Company is wound up, the liquidator may, with the sanction of a special resolution:

- (i) divide among Ordinary Shareholders the whole or any part of the Company's property; and
- (ii) decide how the division is to be carried out between the Ordinary Shareholders.

Subject to any special rights (at present there are none), any surplus assets on a winding up are to be distributed to Ordinary Shareholders in proportion to the number of Ordinary Shares held by them, irrespective of the amounts paid or credited as paid.

4.7 Terms of and rights attaching to New Options

(a) **New Tranche 1 Option**

- (i) **Entitlement:** Subject to and conditional upon any adjustment in accordance with these conditions, the New Option entitles the holder to subscribe for 5,000,000 Ordinary Shares upon payment of the Exercise Price.
- (ii) **Exercise Price:** The Exercise Price for the New Tranche 1 Option is \$0.22 per Ordinary Share.
- (iii) **Expiry date:** The New Tranche 1 Option will expire at 5.00pm on 16 July 2021 (Sydney time). A New Tranche 1 Option not exercised before that expiry date will automatically lapse on that expiry date.
- (iv) **Exercise period:** The New Tranche 1 Option is exercisable at any time from the date of its issue until 5.00pm on 16 July 2021 (Sydney time).
- (v) **Exercise notice:** The New Option may be exercised during the exercise period specified in these conditions by forwarding to the Company the exercise notice, duly completed (**Exercise Notice**) together with payment (in cleared funds) of the Exercise Price for the number Ordinary Shares to which the Exercise Notice relates.
- (vi) **Partial exercise:** The New Option may be exercised in full or in parcels of at least 1,000,000 Ordinary Shares.
- (vii) **Timing of issue of Ordinary Shares on exercise:** Within 5 business days after the Exercise Notice is received, the Company will:
 - (A) allot and issue the number of Ordinary Shares as specified in the Exercise Notice and for which the Exercise Price has been received by the

Company in cleared funds, subject to and in accordance with the Terms of the Offer; and

- (B) apply for official quotation on the ASX of Ordinary Shares issued pursuant to the exercise of the New Option.
 - (viii) **Participation in new issues:** A New Option does not confer any right on the New Optionholder to participate in a new issue of Securities without exercising the New Option. A New Optionholder will be given at least 5 business days prior to the record date for the new issue of Securities, to exercise its New Option.
 - (ix) **Ordinary Shares issued on exercise:** Ordinary Shares issued as a result of the exercise of the New Option will rank pari passu in all respects with all other Ordinary Shares then on issue.
 - (x) **Dividend:** The New Option does not confer any rights to dividends. Ordinary Shares issued upon the exercise of the New Option will only carry an entitlement to receive a dividend if they were issued on or before the record date for the dividend.
 - (xi) **Adjustment for pro rata issue:** In the event of a pro rata issue of Ordinary Shares by the Company (except a bonus issue), the Exercise Price for the New Option will be adjusted in accordance with ASX Listing Rule 6.22.2;
 - (xii) **Adjustment for bonus issue:** if there is a bonus issue to Ordinary Shareholders, the number of Ordinary Shares over which the New Option is exercisable will be increased by the number of Ordinary shares which the New Optionholder would have received if the New Option had been exercised before the record date for the bonus issue; and
 - (xiii) **Adjustment for reorganisation of capital:** if the Company reorganises its capital, the rights of the New Optionholder (and the Exercise Price) will be changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital, at the time of the reorganisation.
 - (xiv) **Not quoted:** The Company will not apply for quotation of the New Option on the ASX.
 - (xv) **Transferability:** The New Option is only transferable up until it lapses, with the Company's prior written consent.
- (b) **New Tranche 2 Option**

The New Tranche 2 Option is issued on the same terms as the New Tranche 1 Option except as follows:

- (i) **Exercise Price:** The Exercise Price for the New Tranche 2 Option is \$0.25 per Ordinary Share.
- (ii) **Exercise Period:** The New Tranche 2 Option is exercisable at any time from 16 March 2020 until 5.00pm on 16 July 2021 (Sydney time), except that if the Alceon Loan is repaid in full before 16 March 2020, then the New Tranche 2 Option will lapse on the date of such repayment.

4.8 Directors' Interests

(a) General

Except as disclosed in this Prospectus, no Director (whether individually or in consequence of that persons association with any company or firm or in any material contract entered into by the Company) has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:

- (i) the formation or promotion of the Company;

- (ii) any property acquired or proposed to be acquired by the Company in connection with the Company's formation; or
- (iii) the Offer.

In addition, except as set out below or elsewhere in this Prospectus, no benefits of any kind (whether in cash, Securities or otherwise) have been paid or agreed to be paid to any Director to any company or firm with which a Director is associated to induce him to become, or to qualify as, a Director, or otherwise for services rendered by him or his company or firm with which the Director is associated in connection with the formation or the promotion of the Company.

(b) Interest in Securities

The Directors are not required under the Company's constitution to hold any Securities in the Company.

The following table sets out the relevant interests in Securities held by each Director as at the date of this Prospectus:

Director (including associates)	Ordinary Shares held directly and indirectly	Performance Shares held directly and indirectly	Options held (directly and indirectly)
Mr Yehuda Shamai	35,051,763	8,333,333	-
Mr Ido Levanon	22,975,830	8,333,334	-
Mr Ron Zuckerman	8,433,020	-	-
Mr Adam Sierakowski	5,587,593	-	1,500,000
Mr Stephen Hewitt-Dutton	154,631	-	-

The Directors (and their associates) are not entitled to apply for New Options under the Offer.

(c) Remuneration

Directors' remuneration for the last 2 years was as follows (all figures in US Dollars):

Director	Salary and fees		Other		Total	
	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ended 31 December 2017	For the year ended 31 December 2018
Mr Yehuda Shamai	27,596	26,910	-	-	27,596	26,910
Mr Ido Levanon	126,600	100,142	-	-	126,600	100,142
Mr Ron Zuckerman	27,596	26,910	-	-	27,596	26,910
Mr Adam Sierakowski	27,596	39,991	-	64,116	27,596	104,107
Mr Stephen Hewitt-Dutton	-	12,708	-	-	-	12,708

Non-executive Directors' fees are determined within an aggregate non-executive Directors' fee pool limit. For the financial year commencing 1 January 2019 and in respect of each financial year thereafter and until otherwise determined by a resolution of Ordinary Shareholders, the maximum aggregate remuneration payable by the Company to all non-executive Directors of the Company for their services as Directors including their services on a Board committee or sub-committee and including superannuation is limited to A\$300,000 per annum (in total).

Directors are entitled to be reimbursed for their reasonable expenses incurred in connection with the affairs of the Company.

(d) Indemnification and Directors & Officers Insurance

The Company has agreed to indemnify the current Directors and certain current executives of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors or officers of the Company, to the extent permitted by law. The indemnity agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company pays a premium to insure Directors and certain officers of the Company and controlled entities. The officers of the Company covered by the insurance policy include the current Directors and secretary of the Company and its subsidiaries, senior management of the Company and senior management of divisions and controlled entities of the Company. As the insurance policy operates on a claims made basis, former Directors and officers of the Company are also covered.

The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company or controlled entities. The insurance policy outlined above does not contain details of premiums paid in respect of individual Directors and officers of the Company. The insurance policy prohibits disclosure of the premium paid.

The Company has not otherwise indemnified or agreed to indemnify an officer of the Company or of any related body corporate against a liability incurred by such officer.

4.9 **Interests of named persons**

Set out below are the benefits that have been or have been agreed to be given to any 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 (together, **Prescribed Persons**).

Except as set out below or elsewhere in this Prospectus, no Prescribed Person holds, or during the last 2 years has held, any interests in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with the Company's formation or the promotion, or the Offer; or
- (c) the Offer.

In addition, except as set out below or elsewhere in this Prospectus, no benefit of any kind, (whether in cash, Securities or otherwise) have been paid or agreed to be paid to a Prescribed Person in connection with the preparation or distribution of the Prospectus for services rendered by that person in connection with the formation or promotion of the Company, or the Offer.

Thomson Geer has acted as the Australian legal advisers to the Company for the purposes of the Offer. For this work, the Company estimates Thomson Geer will receive fees amounting to approximately \$16,500 including GST but excluding disbursements.

4.10 Consents to be named

Each of the parties named in the table below in this Section 4.10 has consented to being named in this Prospectus in the form and context in which it is named and has not withdrawn such consent prior to the lodgement of this Prospectus with the ASX:

Capacity in relation to the Company	Consenting party
Australian legal adviser	Thomson Geer

To the maximum extent permitted by law, each of the parties named in this Section 4.10:

- (a) states that it has not authorised or caused the issue of this Prospectus;
- (b) is not taken to have made, or purported to have made, any representation or warranty in relation to the Company either express or implied or any statement in this Prospectus or on which a statement made in the Prospectus is based other than as specified in this Section; and
- (c) expressly disclaims and takes no responsibility for any part of this Prospectus other than as referred to in this Prospectus as having been made by such party.

4.11 Expenses of the Offer

All expenses connected with the Offer are being borne by the Company.

Based on the Offer being fully subscribed, the estimated costs of the Offer, which have been paid or are payable by the Company are as follows:

Expenses of the Offer	Amount including GST (\$)
Legal fees	\$16,500
Share Registry fees, ASIC fees, and other miscellaneous costs	\$5,500
TOTAL	\$22,000

4.12 Governing Law

The Offer is governed by the law in force in New South Wales, Australia. By accepting the Offer, each Applicant submits to the non-exclusive jurisdiction of the courts of New South Wales, Australia.

4.13 Directors' consent to lodgement

This Prospectus is issued by the Company. Each Director has consented to the lodgement of this Prospectus with ASIC as required by section 720 of the Corporations Act.

5 Glossary

In this Prospectus, unless the context or subject matter otherwise requires:

Alceon	Alceon Liquid Strategies Pty Ltd (ACN 156 017 659) in its capacity as trustee of the Alceon High Conviction Absolute Return Fund (ABN 70 299 388 630).
Alceon Loan	The loan advanced by Alceon to the Company on 16 July 2019, the key terms of which are summarised at Section 1.1 of this Prospectus.
Applicant	A person who makes an Application.
Application	An application for New Options under the Offer.
Application Form	The acceptance form attached to this Prospectus.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited (ACN 008 624 691) or the stock exchange which it operates, as the context requires.
ASX Listing Rules	The official Listing Rules of the ASX.
Board	The board of Directors.
Closing Date	5.00pm (Perth time) on 2 August 2019 (unless varied).
Company or DTS	Dragontail Systems Limited (ACN 614 800 136).
Corporations Act	<i>Corporations Act 2001 (Cth)</i> as amended from time to time
Directors	The directors of the Company
Exercise Price	The price payable on the exercise of a New Option (ie, \$0.22 per Ordinary Share issued on exercise of the New Tranche 1 Option, and \$0.25 per Ordinary Share issued on exercise of the New Tranche 2 Option).
Group	The Company and its subsidiaries.
GST	Has the meaning given to that term in <i>A New Tax System (Goods and Services Tax) Act 1999 (Cth)</i> and includes goods and services tax.
New Optionholder	Holder of a New Option.
New Options	The New Tranche 1 Option and the New Tranche 2 Option.
New Tranche 1 Option	A call option to subscribe for 5,000,000 Ordinary Shares, at an Exercise Price of \$0.22 per Ordinary Share, to be issued pursuant to this Prospectus.
New Tranche 2 Option	A call option to subscribe for 5,000,000 Ordinary Shares, at an Exercise Price of \$0.25 per Ordinary Share, to be issued pursuant to this Prospectus.
Offer	The offer of New Options under this Prospectus, subject to and on the Terms of the Offer.
Offer Price	The subscription price per New Option under the Offer (ie, \$nil per New Option).
Ordinary Shareholder	Holder of an Ordinary Share.
Ordinary Shares	Ordinary shares in the capital of the Company.
Performance Shares	Performance shares in the capital of the Company.
Prospectus	This prospectus (as may be replaced and/or supplemented).

Securities	Ordinary Shares, Performance Shares, and options to subscribe for Ordinary Shares (including, upon allotment, the New Options).
Securityholder	Holder of a Security.
Securityholdings	Holdings of Securities.
Share Registry	Advanced Share Registry Limited.
Terms of the Offer	The terms and conditions set out in this Prospectus, including any modifications made by the Company.

Corporate Directory**Directors**

Mr Yehuda Shamai

Mr Ido Levanon

Mr Ron Zuckerman

Mr Adam Sierakowski

Mr Stephen Hewitt-Dutton

Company Secretary

Mr Stephen Hewitt-Dutton

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Solicitors

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Australia

**These entities are included for information purposes only. These entities have not been involved in the preparation of this Prospectus.*