

DRAGONTAIL RECEIVES COMMITMENT FROM ELDRIDGE FOR 2ND STAGE OF STRATEGIC FUNDING RAISING A\$5.25M

Highlights

- Strategic funding stage 2 to raise A\$5.25m in Convertible Preference Shares from US based Eldridge.
- Funding is a major component of the two stage strategic agreement announced on 23 March 2020 totaling A\$19.25m, under which A\$12.0m was received in stage 1.
- Funding significantly strengthens Dragontail's balance sheet (last reported cash balance per 30 September 2020, of US\$3.0m (AUD\$4.2m)) to be used as working capital to undertake growth initiatives including rolling-out Dragontail's technology to already contracted stores growing its position in the US market.

30 November 2020: Dragontail Systems Limited (ASX: DTS, the "Company" or "Dragontail"), bringing process efficiency and improving customer satisfaction through its Algo SaaS platform and QT AI camera system to the Quick Service Restaurant (QSR) and foodservice industry, is pleased to announce the raising of A\$5.25m from US-based Eldridge, a holding company with a unique network of businesses across finance, technology, real estate, and entertainment, who has notified the Company that they will be executing their option by proceeding with the second stage of the strategic funding.

Under the binding subscription agreement signed and announced on 23 March 2020 for funding totaling A\$19.25, Dragontail will receive a further A\$5.25m from the second and final stage of the strategic funding agreement from Eldridge.

Ido Levanon, Dragontail's Managing Director Commented: "Closing out Eldridge's second stage of our earlier this year announced strategic funding demonstrates a strong commitment from Eldridge to our business, being a second vote of confidence. These funds give us significant financial runway to continue to grow the business with a well-capitalized balance sheet and to roll-out installations of our technology into Quick Service Restaurant stores who have already signed commitments to implement our technology solutions. Following deployment, this will lead to the activation of further monthly recurring revenue subscription agreements and significantly grow our top line, with a particular focus on the US market where strong progress has recently been made."

Transaction summary

A binding subscription agreement for A\$19.25m convertible Preference Shares was announced on 23 March 2020, consisting of 2 stages:

- Stage 1 – A\$12.0m: Eldridge A\$5.25m, Goudy Park Capital LP A\$4.75m, Alceon A\$2.0m
- Stage 2 – A\$7.25m: Eldridge A\$5.25m, Alceon A\$2.0m
- Preference Shares at an issue price of A\$0.13

Stage 1 funds were partially used to fully repay an existing A\$4.3m corporate loan with Alceon and a US\$2.0 bridge loan provided by Eldridge, positioning the Company debt free. Dragontail's last reported cash balance per 30 September 2020 is US\$3.0m.

Under stage 2 of the strategic funding the Company will issue a further 40,384,616 convertible preference shares at an issue price of A\$0.13 per share. The issue of the shares is subject to shareholder approval which will be sought at a General Meeting to be convened. The Company will send a notice of meeting to shareholders shortly. The terms of the convertible preference shares were summarized in the Company's Notice of General Meeting dated 28 April 2020, under which stage 1 of the funding was approved.

About Eldridge,

Eldridge grows diversified businesses with a focus on Insurance, Credit, Technology, Real Estate, Sports and Media, and Consumer. The firm seeks to build and grow businesses led by proven management teams that have demonstrated leadership and experience to scale an enterprise.

Eldridge is headquartered in Greenwich, Connecticut, with additional offices in Beverly Hills, New York, and London. To learn more about Eldridge, please visit www.eldridge.com.

This ASX Announcement was approved and authorised by Dragontail's Managing Director.

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About Dragontail Systems

Dragontail is revolutionising the Quick Service Restaurant (QSR) and foodservice industry with its core technology offering being its patented **Algo Platform** and **QT AI camera system**, sold under a cloud-based monthly subscription-based Software-as-a-Service (SaaS) revenue model which results in time and cost savings, and improved customer satisfaction through:

- Optimising and managing kitchen process task flow and timing from order to delivery
- Checking food quality and consistency
- Providing customers visibility over their food orders
- Acting as a valuable training tool for staff
- Controlling for food hygiene and sanitisation
- Managing driver activities leading to increased efficiency

The **Algo Platform** 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 Algo integrates into a QSR's point of sale (POS) system.

The **QT AI camera** system's sensor and camera automatically monitor the preparation and cooking process in the kitchen. Using proprietary patented advanced AI machine-learning technology, the system keeps improving its diagnostics, becoming even more efficient. The QT has been upgraded in 2020 for hygiene and sanitisation checking. Dragontail's offering consists of:

1. **Total Technology solution:** Algo Platform + POS + online ordering developed by Dragontail in partnership, resulting in a full and ready integration).
2. **Algo Platform or full Algo:** Ready to integrate into an existing QSR POS system, managing the entire food preparation process from order to delivery.
3. **Algo Lite:** A delivery module – driver tracking and order aggregation. A QSR may begin with this system and migrate across to the full Algo over time.
4. **QT AI camera quality system:** Proprietary developed camera hardware and software used to quality control food preparation.

Dragontail is rolling out its technology globally and has signed contracts with leading QSR franchisors and franchisees including key contracts with Yum! Brands, TelePizza and household names like Dominos, Pizza Hut, KFC, Papa John's and Sweetgreen, and has formed partnerships with global aggregators (third party delivery operators such as Uber Eats, Deliveroo, DoorDash, Grab and FOOD PANDA), across a growing number of countries globally.

For more information, visit www.dragontail.com.