

DRAGONTAIL SCHEME IMPLEMENTATION UPDATE

24 June 2021: Dragontail Systems Limited (ASX: DTS, the **Company**, **Dragontail** or **DTS**), 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 provide an update on the Scheme of Arrangement (**Scheme**) to effect the acquisition by Yum Connect Australia Pty Ltd (**YCA** or **Yum**), as announced on 27 May 2021 including:

- Convertible Preference Share (**CPS**) conversion – extraordinary general meeting.
- Respond to key questions received since announcing the Scheme.
- Reconfirm merits of the transaction.
- Provide an update on the Scheme implementation timetable.

CPS conversion – EGM to be held on 26 July 2021

As foreshadowed in the Dragontail's announcement dated 27 May 2021, Alceon Liquid Strategies Pty Ltd as trustee of the Alceon High Conviction Absolute Return Fund (**Alceon**) and Eldridge DTS Funding, LLC (**Eldridge**) have each indicated their wish to convert their respective CPS into DTS ordinary shares prior to the Court-convened shareholder meeting for the Scheme (currently scheduled for late August 2021).

Alceon's CPS conversion does not require DTS ordinary shareholder approval, but Eldridge's CPS conversion does as their relevant interest will exceed the 20% threshold after such conversion.

An extraordinary general meeting of Dragontail will be held on 26 July 2021 to seek such approval (**EGM**). The notice of EGM, together with an Independent Expert's Report, will be released on the ASX Announcements Platform shortly after this announcement. If the CPS conversion is approved by shareholders at the EGM, the CPS conversion will occur subject to, and on the terms set out in, the notice of EGM.

A separate Independent Expert's Report will be provided in respect of the Scheme of Arrangement and will accompany the Scheme Booklet to be issued prior to voting at the Scheme Meeting.

FAQ

What benefit are shareholders receiving from Yum's consideration offer price of A\$0.235 relative to Dragontail's recent share price?

The below table shows Dragontail's share price (VWAP) relative to YCA's offer price over the last 12 months to 26 May 2021 (before announcement of the Scheme on 27 May 2021).

VWAP Period	VWAP	YCA's premium
1 week	\$0.1809	30%
1 month	\$0.2032	16%
3 months	\$0.1836	28%
6 months	\$0.1652	42%
12 months	\$0.1408	67%

When will the Scheme Booklet become available and when is the vote?

The Scheme Booklet, which will contain the Independent Expert's Report prepared by BDO, is expected to be released during mid to late July 2021. Shareholders should read this report and the Scheme Booklet prior to voting on the Scheme. The Scheme vote is expected to be in late August 2021.

What is the voting intention of the preference shareholders?

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**) is the beneficial owner of 800,000 ordinary shares in Dragontail and 30,769,232 CPS in Dragontail (representing approximately 7.76% of the share capital of the Company including ordinary shares and convertible preference shares).

Assuming Alceon's CPS are converted into ordinary shares before the meeting of shareholders to consider the Scheme (which is a condition of the Scheme), Alceon intends to vote, or procure the vote of, all of those shares plus all other ordinary shares that it holds **in favor of the Scheme**, subject to there being no superior proposal.

What are the Directors of Dragontail recommending?

The Scheme has been unanimously recommended by all Directors on your Board as being in the best interests of Dragontail shareholders in the absence of a superior proposal and subject to an Independent Expert expressing an opinion that the Scheme is in the best interests of Dragontail shareholders.

When can I expect to receive my money if I vote in favor of the Scheme?

According to the latest timetable, assuming the Scheme is approved, subject to the terms of the Scheme, and depending on any required administrative steps pertaining to shareholders, Yum will deposit the total Scheme Consideration in a Dragontail-nominated bank account during September 2021, and distribution of the Scheme Consideration will commence shortly after the Scheme is implemented in September 2021.

Have you received any further bids or been approached?

To date, no bids have been received by other parties and no approaches have been received with expressions of interest.

Scheme key messages from Dragontail's Board

1. The offer provides liquidity and certainty to Dragontail shareholders that may not otherwise be achieved by retaining their shares.
2. The Board supports the Scheme only subject to strict conditions protecting shareholders:
 - a. In the absence of a superior proposal
 - b. Subject to an Independent Expert expressing an opinion that the Scheme is in the best interests of Dragontail shareholders
3. The Board was in discussion with industry players in addition to Yum and is of the view that Yum's offer was on balance superior and presented the least risk of execution.

Scheme implementation timetable

Condensed summary only. Dates are not final and subject to change.

Event	Date
EGM – CPS conversion approval (shareholders vote)	26 July 2021
Scheme Booklet (with Independent Expert's Report) dispatched	Mid to end July 2021
Scheme meeting (shareholders vote)	Late August 2021
Scheme implementation date	September 2021

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.