



Dragontail Systems Limited

Prospectus

Offer

For an offer of 30,000,000 Shares at an issue price of \$0.20 each to raise \$6,000,000 before costs.

Important notice

This document is important and it should be read in its entirety. If you are in any doubt as to the contents of this Prospectus, you should consult your stockbroker, lawyer, accountant or other professional adviser without delay. The Shares offered by this Prospectus should be considered highly speculative.

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IMPORTANT INFORMATION

NOTICE

This Prospectus is issued by Dragontail Systems Limited ACN 614 800 136 (**Company**).

This Prospectus is dated 28 September 2016 and a copy of this Prospectus was lodged with ASIC on that date. Neither ASIC nor ASX take responsibility for the contents of this Prospectus.

Within 7 days of the date of this Prospectus, the Company will make an application to ASX for the Shares offered pursuant to this Prospectus to be admitted for quotation on ASX.

No Shares will be issued pursuant to this Prospectus later than 13 months after the date of this Prospectus.

Persons wishing to apply for Shares pursuant to the Offer must do so using the Application Form attached to or accompanying this Prospectus. Before applying for Shares investors should carefully read this Prospectus so that they can make an informed assessment of the rights and liabilities attaching to the Shares, the assets and liabilities of the Company, its financial position and performance, profits and losses, and prospects.

Any investment in the Company should be considered highly speculative. Applicants should read this Prospectus in its entirety and persons considering applying for Shares pursuant to this Prospectus should obtain professional advice.

No person is authorised to give any information or to make any representation in relation to the Offer which is not contained in this Prospectus. Any such information or representations may not be relied upon as having been authorised by the Directors.

CORPORATE RESTRUCTURE

Prior to being admitted to the ASX, the Company will become the sole shareholder of DT Israel and, accordingly, the ultimate parent company of the Group pursuant to the Share Exchange Agreement. The Offer will not proceed unless and until completion occurs under the Share Exchange Agreement. Unless the context requires, references to the Group and its member companies assume that completion of the Share Exchange Agreement has already occurred and that the structure of the Group is as set out in Section 2.2. Further details of the Share Exchange Agreement are set out in Section 7.6.

FOREIGN INVESTOR RESTRICTIONS

The offers of Shares under this Prospectus do not constitute offers in any jurisdiction outside

Australia. The offers are not made to persons or places to which, or in which, it would not be lawful to make such an offer of securities. Any persons in such places who come into possession of this Prospectus should seek advice on and comply with any legal restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any regulatory or other consents are required or whether any other formalities need to be considered and followed. For information on selling restrictions that apply to the Shares in certain jurisdictions outside Australia, see Section 8.11.

PROSPECTUS AVAILABILITY

ASIC has confirmed that the Corporations Act allows distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

Any person may obtain an electronic or hard copy of this Prospectus free of charge by contacting the Company's corporate adviser, Trident Capital, by email at info@tridentcapital.com.au or telephone on +61 8 6211 5099.

A copy of this Prospectus may also be made available on the Company's website at www.dragontailsystems.com. There is no facility for online applications. Any person accessing an electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access this Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an application form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus.

EXPOSURE PERIOD

This Prospectus will be circulated during the Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds.

Investors should be aware that this examination may result in the identification of deficiencies in this Prospectus and, in those circumstances, any application that has been received may need to be dealt with in accordance with section 724 of the Corporations Act.

Applications for Shares under this Prospectus will not be processed by the Company until after the expiry of the Exposure Period. No preference will be conferred on persons who lodge applications prior to the expiry of the Exposure Period.

NO COOLING OFF RIGHTS

Applicants have no cooling off rights in relation to Shares for which they apply. This means that an applicant is not permitted or entitled to withdraw its application once submitted, other than in certain specified circumstances as detailed in the Corporations Act.

RISKS

Before deciding to invest in the Company, investors should read the entire Prospectus and, in particular, in considering the prospects of the Company, investors should consider the risk factors that could affect the financial performance and assets of the Company. Investors should carefully consider these factors in light of personal circumstances (including financial and taxation issues). The Shares offered by this Prospectus should be considered highly speculative. Refer to Section 5 for details relating to risk factors.

DISCLAIMER

This Prospectus includes information regarding the past performance of the Company. Investors should be aware that past performance is not indicative of future performance.

Certain statements in this Prospectus constitute forward looking statements. These forward looking statements are identified by words such as 'may', 'could', 'believes', 'expects', 'intends', and other similar words that involve risks and uncertainties. Investors should note that these statements are inherently subject to uncertainties in that they may be affected by a variety of known and unknown risks, variables and other factors which could cause actual values or results, performance or achievements to differ materially from anticipated results, implied values, performance or achievements expressed, projected or implied in the statements.

This Prospectus, including the industry overview in Section 2.6, uses market data and third party estimates and projections. There is no assurance that any of the third party estimates or projections

contained in this information will be achieved. The Company has not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors set out in Section 5.

FINANCIAL AMOUNTS

All references in this Prospectus to '\$', 'A\$', 'dollars' or 'cents' are references to Australian currency unless otherwise stated.

All references to 'US\$' are references to the currency of the United States of America.

All references to 'ILS' are references to Israeli currency.

Any discrepancies between the totals and sums of components in tables contained in this Prospectus are due to rounding.

EXCHANGE RATE

Unless otherwise stated, all amounts in US\$ (including in the Investigating Accountant's Report) that have been converted to A\$ in this Prospectus have been converted using OANDA Global's foreign currency exchange rate on 30 June 2016 of A\$1 = US\$0.7417. The Company notes that exchange rates are subject to change. Investors are advised to take this into consideration when considering historical figures in US\$ that have been converted into A\$ using the exchange rate as at 30 June 2016.

Unless otherwise stated, all amounts in ILS that have been converted to A\$ in this Prospectus have been converted using OANDA Global's foreign currency exchange rate on 22 September 2016 of A\$1 = ILS 2.8733. The Company notes that exchange rates are subject to change.

DEFINITIONS AND TIME

A number of terms and abbreviations used in this Prospectus have defined meanings which appear in Section 10.

All references to time relate to the time in Perth, Western Australia unless otherwise stated or implied.

GOVERNING LAW

This Prospectus and the contracts that arise from the acceptance of the applications under this Prospectus are governed by the law applicable in Western Australia and each applicant submits to the exclusive jurisdiction of the courts of Western Australia.

CORPORATE DIRECTORY

DIRECTORS

Paul Steele
Non-Executive Chairman

Ido Levanon
Managing Director

Yehuda Shamai
Non-Executive Director

Ron Zuckerman
Non-Executive Director

Adam Sierakowski
Non-Executive Director

COMPANY SECRETARY

Deborah Ho

REGISTERED OFFICE

673 Bourke Street
Melbourne VIC 3000

Telephone: +61 3 9021 6862

ISRAELI OFFICE

2 David Ben Gurion St.
BSR 1, Floor 8
Ramat Gan, Tel Aviv
5257334 Israel

Telephone: +972 3 794 3362

WEBSITE

www.dragontailsystems.com

ASX CODE

DTS

SHARE REGISTRY

Advanced Share Registry Limited
110 Stirling Highway
Nedlands WA 6009

CORPORATE ADVISER

Trident Capital Pty Ltd
Level 24, 44 St Georges Terrace
Perth WA 6000

AUDITOR

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

INVESTIGATING ACCOUNTANT

BDO Corporate Finance (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

AUSTRALIAN LEGAL ADVISER

Price Sierakowski Corporate
Level 24, 44 St Georges Terrace
Perth WA 6000

ISRAELI LEGAL ADVISER

APM & Co
APM House, 18 Raoul Wallenberg Street
Building D
Ramat Hachayal, Tel Aviv
6971915 Israel

INTELLECTUAL PROPERTY EXPERT

Wrays Pty Ltd
Level 32 Northpoint, 100 Miller Street
North Sydney NSW 2060

LETTER FROM THE CHAIRMAN

28 September 2016

Dear Investor

On behalf of the Directors, I am pleased to present you with this opportunity to become a shareholder of Dragontail Systems Limited (**Company**).

The Company is a high technology company which has developed the Algo Dispatching System (**Algo**), a sophisticated, patent-pending technology that manages the end-to-end processes of fast food and quick service restaurants (**QSR**).

The Algo Dispatching System completely changes food preparation, delivery, marketing, operations and customer relationship management for QSRs, which Algo integrates into a single GPS-based algorithm and management software.

In addition, the Company is developing a unique quality assurance sensor and camera system that allows for real time food quality monitoring and alerts, and shares meal delivery images with customers.



The Company is the ultimate parent company of the Dragontail Systems Group which was founded in 2013 and is currently operating in the USA, Canada and Israel.

We believe that the Company has a solid base from which to grow its world-class 'Out of Oven, Out the DoorTM' operational and dispatching solution for QSRs, particularly through:

- our unique Algo system, which can improve operational efficiency, reduce costs, increase customer satisfaction and improve management and control, giving the Company a first mover advantage in management and delivery technology for QSRs; and
- our talented personnel, which is comprised of a unique combination between technology experts and top operators from the QSR industry, combining knowledge of the QSR operative environment together with innovative technical knowledge.

The Company is seeking to raise \$6m by offering 30,000,000 Shares to the public at an issue price of \$0.20 each. Upon listing, the Company anticipates that it will have a market capitalisation of approximately \$34.7m (see 'Key Offer Details' for further information).

The Directors believe that the Offer is attractive due to, among other things, the Company's innovative technology, talented management team and substantial global market opportunity. Funds raised under the Offer will help the Company to create a platform for growth, with the larger objective of building a world-class management and delivery solution for QSRs and customers in other industries. All Directors hold Shares in the Company.

This Prospectus contains information about the Company and the Offer, including the potential risks of investing in the Company. I encourage you to read this Prospectus carefully and consult with your professional advisers if you are in any doubt as to the contents of this Prospectus.

On behalf of the Board, I look forward to welcoming you as a shareholder of the Company.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Paul Steele', with a long horizontal flourish extending to the right.

Paul Steele
Chairman

KEY OFFER DETAILS

Key financial information	Full Subscription
Issue price per Share	\$0.20
Shares being offered under the Offer	30,000,000
Amount to be raised under the Offer (before costs)	\$6,000,000
Shares held by Pre-IPO Investors upon completion of the Offer	137,500,000
Shares to be issued to corporate adviser	6,000,000
Shares on issue upon completion of the Offer	173,500,000
Performance Shares on issue upon completion of the Offer	25,000,000
Incentive Options on issue upon completion of the Offer	1,500,000
Indicative market capitalisation upon completion of the Offer ¹	\$34,700,000

Notes:

1. Market capitalisation is determined by multiplying the total number of Shares on issue by the price at which the Shares trade on the ASX from time to time. In the table above, the market capitalisation is calculated at the issue price of each Share under the Offer, being \$0.20. Please note that there is no guarantee that the Shares will be trading at \$0.20 upon the Company listing.
2. Please refer to Section 1.6 for further details relating to the proposed capital structure of the Company.

Important dates	
Lodgement of this Prospectus with ASIC	28 September 2016
Opening Date	5 October 2016
Closing Date	26 October 2016
Issue of new Shares	2 November 2016
Holding statements sent to Shareholders	3 November 2016
Expected date for Shares to commence trading on ASX	10 November 2016

Note: The dates shown in the table above are indicative only and may vary subject to the Corporations Act, the Listing Rules and other applicable laws. In particular, the Company reserves the right to vary the Opening Date and the Closing Date without prior notice, which may have a consequential effect on the other dates. Applicants are therefore encouraged to lodge their application forms as soon as possible after the Opening Date if they wish to invest in the Company.

INVESTMENT OVERVIEW

This Section is not intended to provide full information for investors intending to apply for Shares offered under this Prospectus. This Prospectus should be read and considered in its entirety. The Shares offered pursuant to this Prospectus carry no guarantee in respect of return of capital, return on investment, payment of dividends or their future value.

Topic	Summary	More information
The Company		
Who is the issuer of this Prospectus?	Dragontail Systems Limited ACN 614 800 136 (Company).	Section 2.1
Who is the Company and what does it do?	The Company is the ultimate parent company of the Dragontail Systems Group (Group). The Group's main operating entity, Dragontail Systems Limited (Company No. 514981232) (DT Israel) has developed the Algo Dispatching System (Algo). The Company licenses Algo to fast food or quick service restaurants (QSR).	Sections 2.4 and 2.5
What is the Algo Dispatching System?	The Algo Dispatching System is a sophisticated optimisation algorithm which streamlines, optimises and manages the entire restaurant order and delivery transaction, including order receipt, kitchen prioritisation for meal preparation, dispatch and route management, and customer delivery. The benefits that Algo can provide to QSRs include: • increased operational efficiency; • reduced labour and food costs; • increased revenues from repeat customers; • improved customer satisfaction; • improved management reporting and support tools; and • better product quality.	Section 2.4
How does the Company generate income?	The Company primarily generates revenue by licensing its Algo Dispatching System to QSR customers, for which it receives an initial fee and an ongoing monthly fee.	Section 2.5
What are the Company's key strengths?	The Company's key strengths include its: • unique technology and first mover advantage; • talented management team; • key customers; and • strategic relationships.	Sections 2.7
What are the Company's key business strategies?	The Company's key business strategies include: • growth and expansion, including into existing	Section 2.8

Topic	Summary	More information
	and new markets; - research and development for Algo, the Quality Control Camera and additional systems; and - sales and marketing measures to facilitate growth.	
Who are the Company's key customers?	The Company's key customers include: - Pizza Hut in Israel, Canada and the USA; and - Burgeranch in Israel.	Section 2.7.3
What is the financial position of the Group?	As at 30 June 2016, the Company has: - a cash balance of US\$822,058 (approximately A\$1,108,343); - total assets of US\$979,032 (approximately A\$1,319,984); - total liabilities of US\$157,713 (approximately A\$212,637); - net assets of US\$821,319 (approximately A\$1,107,347); and - total equity of US\$821,319 (approximately A\$1,107,347). The above financial information as at 30 June 2016 is based on the reviewed financial statements of the Group. Further financial information regarding the Group is set out and considered in the Investigating Accountant's Report included in Section 3. Applicants should note that past performance is not a reliable indicator of future performance.	Sections 3
The Offer		
What is the Offer?	The Company is offering 30,000,000 Shares to the general public at an issue price of \$0.20 each to raise \$6,000,000 before costs (Offer). There is no allowance for oversubscriptions.	Section 1.1
What is the Minimum Subscription?	The minimum subscription is \$6,000,000.	Section 1.3
Why is the Offer being conducted?	The principal purposes of the Offer are to: - comply with ASX's requirements for listing the Company on the ASX; - provide funds for the purposes set out in Section 1.5; - provide the Company with access to equity capital markets for future funding needs; and - enhance the public and financial profile of the Company to facilitate further growth of the	Section 1.4

Topic	Summary	More information
	Company's business, including into the Australian market.	
How will funds raised under the Offer be used?	Funds raised under the Offer will be applied towards: • expenses of the Offer; • R&D and operations; • sales and marketing; and • general working capital.	Section 1.5
What is the effect of the Offer on the capital structure of the Company?	Provided that the Offer is fully subscribed, the Company's Share capital will be enlarged as set out in Section 1.6.	Sections 1.6
Key risk factors		
Investors should be aware that subscribing for Shares in the Company involves a number of risks. The risk factors set out in Section 5, and other general risks applicable to all investments in listed shares, may affect the value of the Shares in the future. Accordingly, an investment in the Company should be considered highly speculative. This Section summarises only some of the risks which apply to an investment in the Company and investors should refer to Section 5 for a more detailed summary of the risks.		
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.	Section 5.1.1
New industry challenges	The Company's business depends on customers agreeing to adopt Algo, 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. There is a risk that some restaurants will decide not to adopt Algo 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.	Section 5.1.2
QSR industry risks	Naturally, the Company will only be able to retain a customer for as long as the customer is in business. The restaurant industry in particular is extremely competitive and restaurants are often forced to shut	Section 5.1.3

Topic	Summary	More information
	down as a result. If a restaurant that was using Algo were to close down, the Company's revenues from that customer would also stop.	
Reliance on key customer	Currently, a large proportion of the Company's revenue is derived from its major customer, Yum Restaurant Services Group, Inc (Yum), which owns the 'Pizza Hut' brand for Pizza Hut Israel, Pizza Hut USA and Pizza Hut Canada. The master agreement between the parties can be terminated by either party on 30 days' notice, subject to any outstanding or incomplete statements of work.	Sections 5.1.4 and 7.2
Growth and expansion risks	One of the Company's strategies moving forward is to continue to grow and expand, with an initial focus on Israel, Canada, the USA and Australia. 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.	Section 5.1.5
Research and development risk	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. There is no guarantee that the Company's R&D projects will be successful or prove to be commercially viable.	Section 5.1.6
Sales and marketing success	The Company intends to use some of the funds raised under the Offer on sales and marketing measures to continue to promote Algo and grow its business. By their nature, there is no guarantee that the Company's sales and marketing campaigns will be successful.	Section 5.1.7
Faults with products and services	Because Algo is 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.	Section 5.1.8
Competition and new technologies	Although the Company is not aware of any existing products or technologies similar to the Algo, the Company does still compete against other providers of software and services in the broader technology space, and its operating performance is influenced	Section 5.1.11

Topic	Summary	More information
	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.	
Protection of intellectual property rights	To an extent, the value of the Company's key asset and flagship product, the Algo Dispatching System, is dependent on the Company's ability to protect its intellectual property rights. If the Company fails to protect its intellectual property rights in Algo adequately, competitors may gain access to its technology which would in turn harm its business. This risk is partially mitigated as third parties may find it difficult to replicate Algo without the Company's deep knowledge and experience in the technology and QSR industries.	Section 5.1.12
Reliance on key personnel	To an extent, the Company's success is dependent upon the retention of key personnel, in particular, 2 of the founders: Managing Director, Ido Levanon, and Executive Vice President of Strategy and Technology, Guy Brandwin, 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.	Section 5.1.15
Other key Offer details		
What are the important dates of the Offer?	Important dates	'Key Offer Details'
	Prospectus lodged 28 September 2016	
	Opening Date 5 October 2016	
	Closing Date 26 October 2016	
	New Shares issued 2 November 2016	
	Holding statements sent 3 November 2016	
	Trading commences 10 November 2016	
How do I apply for Shares under the Offer?	All Application Forms must be completed in accordance with their instructions and must be accompanied by a cheque in Australian dollars for the full amount of the application at \$0.20 per Share. Cheques must be made payable to 'Dragontail Systems Limited – Subscription Account' and should be crossed 'Not Negotiable'. Applications under the Offer must be for a minimum of 10,000 Shares (i.e. \$2,000).	Section 1.2
What rights and liabilities attach to the	The rights and liabilities attaching to the Shares are described in Section 8.1.	Section 8.1

Topic	Summary	More information
Shares being offered?		
Is the Offer underwritten?	No, the Offer is not underwritten.	Section 1.8
Will any capital raising fees be payable in respect of the Offer?	The Company has engaged Trident Capital Pty Ltd (Trident Capital) as its corporate adviser to, among other things, assist with raising funds under the Offer. Trident Capital will receive a capital raising fee of 5% (plus GST) in respect of funds it raises under the Offer, a management fee of 1% (plus GST) in respect of total funds raised under the Offer, 6,000,000 Shares, and other benefits. The Company also reserves the right to pay to any licensed securities dealer (including an Australian Financial Services licensee) a capital raising fee of up to 5% (plus GST) in respect of funds it raises under the Offer.	Sections 1.9 and 7.5
Will the Shares issued under the Offer be quoted?	The Company will apply to ASX no later than 7 days from the date of this Prospectus for admission of the Company to the official list of ASX, and official quotation of the Shares offered under this Prospectus under the code, 'DTS'.	Section 1.15
When will I know if my application was successful?	Holding statements confirming allocations under the Offer will be sent to successful applicants as required by ASX. Holding statements are expected to be issued to Shareholders on or about 3 November 2016.	Section 1.14
Can I speak to a representative about the Offer?	Questions relating to the Offer and completion of Application Forms can be directed to the Company's corporate adviser, Trident Capital, by email at info@tridentcapital.com.au or telephone on +61 8 6211 5099.	Section 1.20
Key persons		
Who are the Company's Directors?	The Directors of the Company are: • Paul Steele – Non-Executive Chairman; • Ido Levanon – Managing Director; • Yehuda Shamai – Non-Executive Director; • Ron Zuckerman – Non-Executive Director; and • Adam Sierakowski – Non-Executive Director.	Section 6.2
Who comprises the senior management team of the Company?	The Company's senior management team is comprised of: • Ido Levanon – Managing Director; • Guy Brandwin – Executive Vice President of Strategy and Technology; • Ruth Palmon – Chief Financial Officer; and	Section 6.5

Topic	Summary	More information
	Itzik Bachar – Director of Operations.	
What are the significant interests of the Directors?	From admission, the Directors will be remunerated as follows: - as Managing Director, Ido Levanon will receive approximately \$160,686 per annum (inclusive of director's fees) and 8,333,334 Performance Shares; - as Non-Executive Chairman, Paul Steele will receive director's fees of \$60,000 per annum and 1,500,000 Incentive Options; and - as a Non-Executive Director, Yehuda Shamai will receive director's fees of \$36,000 per annum and 8,333,333 Performance Shares; and - as Non-Executive Directors, Ron Zuckerman and Adam Sierakowski will each receive director's fees of \$36,000 per annum. More information on the security holdings, interests and remuneration of the Directors is set out in Section 6.6.	Section 6.6
Is the Company party to any related party arrangements?	The Company is party to the following related party arrangements: - a supply agreement with Tabasco Holdings Ltd; and - a corporate advisory agreement with Trident Capital Pty Ltd.	Section 6.7 and 7.5
Miscellaneous matters		
What material contracts is the Company a party to?	The material contracts of the Company include: - executive agreements with its Managing Director, Ido Levanon, and Vice President of Strategy & Technology, Guy Brandwin; - a master agreement with Yum Restaurant Services Group, Inc.; - a wireless communications agreement with AT&T Mobility II, LLC; - reciprocal reseller agreements with Rision Ltd; - a corporate advisory agreement with Trident Capital Pty Ltd; - convertible note agreements with various sophisticated or professional investors; - a share exchange agreement with DT Israel and the Vendors; - a paying agent agreement with DT Israel, the Israeli Pre-IPO Investors and 102 Capital Management;	Section 7

Topic	Summary	More information
	• escrow agreements with Pre-IPO Investors; and • deeds of access, indemnity and insurance with each Director.	
Will any Shares be subject to escrow?	None of the Shares issued under the Offer will be subject to escrow. The Company expects that ASX will impose mandatory escrow on certain Shares to be held by Pre-IPO Investors for periods of 12 to 24 months.	Sections 1.7
Will the Company pay dividends?	The Board can provide no guarantee as to the extent of future dividends, as these will depend on, among other things, the actual levels of profitability and the financial and taxation position of the Company at the time.	Section 1.19
What are the tax implications of investing in Shares under the Offer?	The tax consequences of any investment in Shares will depend upon each applicant's particular circumstances. Investors should obtain their own tax advice before deciding to invest.	Sections 8.10

1. DETAILS OF THE OFFER

1.1 OVERVIEW

Public Offer

Under this Prospectus, the Company is offering 30,000,000 Shares at an issue price of \$0.20 each to raise \$6,000,000 before costs (**Offer**). The Offer has a minimum subscription requirement of \$6,000,000. There is no allowance for oversubscriptions.

The Offer is open to the general public however non-Australian resident investors should consider the statements and restrictions set out in Sections 1.10 and 8.11 before applying for Shares.

The Shares to be issued under the Offer are of the same class and will rank equally in all respects with existing Shares on issue. A summary of the rights and liabilities attaching to Shares can be found in Section 8.1.

Applications for Shares under the Offer must be made on the Application Form accompanying this Prospectus and received by the Company on or before the Closing Date. Persons wishing to apply for Shares should refer to Section 1.2 and the Application Form for further details and instructions.

Pre-IPO Investor Offer

In addition, the Company is offering up to 136,844,621 Shares to the Pre-IPO Investors. The Shares are to be issued to the Pre-IPO Investors either as consideration for their shares in DT Israel pursuant to the Share Exchange Agreement, or as consideration for funds advanced pursuant to a Convertible Note Agreement. See Section 7.7 for a summary of the Share Exchange Agreement, and Section 7.6 for a summary of the Convertible Note Agreements.

The reason for issuing the Shares under this Prospectus is so that they are issued with disclosure and therefore will not be subject to the 12 month on-sale restrictions in section 707(3) of the Corporations Act. The Company notes, however, that some or all of these Shares will be subject to ASX imposed escrow for 12 to 24 months from admission, and selling restrictions under the Paying Agent Agreement. See Section 1.7 for further details on escrow arrangements, and Section 7.8 for a summary of the Paying Agent Agreement.

The Company is not offering Shares under the Pre-IPO Investor Offer for the purpose of the Pre-IPO Investors selling or transferring their Shares. However, the Company considers that such persons should be entitled, if they wish, to on-sell their Shares prior to the expiry of 12 months, subject to escrow restrictions and the Paying Agent Agreement.

The Shares to be issued under the Pre-IPO Investor Offer are of the same class and will rank equally in all respects with existing Shares on issue. A summary of the rights and liabilities attaching to Shares can be found in Section 8.1. Shares will be issued under the Pre-IPO Investor Offer at the same time as Shares are issued under the Offer.

Applications for Shares under the Pre-IPO Investor Offer must be made on the Pre-IPO Investor Application Form accompanying this Prospectus and received by the Company on or before the Closing Date. Applications may only be made by Pre-IPO Investors for the relevant number of Shares that the Pre-IPO Investor is due under the Share Exchange Agreement or Convertible Note Agreement (as applicable). Persons wishing to apply for Shares should refer to the Pre-IPO Investor Application Form for further details and instructions. No additional funds or consideration are payable under the Pre-IPO Investor Offer.

1.2 APPLICATIONS AND PAYMENT

Applications for Shares under the Offer can only be made using the Application Form accompanying this Prospectus. The Application Form must be completed in accordance with the instructions set out on the back of the form.

Applications under the Offer must be for a minimum of 10,000 Shares (\$2,000). No brokerage, stamp duty or other costs are payable by applicants. Cheques must be made payable to 'Dragontail Systems Limited – Subscription Account' and should be crossed 'Not Negotiable'. All Application Monies will be paid into a trust account.

Completed Application Forms and accompanying cheques must be received by the Company before 5.00pm WST on the Closing Date by being delivered or mailed to the following addresses:

Delivered to:

Dragontail Systems Limited
c/- Trident Capital
Level 24, St Martins Tower
44 St Georges Terrace
Perth WA 6000

Mailed to:

Dragontail Systems Limited
c/- Trident Capital
PO Box Z5183
St Georges Terrace
Perth WA 6831

Applicants are urged to lodge their Application Forms as soon as possible as the Offer may close early without notice.

An original, completed and lodged Application Form together with a cheque for the Application Monies constitutes a binding and irrevocable offer to subscribe for the number of Shares specified in the Application Form. The Application Form does not need to be signed to be valid. If the Application Form is not completed correctly or if the accompanying payment is for the wrong amount, it may still be treated by the Company as valid. The Board's decision as to whether to treat an application as valid and how to construe, amend or complete the Application Form is final.

It is the responsibility of applicants outside Australia to obtain all necessary approvals in order to be issued Shares under the Offer. The return of an Application Form or otherwise applying for Shares under the Offer will be taken by the Company to constitute a representation by the applicant that it:

- has received a printed or electronic copy of this Prospectus accompanying the form and has read it in full;
- agrees to be bound by the terms of this Prospectus and the Constitution;
- makes the representations and warranties in Section 1.10 and 8.11 (to the extent that they are applicable) and confirms its eligibility in respect of an offer of Shares under the Offer;
- declares that all details and statements in the Application Form are complete and accurate;
- declares that it is over 18 years of age and has full legal capacity and power to perform all of its rights and obligations under the Application Form;
- acknowledges that once the Application Form is returned or payment is made its acceptance may not be withdrawn;
- agrees to being issued the number of new Shares it applies for at \$0.20 each (or such other number issued in accordance with this Prospectus);

- authorises the Company to register it as the holder(s) of the Shares issued to it under the Offer;
- acknowledges that the information contained in this Prospectus is not investment advice or a recommendation that the Shares are suitable for it, given its investment objectives, financial situation or particular needs; and
- authorises the Company and its officers or agents to do anything on its behalf necessary for the new Shares to be issued to it, including correcting any errors in its Application Form or other form provided by it and acting on instructions received by the Share Registry using the contact details in the Application Form.

1.3 MINIMUM SUBSCRIPTION

The minimum subscription requirement for the Offer is \$6,000,000, representing the subscription of 30,000,000 Shares at an issue price of \$0.20 each (**Minimum Subscription**), and also representing Full Subscription. No Shares will be issued until the Offer has reached the Minimum Subscription. Subject to any extension, if the Minimum Subscription has not been achieved within 4 months of the date of this Prospectus, all Application Monies will be refunded without interest in accordance with the Corporations Act.

1.4 PURPOSES OF THE OFFER

The principal purposes of the Offer are to:

- comply with ASX's requirements for listing the Company on the ASX;
- provide funds for the purposes set out in Section 1.5;
- provide the Company with access to equity capital markets for future funding needs; and
- enhance the public and financial profile of the Company to facilitate further growth of the Company's business, including into the Australian market.

1.5 PROPOSED USE OF FUNDS

Assuming the Company achieves Full Subscription, the Company intends to use the funds raised under the Offer as follows:

Use of funds	Amount	%
Expenses of the Offer ¹	\$360,000	6%
Research and development, and operations ²	\$3,518,460	58.64%
Sales and marketing ³	\$1,485,409	24.76%
General working capital ⁴	\$636,131	10.6%
Total	\$6,000,000	100%

Notes:

1. Additional expenses of the Offer will be paid using the funds raised by the Company under the Convertible Note Agreements. See Section 8.8 for further information on the expenses of the Offer, and Section 7.6 for a summary of the Convertible Note Agreements.
2. See Section 2.8.2 for further information.

3. See Section 2.8.3 for further information.
4. Working capital may include wages, payments to contractors, rent and outgoings, insurance, accounting, audit, legal and listing fees, other items of a general administrative nature and cash reserves which may be used in connection with any project such as investments and acquisitions, or in connection with any other item in the table above, as determined by the Board at the relevant time.

The above table is a statement of current intentions as at the date of this Prospectus. Investors should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors including, but not limited to, the success of the Company's product development, business development, marketing campaigns and expansion into new markets, as well as any regulatory developments and market and general economic conditions. In light of this, the Board reserves the right to alter the way the funds are applied.

Additional funding through debt or equity may be considered by the Board where it is appropriate to accelerate a specific project or transaction.

If the Company decides to make any significant acquisitions such as commentary businesses or other assets, then it is possible that such acquisitions would be funded by additional financing through debt or equity (subject to any necessary Shareholder approvals).

The Board is satisfied that upon completion of the Offer, the Company will have sufficient capital to meet its stated objectives.

1.6 CAPITAL STRUCTURE

Assuming Full Subscription is reached, the table below provides a summary of the capital structure of the Company at the date of this Prospectus and upon completion of the Offer.

Capital structure	Existing	Completion
Shares to Pre-IPO Investors ¹	655,379	137,500,000
Shares under the Offer ²	-	30,000,000
Shares to corporate adviser ³	-	6,000,000
Total Shares	655,379	173,500,000
Performance Shares ⁴	-	25,000,000
Incentive Options ⁵	-	1,500,000
Fully diluted share capital	655,379	200,000,000

Notes:

1. Shares will be issued to Pre-IPO Investors at completion of the Share Exchange Agreement and Convertible Note Agreements, which is to coincide with completion of the Offer. See Section 7.7 for a summary of the Share Exchange Agreement, and Section 7.6 for a summary of the Convertible Note Agreements.
2. See Section 1.1 for an overview of the Offer.
3. Shares will be issued to the Company's corporate adviser, Trident Capital (and/or its nominees). See Section 7.5 for details of the Company's agreement with Trident Capital.
4. The Performance Shares will be issued to Ido Levanon, Guy Brandwin and Yehuda Shamaï as part of their remuneration and to incentivise their performance. See Section 8.2 for full terms and conditions of the Performance Shares.
5. The Incentive Options will be issued to Paul Steele as part of his remuneration and to incentivise his performance. See Section 8.3 for full terms and conditions of the Incentive Options.

1.7 ESCROW ARRANGEMENTS

Under the Listing Rules, ASX may determine that securities issued to promoters, seed capital investors and vendors of classified assets have escrow restrictions placed on them. Such securities may be required to be held in escrow for up to 24 months from quotation of the Company's Shares, during which time they must not be transferred, assigned or otherwise disposed of.

The Company expects that a significant proportion of Shares held or to be issued to the Pre-IPO Investors and Trident Capital (and/or its nominees), the Performance Shares to be issued to Ido Levanon, Guy Brandwin and Yehuda Shamai, and the Incentive Options to be issued to Paul Steele, will be subject to escrow. Prior to admission to the official list of ASX, the Company will enter into escrow agreements with the relevant holders in relation to the securities subject to mandatory escrow in accordance with the Listing Rules.

The Company will announce final escrow arrangements to ASX prior to quotation of its Shares.

In addition, 116,336,280 Shares to be beneficially held by the Israeli Pre-IPO Investors, and the 25,000,000 Performance Shares to be beneficially held by Ido Levanon, Guy Brandwin and Yehuda Shamai, will be held in the name of 102 Capital Management (**Paying Agent**) as bare trustee for a period of 2 years from admission. Subject to ASX escrow requirements, securities held by the Paying Agent can only be transferred prior to the end of this period by the relevant beneficial holder in accordance with the Paying Agent Agreement, which is summarised in Section 7.8.

1.8 UNDERWRITING

The Offer is not underwritten.

1.9 CAPITAL RAISING FEES

The Company has engaged Trident Capital Pty Ltd (**Trident Capital**) as its corporate adviser to, among other things, assist with raising funds under the Offer. Trident Capital will receive a capital raising fee of 5% (plus GST) in respect of funds it raises under the Offer, a management fee of 1% (plus GST) in respect of total funds raised under the Offer, 6,000,000 Shares, and other benefits. The Company's agreement with Trident Capital is summarised in Section 7.5.

Further, the Company reserves the right to pay to any licensed securities dealer (including an Australian Financial Services licensee) a capital raising fee of up to 5% (plus GST) in respect of funds it raises under the Offer.

1.10 FOREIGN INVESTOR RESTRICTIONS

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or to extend such an invitation. No action has been taken to register this Prospectus or otherwise permit a public offering of Shares in any jurisdiction outside Australia. It is the responsibility of non-Australian resident investors to obtain all necessary approvals for the issue to them of Shares offered pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by the applicant that all relevant approvals have been obtained. See Section 8.11 for information on selling restrictions that apply to the Shares in certain jurisdictions outside Australia.

1.11 RISK FACTORS

As with any share investment, there are risks associated with investing in the Company. The principal risks that could affect the financial and market performance of the Company are detailed in Section 5 of this Prospectus. The Shares on offer under this Prospectus should be considered highly speculative. Accordingly, before deciding to invest in the Company, applicants should read

this Prospectus in its entirety, consider all factors in light of their individual circumstances and seek appropriate professional advice.

1.12 EXPOSURE PERIOD

In accordance with Chapter 6D of the Corporations Act, this Prospectus is subject to an Exposure Period of 7 days from the date of lodgement with ASIC. The Exposure Period may be extended by ASIC by a further period of up to 7 days.

The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus. If deficiencies are detected, any application that has been received may need to be dealt with in accordance with section 724 of the Corporations Act. During the Exposure Period, electronic and hard copies of this Prospectus will be made available upon request to the Company. Applications received during the Exposure Period will not be processed until after expiration of the Exposure Period. No preference will be conferred on applications received during the Exposure Period and all such applications will be treated as if they were simultaneously received on the Opening Date.

1.13 APPLICATION MONIES HELD IN TRUST

All Application Monies will be held in a separate subscription account on behalf of applicants until the Shares are issued pursuant to the Offer. Subject to any extension, if the Minimum Subscription is not achieved within a period of 4 months of the date of this Prospectus, all Application Monies will be refunded in full without interest, and no Shares will be issued under the Offer. Any interest earned on Application Monies (including those which do not result in the issue of Shares) will be retained by the Company.

1.14 ALLOCATION AND ISSUE OF SHARES

The Board reserves the right to reject any application or to issue a lesser number of Shares than that applied for. If the number of Shares allocated is less than that applied for, or no issue is made, the surplus Application Monies will be promptly refunded without interest.

Subject to ASX granting approval for quotation of the Shares, the issue of Shares will occur as soon as practicable after the Offer closes. All Shares issued under the Offer will rank equally in all respects with existing Shares on issue. Holding statements will be sent to successful applicants as required by ASX. It is the responsibility of applicants to determine their allocation prior to trading in the Shares. Applicants who sell Shares before they receive their holding statement will do so at their own risk.

1.15 ASX LISTING AND QUOTATION

The Company will apply to ASX no later than 7 days from the date of this Prospectus for admission of the Company to the official list of ASX, and official quotation of the Shares offered under this Prospectus. Subject to any extension, if the Shares are not admitted to quotation within 3 months of the date of this Prospectus, no Shares will be issued and Application Monies will be refunded in full without interest in accordance with the Corporations Act.

ASX takes no responsibility for the contents of this Prospectus. The fact that ASX may grant admission of the Company to the official list and official quotation of the Shares being offered is not to be taken in any way as an indication by ASX as to the merits of the Company or the Shares.

1.16 CHESS AND ISSUER SPONSORSHIP

The Company will apply to CHESS. All trading on the ASX in Shares will be settled through CHESS. ASX Settlement, a wholly-owned subsidiary of the ASX, operates CHESS in accordance with the Listing Rules and the ASX Settlement Operating Rules. On behalf of the Company, the

Share Registry will operate an electronic issuer sponsored sub-register and an electronic CHESS sub-register. The 2 sub-registers together make up the Company's principal register of securities.

Under CHESS, the Company does not issue certificates to Shareholders. Rather, holding statements (similar to bank statements) will be sent to Shareholders as soon as practicable after Shares are issued. Holding statements will be sent either by CHESS (for Shareholders who elect to hold Shares on the CHESS sub-register) or by the Company's Share Registry (for Shareholders who elect to hold their Shares on the issuer sponsored sub-register). The statements will set out the number of Shares and provide details of a Shareholder's Holder Identification Number (for Shareholders who elect to hold Shares on the CHESS sub-register) or Shareholder Reference Number (for Shareholders who elect to hold their Shares on the issuer sponsored sub-register). Updated holding statements will also be sent to each Shareholder at the end of each month in which there is a transaction on their holding, as required by the Listing Rules.

1.17 PRIVACY DISCLOSURE

Persons who apply for Shares pursuant to this Prospectus are asked to provide personal information to the Company, either directly or through the Share Registry. The Company and the Share Registry collect, hold and use that personal information to assess applications for Shares, to provide facilities and services to Shareholders, and to carry out various administrative functions. Access to the information collected may be provided to the Company's agents and service providers and to ASX, ASIC and other regulatory bodies on the basis that they deal with such information in accordance with the relevant privacy laws. If the information requested is not supplied, applications for Shares will not be processed. In accordance with privacy laws, information collected in relation to specific Shareholders can be obtained by that Shareholder through contacting the Company's corporate adviser, Trident Capital, by email at info@tridentcapital.com.au or telephone on +61 8 6211 5099, or the Share Registry, Advanced Share Registry Limited, on +61 8 9389 8033.

1.18 FINANCIAL FORECASTS

After considering *ASIC Regulatory Guide 170*, the Directors do not believe that they have a reasonable basis to reliably forecast future earnings of the Company and, accordingly, financial forecasts are not included in this Prospectus.

1.19 DIVIDENDS

The Board can provide no guarantee as to the extent of future dividends, as these will depend on, among other things, the actual levels of profitability and the financial and taxation position of the Company at the relevant time.

1.20 ENQUIRIES

This Prospectus is important and should be read in its entirety. Persons who are in any doubt as to the course of action to be followed should consult their stockbroker, lawyer, accountant or other professional adviser without delay.

Questions relating to the Offer, Pre-IPO Investor Offer, Application Form and Pre-IPO Investor Application Form can be directed to the Company's corporate adviser, Trident Capital, by email at info@tridentcapital.com.au or telephone on +61 8 6211 5099.

2. COMPANY AND BUSINESS OVERVIEW

Information contained in this Section 2 reflects estimates of market conditions based on publicly available sources. The Directors believe that the sources of information contained in this Section are appropriate sources for such information and have taken reasonable care in reproducing such information. The Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading.

2.1 BACKGROUND

The Dragontail Systems Group's (**Group**) main operating entity, Dragontail Systems Ltd (**DT Israel**), was founded in Israel in 2013. Since then, DT Israel has internally developed its flagship technology and product – the Algo Dispatching System (**Algo**) – which is currently subject to a patent application.

Algo is a sophisticated optimisation algorithm which streamlines, optimises and manages the entire restaurant order and delivery transaction, including order receipt, kitchen prioritisation for meal preparation, dispatch and route management, and customer delivery. The Company's focus is therefore on licensing its Algo to quick service restaurants (**QSR**) – particularly those that offer delivery. Initially, the Company is targeting the USA, Australia, Canada and Israel (where the Algo was developed and first deployed).

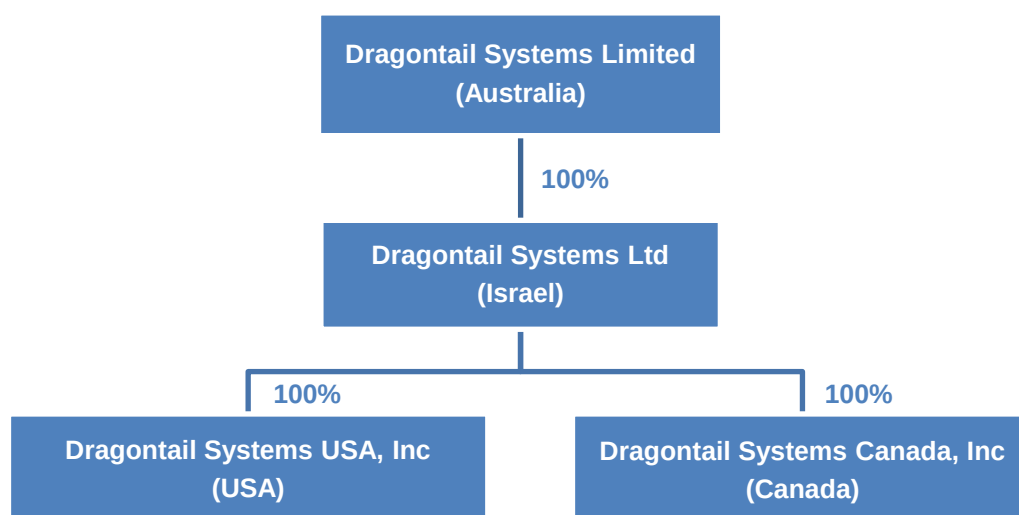
In the 3 years since its foundation, the Group has grown to 23 staff members and has established corporate entities in Israel, the USA, Canada and Australia. Algo is also now fully operational in the corporate owned (i.e. as opposed to franchisee owned) Pizza Hut restaurants in Israel, and has started being implemented in Burgeranch restaurants in Israel, which is the largest burger delivery restaurant in Israel.

Following the success of the first Algo installation in a Canadian Pizza Hut in late 2015, Pizza Hut Canada decided to install Algo in all corporate owned restaurants in Ottawa and Quebec, and is already presenting and recommending Algo to franchisee owned Pizza Hut restaurants in Canada. Further, in April 2016, the Company generated its first revenues from the USA having installed its Algo in Pizza Hut USA restaurants.

The Company has received positive feedback from customers, particularly with respect to labour cost savings and significantly improved customer satisfaction, which in some cases has led to improved sales figures. The Algo Dispatching System is now installed in over 100 restaurants.

2.2 CORPORATE STRUCTURE

Prior to the Company being admitted to the ASX, the corporate structure of the Group will be formalised pursuant to the Share Exchange Agreement, which is summarised in Section 7.6. The Offer will not proceed unless and until completion occurs under the Share Exchange Agreement. The corporate structure of the Group upon completion and at listing will be as follows:



Dragontail Systems Limited ACN 614 800 136 (**Company**) was registered in Australia on 14 September 2016 and will hold 100% of the issued capital in DT Israel. As well as being the ultimate parent company of the Group, the Company will be responsible for the Group's sales and support operations in Australia and the Asia-Pacific region, and will also be involved in development of the Algo and other technology.

Dragontail Systems Limited (Corporate No. 514981232) (**DT Israel**) was registered in Israel on 10 November 2013 and holds 100% of the issued capital in both DT USA and DT Canada. DT Israel is responsible for the Group's sales and support operations in Israel, and the development of the Algo and other technology.

Dragontail Systems USA, Inc (File No. 6078823) (**DT USA**) was registered in the USA on 24 June 2016 and is responsible for the Group's sales and support operations in the USA.

Dragontail Systems Canada, Inc (Corporation No. 2525627) (**DT Canada**) was registered in Canada on 30 June 2016 and is responsible for the Group's sales and support operations in Canada.

2.3 KEY MILESTONES

A brief description of some of the key milestones that the Group has achieved over the years is set out below.

Time	Event
November 2013	Dragontail Systems Limited is registered in Israel.
December 2013	First pilot implementation of Algo in a Pizza Hut Israel restaurant.
February 2014	First fully operational Algo installed in a Pizza Hut Israel restaurant.
February 2014	Company applies for a patent for Algo in the USA.
June 2014	Commencement of Algo rollout in all corporate owned (i.e. as opposed to franchisee owned) Pizza Hut Israel restaurants (completed in February 2015).
January 2015	First implementation of Algo in a franchisee owned Pizza Hut Israel restaurant.

November 2015	First implementation of Algo in a Pizza Hut Canada restaurant.
February 2016	First implementation of Algo in a 'dine-in' restaurant – Pizza Hut Canada.
March 2016	First implementation of Algo in a franchisee owned Pizza Hut USA restaurant.
May 2016	Partnership established with ASX-listed employee planning company, Rision Ltd, to integrate Algo with its 'Intelligent Scheduling System'.
May 2016	Commencement of Algo rollout to all Pizza Hut restaurants in Ottawa, Canada.
June 2016	Completion of successful feasibility test for the Company's 'Quality Control Camera' which is able to send pictures of a prepared pizza to customers and detect quality issues with the pizza.
June 2016	Dragontail Systems USA, Inc is registered in the USA.
June 2016	Dragontail Systems Canada, Inc is registered in Canada.
August 2016	Partnership agreement with AT&T to provide competitive phone and data plans globally for the mobile phones of delivery personnel who are using Algo.
September 2016	Commencement of Algo rollout to all Pizza Hut restaurants in Quebec, Canada.
September 2016	Dragontail Systems Limited is registered in Australia.

2.4 ALGO DISPATCHING SYSTEM

2.4.1 OVERVIEW OF ALGO

The Company's flagship product is its internally developed Algo Dispatching System, which is subject to a patent application. Using a sophisticated optimisation algorithm, Algo optimises and manages the order and delivery transaction for QSRs, including order receipt, kitchen prioritisation for meal preparation, dispatch and route management, and customer delivery. In doing so, Algo is able to streamline the food preparation and delivery processes for QSRs.

So far as the Company is aware, its Algo Dispatching System is the only system in the world that fully automates the kitchen flow of restaurants as well as the process of dispatching drivers. Accordingly, the Company considers that it has a unique first mover advantage in the space.

For a QSR, Algo is aimed at being the equivalent of having a highly intelligent manager who views and knows every single order location, every driver location, and every meal status in the kitchen and pack station, and who manages the orders that need to be prepared in the kitchen and makes dispatching recommendations.

The following diagram highlights some of the decisions and factors that may need to be considered by the manager of a QSR with any given food order.



The Algo Dispatching System calculates a multitude of details and makes optimised decisions both in the kitchen and at the dispatching station. In the fast paced QSR industry, Algo assists managers with handling multiple tasks at the same time. This can lead to improvements in operational efficiency, customer service and, ultimately, profitability.

In addition, management receives valuable reports and real-time data on employee productivity and unusual events during the shift, such as late deliveries or problems during food preparation, enabling the restaurant to further improve operational efficiency.

In these ways, the Company believes that the Algo Dispatching System has the potential to be a highly disruptive technology to the QSR industry.

2.4.2 KEY COMPONENTS OF ALGO

Set out below are the key components of Algo.



Kitchen station

The kitchen station manages the whole process of preparing the orders, displaying the 2 most urgent orders to prepare at that moment in time, while calculating and reshuffling the rest of the orders in the background. The kitchen station displays each order with a specific instruction to either prepare immediately or to hold, depending on the drivers' availability. The cook will be instructed to 'hold' the preparation of the order if there is no available driver to take the order when it comes out of the oven, helping to ensure that all orders arrive hot and fresh to the customer.

Dispatch station

The dispatch station is the heart of the system and the manager's main monitoring station, where he or she can see everything that is going on during the shift in one place. All deliveries are shown with their details, locations on the map, live status and more. All deliveries that are yet to be assigned are displayed with a recommendation to be dispatched as either singles, doubles or triplets, with their recommended driver, thereby completely simplifying the dispatching process for the manager. In addition, the manager is able to see each driver with their exact location live, and their estimated time to arrive to the customer and to arrive back to the store.

Driver's unit

The driver's unit consists of the 'DragonDrive' smartphone application. This app not only allows the system to receive the driver's location, but is also a great tool for the driver as it includes many helpful tools such as customer and order details, navigation to the destination address, order items with an option to tick items off and confirm they were packed, the driver's performance for the current shift and much more.

Customer tracking

During the process from order preparation to the delivery of the order, the customer can monitor the order status and the driver's location, all in real-time, and know when to expect its order to arrive at the door.

2.4.3 HOW ALGO WORKS

The Company's Algo Dispatching System is based on a complex, field tested mathematical algorithm which manages both ends of a QSR (i.e. order to delivery). The process begins before the kitchen sees the order by choosing the best order to present for preparation. This avoids orders simply being made in the sequence that they are received by the restaurant (i.e. first in, first out – which is not always optimal), and enables orders to be grouped together to make the restaurant's operations more efficient.

Algo adjusts to different kitchen rules and procedures depending on the QSR so that preparation of an order is finished in the kitchen just as a delivery driver is ready to begin delivery of the order.

To achieve maximum optimisation, a number of factors are taken into account by the Algo Dispatching System, including:

- driver availability;
- the time that the order was made;
- the number and type of items in the order;
- the time of the day;
- staff roster schedule; and
- weather conditions.

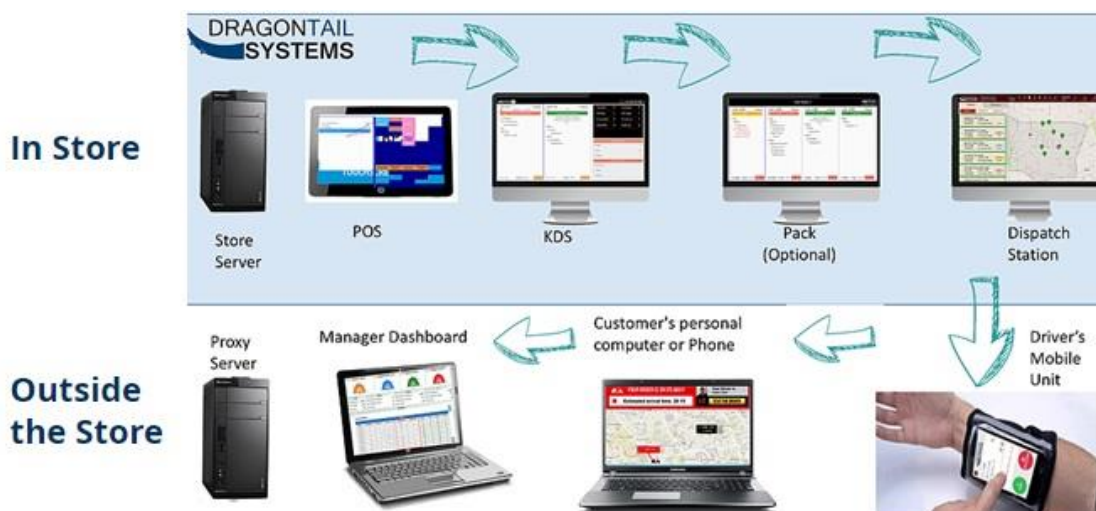
Algo uses existing restaurant hardware to streamline and automate the key operational decisions that restaurant management is faced with. It is compatible with any hardware (even low end hardware) already existing in QSRs.



Our versatile system allows for an extremely short timeline from concept discussion with the customer, to launching the system.

The Algo Dispatching System is able to work with any point of sale (POS) system so there is no need for restaurants to replace their existing POS system in the kitchen, they only need to link with the existing POS system via an open interface. Installation of Algo is quick and simple as the only additional hardware needed is the mobile units (e.g. smartphones) used by the drivers making deliveries. Smartphones have been supplied by the Company in the past for this purpose however the Company has already started working with larger companies such as AT&T to supply the smartphones on a large scale.

The Algo Dispatching System uses a proxy server outside the restaurant to communicate between restaurant management, delivery drivers and customers. Algo also enables customers to track their order online.



Note: The diagram above shows the cycle of an order from receipt to delivery using Algo.

After the order is recorded in the POS system, it reaches the Algo Dispatching System which sets the time of meal preparation according to driver availability. Once the order is ready to be prepared, it is sent to the kitchen display screen and preparation begins. After the order has been placed in the oven and prepared, the order is displayed on the pack screen, enabling the store staff to cut and pack the order when it comes out of the oven efficiently while it is displayed on the screen.

When the order has been packed, the manager can immediately dispatch the order to the driver according to the system recommendation on the dispatch screen. As soon as the order is dispatched to the driver it appears on the driver's mobile unit. The driver then clicks the 'order delivered' button on the app when it arrives at the customer's door.

Throughout the whole process from order preparation to delivery, the customer is able to monitor the order status and the driver's location via computer or smartphone.

Not only does the system streamline the whole delivery process throughout the shift, but it also provides an excellent reporting tool for the manager. The 'Dashboard reports' consists of many reports, helping the managers spot their main bottle necks, necessary improvements and changes that can be made for future shifts, and more.

2.4.4 QUALITY CONTROL CAMERA

The Company is currently developing a unique quality control camera and additional wireless sensor (**Quality Control Camera**) to ensure that QSRs can produce quality food that meets their customers' demands. The system uses the most advanced machine learning technology whereby its diagnostics are continually improved over time. The Quality Control Camera is aimed at enabling QSRs to improve their quality assurance by:

- monitoring the temperature of food in the oven;
- monitoring the temperatures inside the kitchen oven and fridge; and
- checking the quality of ingredients and that the correct ingredients have been used by restaurant staff.

The camera also takes a picture of food as it comes out of the oven, sending that picture to the customer, thereby improving the customer's experience. The camera uses a texture synthesise mechanism to optimise the quality of the image sent to the customer.

The Company completed successful feasibility tests for pizzas in June 2016, and has a pilot test scheduled for the end of 2016.

2.4.5 BENEFITS OF ALGO

Below are examples of some of the benefits that the Algo Dispatching System can provide to QSRs.

Operational efficiency

Algo assists by reducing the burden on the QSR's personnel, who operate in a fast paced working environment and are inherently subject to human error. Algo achieves this by optimising the steps taken by the QSR from the initial order to delivery, including with respect to personnel assignment (from food preparation to delivery) and delivery routes.

Costs

Algo can help to reduce costs through improved operational efficiency, such as efficient labour allocation. It can also reduce costs for the QSR through reduced reliance on labour (and therefore wages), reduced food costs through less wastage, reduced delivery costs (e.g. petrol and vehicle servicing) and reduced refunds to customers as a result of errors or slow orders.

Revenue

Algo can improve revenues through increased customer retention and sales volumes as a result of better operational efficiency and customer satisfaction.

Customer satisfaction

The Company's trademarked slogan 'Out of Oven, Out the Door™' refers to its mission of facilitating timely delivery of hot and fresh meals combined with personalised targeted marketing (e.g. personalised inserts, bonuses, coupons, etc). The system identifies and manages late deliveries ahead of time and addresses any customer dissatisfaction by offering free coupons, bonuses and additional products, according to the QSR's pre-determined policies.

Customer satisfaction is also improved through faster service, access to online order tracking, reduced order errors and, if the QSR chooses to pass on its cost savings to the customer, cheaper meals. Improved customer satisfaction is considered to be a critical and distinguishing benefit of Algo given the power customers now have in the popularity and success of restaurants through online review sites such as Zomato, TripAdvisor and Yelp.

Management and control

Algo includes a real time employee control management system accessible through any online platform (e.g. computer, smartphone, tablet, etc.). It offers detailed alerts and a reporting system which provides valuable real time data about staff productivity, late deliveries, problems during meal preparation and any unusual or other 'events' as defined by the customer.

Product quality

Through faster and coordinated delivery from the oven to the customer, Algo can improve the freshness and therefore quality of the product delivered. Further, through its Quality Control Camera currently in development, the Company aims to be able to identify any errors made during the food preparation stage so that product quality is improved and deficient or incorrect meals are not delivered to the customer.

2.5 BUSINESS MODEL

The Company primarily generates revenue from customers through the deployment of its Algo Dispatching System, which is described in Section 2.4. The Company charges its customers for Algo in the following manner:

- Initial fee – this relates to the integration of Algo with the customer's POS system, and can range anywhere from US\$5,000 to US\$50,000, which covers all of the chain's restaurants using the same POS system. Further, there is an initial fee for installation of Algo in the restaurant and training the customer on how to use Algo. This fee is approximately US\$500 to US\$2,000 per store. The amount will depend upon each customer, including how many mobile units it needs at each store, and how much assistance it needs or wants with respect to installation and training. Installation of Algo takes 1 day, and its integration with the POS system takes any time between 1 week and 1 month, depending on the customer's needs.
- Monthly licensing fee – this relates to the customer's ongoing use and access to Algo, and is expected to be approximately US\$200 per store, per month. The Company will provide the customer with ongoing support and software updates for the duration of the licence.

The monthly payment model helps to mitigate any concerns of the customer about high up-front purchase costs, and provides an ongoing income for the Company so long as the customer's restaurant remains in operation.

If and when commercialised, the Company also intends to offer its Quality Control Camera to customers for an initial fee for installation and training, and an ongoing monthly licensing fee.

The Company considers that its key strengths in Section 2.7, and business strategies in Section 2.8, are integral to its ability to generate income and ultimately achieve capital growth for Shareholders.

2.6 QUICK SERVICE RESTAURANT INDUSTRY

The Company considers that its Algo Dispatching System is a novel technology that is not currently replicated by any competitors. Accordingly, the industry in which the Company does and intends to operate is in its infancy, and the Company is not aware of any available data which directly relates to an industry focused on using technology to optimise the processes of QSRs from order to delivery.

However, the Company considers that, initially, its opportunities and potential growth will depend heavily on the QSR industry itself, particularly with respect to its size and the way in which it operates. Therefore, this Section 2.6 discusses certain aspects of the QSR industry which the Company considers are relevant to its future prospects.

2.6.1 INDUSTRY SIZE

QSRs are typically dominated by burger, pizza, sandwich, chicken and Mexican restaurants. They make up a substantial portion of restaurant industry sales and consist of multinational fast food chains such as Pizza Hut and KFC, as well as fast casual restaurant (a hybrid of fast food and casual dining restaurants) chains such as Nando's and Chipotle Mexican Grill.

Globally, it is estimated that the QSR market generates annual revenue of more than US\$580b from over 850,000 QSRs, with average annual revenue growth from 2011 to 2016 of 2.6%.¹

In the USA alone it is estimated that there are over 200,000 QSRs with annual revenue of approximately US\$227b.² In Australia, the QSR market is reported to have approximately 25,000 restaurants generating US\$19b a year.³

Other existing or potential markets for the Algo with compelling QSR sectors include Canada (approximately 16,000 QSRs with US\$22b in annual revenue)⁴, the UK (approximately 38,000 QSRs with £18b in annual revenue)⁵ and China.

International QSR chains dominate the USA and are well established in Australia, Canada and the UK. They are also expanding into developing countries to benefit from urbanisation trends and reach new markets. Although multinational QSRs generally have comparatively smaller footprints in terms of stores per population in developing markets, some of these markets are already offering home delivery service such as McDonald's and KFC in China and Indonesia.

2.6.2 DELIVERY MODELS

For QSRs that deliver, the sector can largely be broken down into the following 3 models:

- in-house delivery;
- shared in-house delivery; and
- outsourced delivery.

The Algo Dispatching System currently supports the in-house delivery model and the Company intends to further develop the Algo Dispatching System to support the shared in-house delivery and outsourced delivery models.

¹ IBISWorld, 'Global Fast Food Restaurants: Market Research Report', April 2016.

² IBISWorld, 'Fast Food Restaurants in the US: Market Research Report', August 2016.

³ IBISWorld, 'Fast Food Services in Australia: Market Research Report', July 2016.

⁴ IBISWorld, 'Fast-Food Restaurants in Canada: Market Research Report', April 2016.

⁵ IBISWorld, 'Takeaway & Fast-Food Restaurants in the UK: Market Research Report', April 2016.

In-house delivery

In-house delivery is where the restaurant hires and manages its own personnel for delivery. Classic examples of restaurants that use this model are pizza chains such as Pizza Hut and Dominos. The Company is initially focusing on licensing its Algo to QSRs with in-house delivery models.

Shared in-house delivery

Shared in-house delivery is where a QSR chain will manage its own delivery service, but it is shared amongst several branches or restaurants. This model is used by KFC and Pizza Hut chains in Cyprus.

Outsourced delivery

Outsourced delivery is where the restaurant engages or is affiliated with a third party which processes orders and manages delivery. Under this model, the QSR does not hire the carrier and is not responsible for dispatch. Examples of third parties who offer this delivery service include Grubhub, Deliveroo and UberEATS.

2.6.3 INDUSTRY TRENDS

Some of the key global trends that are affecting the QSR industry are set out below.

Globalisation

International QSR chains, particularly those from the USA, are expanding internationally and especially into emerging markets such as China in order to grow their potential customer base.

Urbanisation

Rapid urbanisation is making the home delivery model for QSRs increasingly economically viable by increasing population density and therefore persons per QSR catchment area. This also presents logistical challenges in the form of potentially having to deliver more orders per store on increasingly congested roads.

Smartphones and internet access

Smartphone technology and increasing internet coverage means busy customers are able to purchase their food and other consumer goods online – often with delivery options. This has prompted QSRs to think beyond their traditional dine-in and takeaway model and focus more on improving their delivery solutions.

2.6.4 COMPETITIVE LANDSCAPE

The Company considers that its Algo is the only system in the world of its kind – a management system for QSRs that seamlessly integrates order receipt, kitchen prioritisation, delivery dispatch and navigation through to customer delivery. Once Algo is installed, it changes the way the kitchen and dispatching is organised and allocated and therefore becomes operationally engrained into the QSR.

The Company is, however, aware of other businesses which offer some of the services that Algo does. Examples of such businesses and the services they offer are set out in the following table.

Feature	Algo	Delivery Command	Foodora	UberEATS
Driver tracking	✓	✓	✓	✓
Customer tracking	✓	✓	✗	✓
Fully automated dispatching decisions	✓	✗	✗	✗
Fully automated kitchen tow	✓	✗	✗	✗
Designed to facilitate meals arriving hot and fresh	✓	✗	✗	✗
Designed to reduce labour costs	✓	✗	✗	✗
Single software system	✓	✗	✗	✗

Further, the Company considers that POS system providers are relevant to the competitive landscape for its Algo as Algo is designed to integrate with POS systems. Examples of POS system providers and the services they offer are set out below.

Feature	Algo	Andromeda	NCR	SpeedLine	Micros	Bringg
Works with existing POS system – no need for QSRs to install new POS system	✓	✗	✗	✗	✗	✓
Smart dispatch – dispatch in a way to utilise multiple deliveries in an area and available drivers	✓	✗	✗	✓	✗	✓
Make-line managing – instructs kitchen when to cook order to integrate with 'smart dispatch'	✓	✗	✗	✗	✗	✗
Driver tracker – knows where all drivers are at all times and marketing tool which enables the customer to see the order status in real time	✓	✓	✗	✗	✗	✓
Optimisation systems – optimises the right orders to prepare and deliver for optimised performance (rather than 'first in first out', for example)	✓	✗	✗	✗	✗	✗
Real delivery time – gives the real time the driver will be at the door	✓	✓	✗	✗	✗	✓
Quality improvement system – Food won't be prepared until the store has an available driver	✓	✗	✗	✗	✗	✗
Driver navigation – instructs driver to take best route based on database of live and historic traffic conditions	✓	✓	✗	✓	✗	✓
Course timing – for 'dine in', shows the cook what to prepare and when	✓	✗	✓	✗	✓	✗

2.7 KEY STRENGTHS

2.7.1 UNIQUE TECHNOLOGY / FIRST MOVER ADVANTAGE

The Company considers that the Algo Dispatching System is an industry first, giving it a unique first mover advantage in the tech management and delivery space for QSRs. Although breakthrough technologies have been adopted in many industries in recent times, such as transport and accommodation, the restaurant industry is yet to realise such similar disruption, particularly when it comes to home delivery and takeaway meals.

The Company understands that Algo is the only system in the world that fully automates the kitchen flow, driver dispatch and delivery process. Current technologies generally only focus on driver dispatch and tracking. Accordingly, the Company has sought patent protection for Algo and intends to leverage off its head start into what it considers to be a market with significant growth potential. This strategy is already underway with the Company already generating revenues through its Algo being installed in QSRs in Israel, Canada and the USA.

2.7.2 MANAGEMENT TEAM

The Group's success to date can largely be attributed to its management team, including Managing Director, Ido Levanon, and Executive Vice President of Strategy and Technology, Guy Brandwin. The team has extensive experience in the technology and QSR sectors, which combine knowledge of the QSR operative environment together with innovative technical knowledge. The Company's diversified management team allows for out of the box thinking and unique solutions. See Sections 6.2 and 6.5 for further details of the Company's Directors and senior management team, respectively.

2.7.3 KEY CUSTOMERS

Despite its short history, the Company has already engaged with major QSR customers including Pizza Hut and Burgeranch. The Company has built strong business relationships with these companies and hopes to be able to leverage from these relationships to expand its customer base further.

2.7.4 STRATEGIC RELATIONSHIPS

The Company is aware of the importance of, and potential benefits from, building strategic relationships with key stakeholders in the industry.

DT Israel has entered into a master agreement with Yum Restaurant Services Group, Inc and its controlled affiliates, which include Taco Bell Corp., Pizza Hut, Inc., KFC Properties, Inc., Yum Restaurants (India) Pte. Ltd., Yum Consulting (Shanghai) Company Limited and Yum! Restaurants International, Inc. (**Yum**). The agreement provides the umbrella terms and conditions for DT Israel's supply of Algo into Yum QSRs. Yum is a major international fast food business and the Company hopes to continue to build its relationship with Yum. See Section 7.2 for a summary of DT Israel's agreement with Yum.

DT USA and AT&T Mobility II, LLC (**AT&T**) have entered into a wireless communications agreement whereby DT USA is provided with data plans in North America at competitive rates. The data plans are used with the mobile units supplied to the customer. Having access to cheaper plans allows the Company to implement Algo at a cheaper price and pass on those savings to its customers. See Section 7.3 for a summary of the Company's agreement with AT&T.

DT Israel has entered into reciprocal reseller agreements with ASX-listed company, Rision Limited (**Rision**), whereby each party is entitled to resell the other's technology. Rision provides a human resources platform designed to allow employers to manage their human resources department. This compliments the Company's optimisation technology to provide a more comprehensive service to QSRs. See Section 7.4 for a summary of the DT Israel's reseller agreements with Rision.

2.8 BUSINESS STRATEGIES

2.8.1 GROWTH AND EXPANSION

The Company considers that the market for its Algo is, essentially, worldwide. The Company will initially focus on growing its business in the USA, Australia, Canada and Israel, where it already has corporate entities set up.

The Company is also aware of the rapid uptake of delivery services by QSRs in developing markets such as India and China. Accordingly, the Company will continue to explore opportunities to expand its operations into new international markets.

The Company considers that its ability to grow and expand will primarily be achieved through providing quality products (e.g. through research and development) and by expanding its customer base (e.g. through sales and marketing).

2.8.2 RESEARCH AND DEVELOPMENT

As a technology company, the Company is aware of the importance of constantly improving its product and staying ahead of any competitors. Accordingly, the Company will continue to improve its offerings by developing existing and additional systems.

The Company is currently developing its Quality Control Camera, which is scheduled for pilot testing at the end of 2016. The system allows for real time food monitoring and alerts, and shares meal delivery images in real time with customers. Further information on the Quality Control Camera is set out in Section 2.4.4.

In addition, the Company will focus on:

- continuing to improve the Algo Dispatching System; and
- simplifying and systemising the installation and training procedures for Algo.

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

2.8.3 SALES AND MARKETING

The Company's initial target markets are QSRs in the USA, Australia, Canada and Israel. Customers are primarily sourced through measures taken by the Company's sales and marketing team. The Company considers that sales and marketing is particularly important for its business as the Algo is a new technology and the market will need to be educated on, and made aware of, what the Algo is and how it works.

The Company's main sales and marketing channels are:

- direct sales to large QSR chains in key countries via local sales teams;
- partnerships with companies that provide POS systems that Algo integrates with, giving the Company access to the POS company's customers; and
- partnerships with large companies such as AT&T to reach more customers.

The Company considers that the success of its sales and marketing campaigns will impact on its ability to grow and expand into existing and new markets.

2.8.4 NEW INDUSTRIES

While QSRs remain the Company's primary initial target market, the Company believes that Algo could also be a valuable tool in other industries. Specifically, the Company will consider the use of Algo for supermarket and grocery deliveries, airline catering deliveries and same day non-food deliveries.

2.8.5 POS SYSTEM PROVIDERS

The Company views POS solution providers as potential partners given that Algo is compatible with existing POS systems. Partnering with POS system providers enables them to generate revenue from Algo and therefore makes it easier for the Company to penetrate and integrate Algo within the operational environment of new customers.

2.8.6 ACQUISITIONS

To facilitate growth, the Company may make acquisitions of, or investments in, companies, products and technologies that the Company considers are complementary to its business.

2.9 INTELLECUTAL PROPERTY

The registered intellectual property of the Company is listed in the table below. Please refer to the Intellectual Property Expert's Report in Section 4 for further information.

Type	Details	Status	Jurisdiction
Patent	'Method and System for Managing Preparation and Delivery of Goods'	Application	USA
Trademark		Application	USA
Trademark	'Algo Dispatching System'	Application	USA
Trademark	'Algo Dispatching System'	Application	Israel
Trademark	'Out of Oven, Out the Door'	Application	Israel
Trademark	'Just-In-Time Baking'	Application	Israel
Design	'Charger for mobile phones / Desktop charger'	Registered	Europe

3. INVESTIGATING ACCOUNTANT'S REPORT

DRAGONTAIL SYSTEMS LIMITED
Investigating Accountant's Report

23 September 2016

23 September 2016

The Directors
Dragontail Systems Limited
673 Bourke Street
Melbourne VIC 3000

Dear Directors

INVESTIGATING ACCOUNTANT'S REPORT

1. Introduction

BDO Corporate Finance (WA) Pty Ltd ('BDO') has been engaged by Dragontail Systems Limited ('Dragontail' or 'the Company') to prepare this Investigating Accountant's Report ('Report') in relation to the historical financial information and pro forma historical financial information of Dragontail for inclusion in a prospectus ('Prospectus') to be issued by the Company in respect of the proposed initial public offering ('IPO') and listing on the Australian Securities Exchange ('ASX').

Broadly, the Prospectus will offer 30 million shares at an issue price of A\$0.20 each to raise A\$6 million before costs, with a minimum subscription requirement to raise the A\$6 million before costs ('the Offer').

In preparation for listing on the ASX an internal restructure will take place resulting in the newly incorporated Australian company, being Dragontail, becoming the legal parent of the group subject to the issue of shares under the Offer. As such, the historical financial information of Dragontail will be presented as a continuation of the pre-existing accounting values of Dragontail Systems Limited, a company incorporated in Israel ('Dragontail Israel').

Expressions defined in the Prospectus have the same meaning in this Report. BDO holds an Australian Financial Services Licence (AFS Licence Number 316158).

This Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the Financial Information to which it relates for any purpose other than that for which it was prepared.

2. Scope

The Company has requested BDO to perform a review engagement in relation to the historical and pro forma historical financial information described below.

The historical and pro forma historical financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

The Company was incorporated on 14 September 2016 and has limited financial history. As such, the historical financial information of Dragontail will be presented as a continuation of the pre-existing accounting values of Dragontail Israel. The Company has requested BDO to review the following historical financial information of Dragontail Israel (together the 'Historical Financial Information') included as appendices to our Report:

- the audited Statements of Financial Position, Performance and Cash Flows of Dragontail Israel for the period from incorporation to 31 December 2013, the year ended 31 December 2014 and the year ended 31 December 2015; and
- the reviewed Statements of Financial Position, Performance and Cash Flows of Dragontail Israel for the half-year ended 30 June 2016.

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies. The Historical Financial Information has been extracted from the financial reports of Dragontail Israel for the years ended 31 December 2013, 31 December 2014 and 31 December 2015 and for the half-year ended 30 June 2016.

The financial reports for Dragontail Israel for the years ended 31 December 2013, 31 December 2014 and 31 December 2015 were audited by Vardi Brukner Ingber Rozenzeig Certified Public Accountants (Israel) ('VBIR') in accordance with the International Financial Reporting Standards ('IFRS'). VBIR issued unmodified audit opinions on the financial reports for these years, however did include an emphasis of matter noting that the ability of the Company to continue as a going concern is dependent upon securing sources of funding to continue operations and development success.

The financial report for Dragontail Israel for the half-year ended 30 June 2016 was reviewed by VBIR in accordance with the IFRS. VBIR issued an unmodified review conclusion on the financial report for the half-year, however did include an emphasis of matter noting that the ability of the Company to continue as a going concern is dependent upon securing sources of funding to continue operations and development success.

The Historical Financial Information of Dragontail does not include the consolidation of two 100% owned subsidiaries of the Company, Dragontail Systems USA, Inc, which was incorporated on 24 June 2016 and Dragontail Systems Canada, Inc, which was incorporated on 30 June 2016. Neither subsidiary currently has, or has ever had, any material operations.

Pro Forma Historical Financial Information

The Company has requested BDO to review the following pro forma historical financial information (the 'Pro Forma Historical Financial Information') of the Company included in this Report:

- the Pro forma Consolidated Statement of Financial Position as at 30 June 2016 which includes:
 - o the subsequent events outlined in section 6 of our Report; and
 - o the pro forma adjustments for the events outlined in section 7 of our Report.

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in section 6 and section 7 of this Report, as if those events or transactions had occurred as at the date of the Historical Financial Information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial position or financial performance.

The Pro Forma Historical Financial Information has been compiled by the Company to illustrate the impact of the events or transactions described in section 6 and section 7 of this Report on the Company's financial position as at 30 June 2016. As part of this process, information about the Company's financial position has been extracted by the Company from its financial statements for the half-year ended 30 June 2016.

3. Directors' responsibility

The directors of the Company are responsible for the preparation and presentation of the Historical Financial Information and Pro Forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Historical Financial Information and Pro Forma Historical Financial Information which is free from material misstatement, whether due to fraud or error.

4. Our responsibility

Our responsibility is to express limited assurance conclusions on the Historical Financial Information and the Pro Forma Historical Financial Information. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

Our review procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the financial information.

5. Conclusion

Historical Financial Information

Based on our review engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information, as described in the Appendices to this Report, and comprising:

- the audited Statements of Financial Position, Performance and Cash Flows of Dragontail Israel for the period from incorporation to 31 December 2013, the year ended 31 December 2014 and the year ended 31 December 2015; and
- the reviewed Statements of Financial Position, Performance and Cash Flows of Dragontail Israel for the half-year ended 30 June 2016,

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 2 of this Report.

Pro Forma Historical Financial information

Based on our review engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information as described in the Appendices to this Report, and comprising:

- the reviewed Pro forma Consolidated Statement of Financial Position of the Company as at 30 June 2016 which include:
 - o the subsequent events outlined in section 6 of our Report; and
 - o the pro forma adjustments for the events outlined in section 7 of our Report,

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 2 of this Report.

6. Subsequent Events

The pro-forma statement of financial position of the Company reflects the following events that have occurred subsequent to the period ended 30 June 2016:

- in August 2016, Dragontail Israel completed a capital raising in which it issued 68,884 ordinary shares to raise US\$1.1 million. Costs relating to the capital raising were approximately US\$54,329; and
- the Company is finalising a raising of A\$862,500 (US\$639,716 at an exchange rate of A\$1:US\$0.7417) via the issue of convertible notes, split into two equal tranches ('Convertible Notes'). The Convertible Notes are interest free and have a conversion price of A\$0.115 and are convertible into shares upon completion of the Offer.

Apart from the matters dealt with in this Report, and having regard to the scope of this Report and the information provided by the Directors, to the best of our knowledge and belief no other material transactions or events outside of the ordinary business not described above, has come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

7. Assumptions Adopted in Compiling the Pro-forma Consolidated Statement of Financial Position

The Pro forma Consolidated Statement of Financial Position of the Company is shown in Appendix 2. This has been prepared based on the reviewed financial statements as at 30 June 2016, the subsequent events set out in section 6, and the following transactions and events relating to the issue of shares under this Prospectus:

- in preparation for listing on the ASX an internal restructure will take place resulting in Dragontail acquiring Dragontail Israel through the issue of 129,344,621 Shares to the Dragontail Israel shareholders. For the purposes of this Report, the restructure has been accounted for as a capital re-organisation rather than a business combination;

- the issue of 30 million Shares at an offer price of A\$0.20 each to raise A\$6 million (US\$4.45 million at an exchange rate of A\$1:US\$0.7417) before costs, pursuant to the Prospectus;
- costs of the Offer are estimated to be A\$1,097,711 (US\$814,172 at an exchange rate of A\$1:US\$0.7417). An amount of US\$91,711 had already been paid by Dragontail Israel therefore remaining costs of the Offer to be paid totals US\$722,461. The costs that relate to the issue of new shares have been offset against contributed equity while the remaining costs have been expensed;
- the costs of the Offer adjustment above includes a bonus payment on the Company's successful listing of US\$240,000 to APM & Co in consideration for legal services performed. This payment will also trigger the cancellation of all options previously issued to APM & Co;
- the issue of 7.5 million Shares upon conversion of the Convertible Notes upon completion of the Offer. The cash raised from the issue of the Convertible Notes has been adjusted in section 6;
- the issue of 6 million Shares to advisors and facilitators for services performed in relation to the Offer. These Shares have been valued at A\$0.20 each for a total value of A\$1.2 million (US\$890,040 at an exchange rate of A\$1:US\$0.7417). As these services performed relate to the issue of new shares under the Offer, the value is to be offset against contributed equity;
- the issue of 1.5 million Options to Paul Steele which have an exercise price of A\$0.25 each on or before 31 December 2018 as part of his remuneration and to incentivise his performance ('Incentive Options'). The Incentive Options will only vest and become exercisable if the Company is admitted to the official list of ASX on or before 31 December 2016 and Paul Steele remains a Director for 12 months following admission to the ASX. As at the date of this Report, the Incentive Options have not vested and as such no expense has been recorded in the Pro forma Consolidated Statement of Financial Position; and
- the issue of a total of 25 million Performance Shares to Ido Levanon, Guy Brandwin and Yehunda Shamaï as part of their remuneration and to incentivise their performance. Each Performance Share is convertible into a fully paid ordinary share in the capital of the Company upon the Company reporting that it has achieved annual earnings before interest, taxes, depreciation and amortisation of at least US\$5.5 million by or before the end of 2019. The conversion ratio will be adjusted subject to the market capitalisation of the Company at the date they milestone is achieved. Refer section 8.2 of the Prospectus for the full terms of the Performance Shares. Currently there are no reasonable grounds in which to assess the likelihood of the performance milestone being met, resulting in the conversion of the 25 million Performance Shares. Therefore, no adjustments have been made to the Pro forma Consolidated Statement of Financial Position based on the issue of any Performance Shares.

8. Independence

BDO is a member of BDO International Ltd. BDO does not have any interest in the outcome of the proposed IPO other than in connection with the preparation of this Report and participation in due diligence procedures, for which professional fees will be received. BDO Audit (WA) Pty Ltd is the auditor of the Company and from time to time, BDO provides the Company with certain other professional services for which normal professional fees are received.

9. Disclosures

This Report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to be a substitute for professional advice and potential investors should not make specific investment decisions in reliance on the information contained in this Report. Before acting or relying on any information, potential investors should consider whether it is appropriate for their objectives, financial situation or needs.

Without modifying our conclusions, we draw attention to section 2 of this Report, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Financial Information may not be suitable for use for another purpose.

BDO has consented to the inclusion of this Report in the Prospectus in the form and context in which it is included. At the date of this Report this consent has not been withdrawn. However, BDO has not authorised the issue of the Prospectus. Accordingly, BDO makes no representation regarding, and takes no responsibility for, any other statements or material in or omissions from the Prospectus.

Yours faithfully

BDO Corporate Finance (WA) Pty Ltd



Peter Toll

Director

APPENDIX 1

DRAGONTAIL SYSTEMS LIMITED

HISTORICAL STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Historical Statement of Profit or Loss and Other Comprehensive Income	Dragontail Israel Reviewed for the half year ended 30-Jun-16 US\$	Dragontail Israel Audited for the year ended 31-Dec-15 US\$	Dragontail Israel Audited for the year ended 31-Dec-14 US\$	Dragontail Israel Audited for the period ended 31-Dec-13 US\$
Revenues	53,719	108,874	63,643	-
Research and development expenses	(421,849)	(644,247)	(589,337)	(13,711)
Selling and marketing expenses	(55,001)	(123,057)	(51,237)	(5,257)
General and administrative expenses	(39,951)	(68,121)	(56,370)	(5,430)
Net finance income/(expenses)	772	(14,745)	381	7
Loss before income tax expense	(462,310)	(741,296)	(632,920)	(24,391)
Income tax expense	-	-	-	-
Total comprehensive loss for the period	(462,310)	(741,296)	(632,920)	(24,391)

The Historical Statements of Profit or Loss and Other Comprehensive Income show the historical financial performance of Dragontail Israel and are to be read in conjunction with the notes to and forming part of the Historical Financial Information set out in Appendix 5. Past performance is not a guide to future performance.

APPENDIX 2

DRAGONTAIL SYSTEMS LIMITED

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Dragontail	Dragontail Israel			
		Reviewed as at	Reviewed as at	Subsequent	Pro forma	Pro forma
		14-Sep-16	30-Jun-16	events	adjustments	after Offer
	Notes	US\$	US\$	US\$	US\$	US\$
CURRENT ASSETS						
Cash and cash equivalents	2	-	822,058	1,685,387	3,727,539	6,234,984
Trade receivables		-	11,384	-	-	11,384
Other receivables		-	27,999	-	-	27,999
Other current assets	3	68,904	91,711	-	(160,615)	-
TOTAL CURRENT ASSETS		68,904	953,152	1,685,387	3,566,924	6,274,367
NON CURRENT ASSETS						
Other receivables		-	6,170	-	-	6,170
Property & equipment		-	19,710	-	-	19,710
TOTAL NON CURRENT ASSETS		-	25,880	-	-	25,880
TOTAL ASSETS		68,904	979,032	1,685,387	3,566,924	6,300,247
CURRENT LIABILITIES						
Borrowings	4	-	-	639,716	(639,716)	-
Trade and other payables	5	135,004	157,713	-	(135,004)	157,713
TOTAL CURRENT LIABILITIES		135,004	157,713	639,716	(774,720)	157,713
TOTAL LIABILITIES		135,004	157,713	639,716	(774,720)	157,713
NET ASSETS		(66,100)	821,319	1,045,671	4,341,644	6,142,534
EQUITY						
Contributed equity	6	4,861	2,561,349	1,045,671	5,134,923	8,746,804
Reserves	7	-	120,887	-	(120,887)	-
Accumulated losses	8	(70,961)	(1,860,917)	-	(672,392)	(2,604,270)
TOTAL EQUITY		(66,100)	821,319	1,045,671	4,341,644	6,142,534

Dragontail balances have been converted at an exchange rate of A\$1:US\$0.7417.

The Pro-forma Consolidated Statement of Financial Position after the Offer is as per the Consolidated Statement of Financial Position before the Offer adjusted for any subsequent events and the transactions relating to the issue of shares pursuant to this Prospectus. The Consolidated Statement of Financial Position is to be read in conjunction with the notes to and forming part of the Historical Financial Information set out in Appendix 5.

APPENDIX 3

DRAGONTAIL SYSTEMS LIMITED

HISTORICAL STATEMENTS OF FINANCIAL POSITION

Historical Statement of Financial Position	Dragontail Israel Reviewed as at 30-Jun-16 US\$	Dragontail Israel Audited as at 31-Dec-15 US\$	Dragontail Israel Audited as at 31-Dec-14 US\$	Dragontail Israel Audited as at 31-Dec-13 US\$
CURRENT ASSETS				
Cash and cash equivalents	822,058	451	15,358	38,917
Trade receivables	11,384	1,563	3,834	-
Other receivables	27,999	7,373	23,891	1,240
Other current assets	91,711	-	-	-
TOTAL CURRENT ASSETS	953,152	9,387	43,083	40,157
NON CURRENT ASSETS				
Other receivables	6,170	6,082	6,102	-
Property & equipment	19,710	20,881	12,890	3,591
TOTAL NON CURRENT ASSETS	25,880	26,963	18,992	3,591
TOTAL ASSETS	979,032	36,350	62,075	43,748
CURRENT LIABILITIES				
Borrowings	-	439,552	-	-
Trade payables	65,652	18,223	30,543	4,948
Other payables	92,061	68,969	114,106	15,336
TOTAL CURRENT LIABILITIES	157,713	526,744	144,649	20,284
NON CURRENT LIABILITIES				
Borrowings	-	-	394,636	45,027
TOTAL NON CURRENT LIABILITIES	-	-	394,636	45,027
TOTAL LIABILITIES	157,713	526,744	539,285	65,311
NET ASSETS	821,319	(490,394)	(477,210)	(21,563)
EQUITY				
Contributed equity	2,561,349	908,213	180,101	2,828
Reserves	120,887	-	-	-
Accumulated losses	(1,860,917)	(1,398,607)	(657,311)	(24,391)
TOTAL EQUITY	821,319	(490,394)	(477,210)	(21,563)

The Historical Statements of Financial Position show the historical financial position of Dragontail Israel and are to be read in conjunction with the notes to and forming part of the Historical Financial Information set out in Appendix 5.

APPENDIX 4

DRAGONTAIL SYSTEMS LIMITED

HISTORICAL STATEMENTS OF CASH FLOWS

Historical Statement of Cash Flows	Dragontail Israel Reviewed for the half year ended 30-Jun-16 US\$	Dragontail Israel Audited for the year ended 31-Dec-15 US\$	Dragontail Israel Audited for the year ended 31-Dec-14 US\$	Dragontail Israel Audited for the period ended 31-Dec-13 US\$
Cash flows from operating activities:				
Loss for the period	(462,310)	(741,296)	(632,920)	(24,391)
Adjustments to reconcile loss to net cash used in operating activities				
Depreciation	5,318	5,578	2,211	21
Finance expenses (income), net	3,325	14,717	5,883	(316)
Share based payment	6,044	-	-	-
	14,687	20,295	8,094	(295)
Changes in items of assets and liabilities				
Decrease/(increase) in trade receivables	(9,821)	2,271	(3,834)	-
Decrease/(increase) in other receivables	(20,625)	15,799	(21,964)	(1,240)
Increase in deferred expenses	(21,596)	-	-	-
Increase/(decrease) in trade payables	47,429	(12,320)	25,595	4,948
Increase in other payables	23,092	6,290	47,343	18,164
Interest paid	(3,111)	(5,682)	(1,948)	(5)
Income tax return	-	718	(687)	-
Net cash flows used in operating activities	(432,255)	(713,925)	(580,321)	(2,819)
Cash flows from investing activities:				
Purchase of fixed assets	(4,147)	(13,569)	(11,510)	(3,612)
Net cash flows used in investing activities	(4,147)	(13,569)	(11,510)	(3,612)
Cash flows from financing activities:				
Issue of share capital	355,682	663,261	170,851	-
Proceeds on account of shares	939,846	64,851	-	-
Short-term credit from banks	(37,216)	37,216	-	-
Long-term loans from shareholders and others, net	-	-	343,925	45,027
Short-term loans from shareholders	-	(50,840)	50,840	-
Net cash flows provided by financing activities	1,258,312	714,488	565,616	45,027
Exchange rate differences on cash equivalents	(303)	(1,901)	2,656	321
(Decrease)/increase in cash and cash equivalents	821,607	(14,907)	(23,559)	38,917
Cash and cash equivalents at the beginning of the period	451	15,358	38,917	-
Cash and cash equivalents at the end of the period	822,058	451	15,358	38,917

The Historical Statements of Cash Flows show the historical cash flows of Dragontail Israel and are to be read in conjunction with the notes to and forming part of the Historical Financial Information set out in Appendix 5.

APPENDIX 5
DRAGONTAIL SYSTEMS LIMITED
NOTES TO AND FORMING PART OF THE HISTORICAL FINANCIAL INFORMATION

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the Historical Financial Information included in this Report have been set out below.

Basis of preparation of Historical Financial Information

The Historical Financial Information has been prepared in accordance with the recognition and measurement, but not all the disclosure requirements of the International Financial Reporting Standards ('IFRS'), other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001.

Going Concern

The Historical Financial Information has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Directors believe that the Company will continue as a going concern. As a result the Financial Information has been prepared on a going concern basis. However should the fundraising under the Prospectus be unsuccessful, the entity may not be able to continue as a going concern. No adjustments have been made relating to the recoverability and classification of liabilities that might be necessary should the Company not continue as a going concern.

Reporting Basis and Conventions

The Historical Financial Information is also prepared on an accrual basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the Historical Financial Information. The accounting policies have been consistently applied, unless otherwise stated.

a) Capital restructure

In preparation for listing on the ASX, an internal restructure will take place resulting in the newly incorporated company, being Dragontail, becoming the legal parent of the group subject to the issue of shares under the Offer. For the purposes of this Report, the restructure has been accounted for as a capital re-organisation rather than a business combination. In the directors' judgement, the continuation of the existing accounting values is consistent with the accounting that would have occurred if the assets and liabilities had already been in a structure suitable to the initial public offering of shares in Dragontail and most appropriately reflects the substance of the internal restructure.

b) Cash and cash equivalents

The Company considers all highly liquid investments, including term bank deposits purchased with original maturities of three months or less, to be cash equivalents.

c) Fixed Assets

Fixed assets are presented at cost plus the direct costs of the purchase and less accumulated depreciation.

Depreciation is calculated by the straight-line method at annual rates considered to be sufficient to depreciate the assets over their estimated period of use, at the following annual rates:

	%
Computers	33
Furniture	6-15
Leasehold improvements	10

d) Intangible assets

Research and development expenditures

Research costs are recognised as an expense in profit or loss when incurred. An intangible asset arising from a development project or from the development phase of an internal project is recognised only when all the following criteria are met:

- if the Company can demonstrate it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- the Company intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the intangible asset; and
- the ability to measure reliably the respective expenditure asset during its development.

The asset is measured at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. The asset is amortised over its useful life. Testing of impairment is performed annually over the period of the development project. At the date of the preparation of the Historical Financial Information, the Company's management estimates that the aggregate conditions for they capitalisation of development costs were not met.

e) Impairment of non-financial assets

The Company evaluates the need to record an impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable.

If the carrying amount of non-financial assets exceeds their recoverable amount the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in profit or loss.

An impairment loss of an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. Reversal of an impairment loss, as above, shall not be increased above the lower of the carrying amount that would be determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior years and its recoverable amount. The reversal of an impairment loss of an asset presented at cost is recognised in profit or loss.

f) Employee benefit liabilities

Short-term employee benefits

Short-term employee benefits are benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services. These benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions and are recognised as expenses as the services are rendered. A liability in respect of a cash bonus or a profit-sharing plan is recognised when the Company has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

Post-employment benefits

The Company has defined contribution plans pursuant to section 14 of the Severance Pay Law in Israel under which the Company pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods.

Contributions to the defined contribution plan in respect of severance or retirement pay are recognised as an expense when contributed concurrently with performance of the employee's services.

g) Financial instruments

Financial assets

Financial assets within the scope of IAS 39 are initially recognised at fair value plus directly attributable transaction costs, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

After initial recognition, the accounting treatment of financial assets is based on their classification as follows:

Loans and receivables

Loans and receivables are investments with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans are measured based on their terms at amortised cost plus directly attributable transaction costs using the effective interest method and less any impairment losses. Short-term borrowings are measured based on their terms, normally at face value.

Financial liabilities

Financial liabilities are initially recognised at fair value. Loans and other liabilities measured at amortised cost are presented less direct transaction costs.

After initial recognition, the accounting treatment of financial liabilities is based on their classification as follows:

Financial liabilities at amortised cost

Loans and other liabilities are measured based on their terms at amortised cost less directly attributable transaction costs using the effective interest method.

Derecognition of financial instruments

Financial assets

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or the Company has transferred its contractual rights to receive cash flows from the financial asset or assumes an obligation to pay the cash flows in full without material delay to a third party and has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

If the Company transfers its rights to receive cash flows from an asset and neither transfers nor retains substantially all the risks and rewards of the asset nor transfers control of the asset, a new asset is recognised to the extent of the Company's continuing involvement in the asset. When continuing involvement takes the form of guaranteeing the transferred asset, the extent of the continuing involvement is the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Company could be required to repay.

Financial liabilities

A financial liability is derecognised when it is extinguished, that is when the obligation is discharged or cancelled or expires. A financial liability is extinguished when the debtor (the Company) discharges the liability by paying in cash, other financial assets, goods or services; or is legally released from the liability.

When an existing financial liability is exchanged with another liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is accounted for as an extinguishment of the original liability and the recognition of a new liability. The difference between the carrying amounts of the above liabilities is recognised in profit or loss. If the exchange or modification is not substantial, it is accounted for as a change in the terms of the original liability and no gain or loss is recognised on the exchange. When evaluating whether the change in the terms of an existing liability is substantial, the Company takes into account both quantitative and qualitative considerations.

h) Taxes on income

Current or deferred taxes are recognised in profit or loss, except to the extent they relate to items which are recognised in other comprehensive income or equity.

Current taxes

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date as well as adjustments required in connection with the tax liability in respect of previous years.

Deferred taxes

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes.

Deferred taxes are measured at the tax rate that is expected to apply when the asset is realised or the liability is settled, based on tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is not probable that they will be utilised. Temporary differences for which deferred tax assets had not been recognised at each reporting date are reviewed at each reporting date and a respective deferred tax asset is recognised to the extent that their utilisation is probable.

i) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services rendered, excluding sales taxes, rebates and discounts.

The Company provides a SAAS ('software as a service') in the QSR ('quick service restaurant') field of activity for Management & Delivery Operations solutions. The Company recognises revenue when persuasive evidence of arrangement exists, service has been or is being provided to the customer, collection of fees is reasonably assured, and the fees to be paid by the customer are fixed or determinable.

The Company receives monthly subscription fees for its services. In addition, the Company also recognises revenues from installation and training of the software after the installation and/or training is complete. Unbilled revenue at the year ended is recognised in the statements of financial position as accrued income and included within trade receivables.

j) Provisions

A provision in accordance with IAS 37 is recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Company expects part or all of the expense to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense is recognised in the statement of profit or loss net of any reimbursement.

k) Accounting estimates and judgements

In the process of applying the accounting policies, management has made certain judgements or estimations which have an effect on the amounts recognised in the financial information.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Valuation of share based payment transactions

The valuation of share-based payment transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black Scholes model taking into account the terms and conditions upon which the instruments were granted.

Options

The fair value of options issued is determined using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

	Reviewed 14-Sep-16 US\$	Pro forma after Offer US\$
NOTE 2. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	-	6,234,984
<i>Adjustments to arise at the pro-forma balance:</i>		
Reviewed balance of Dragontail at 14 September 2016		-
Reviewed balance of Dragontail Israel at 30 June 2016		822,058
<i>Subsequent events:</i>		
Proceeds from capital raising completed by Dragontail Israel		1,100,000
Costs of the capital raising		(54,329)
Proceeds from issue of Convertible Notes		639,716
		1,685,387
<i>Pro-forma adjustments:</i>		
Proceeds from shares issued pursuant to the Offer		4,450,000
Payment of remaining Costs of the Offer		(722,461)
		3,727,539
Pro-forma Balance		6,234,984

	Reviewed 14-Sep-16 US\$	Pro forma after Offer US\$
NOTE 3. OTHER CURRENT ASSETS		
Other current assets	68,904	-
<i>Adjustments to arise at the pro-forma balance:</i>		
Reviewed balance of Dragontail at 14 September 2016		68,904
Reviewed balance of Dragontail Israel at 30 June 2016		91,711
<i>Pro-forma adjustments:</i>		
Payment of remaining Costs of the Offer		(155,754)
Consolidation adjustment on acquisition of Dragontail Israel		(4,861)
		(160,615)
Pro-forma Balance		-

	Reviewed 14-Sep-16 US\$	Pro forma after Offer US\$
NOTE 4. BORROWINGS		
Borrowings	-	-
<i>Adjustments to arise at the pro-forma balance:</i>		
Reviewed balance of Dragontail at 14 September 2016		-
Reviewed balance of Dragontail Israel at 30 June 2016		-
<i>Subsequent events:</i>		
Issue of Convertible Notes		639,716
		639,716
<i>Pro-forma adjustments:</i>		
Conversion of Convertible Notes		(639,716)
		(639,716)
Pro-forma Balance		-

	Reviewed 14-Sep-16 US\$	Pro forma after Offer US\$
NOTE 5. TRADE AND OTHER PAYABLES		
Trade and other payables	135,004	157,713
<i>Adjustments to arise at the pro-forma balance:</i>		
Reviewed balance of Dragontail at 14 September 2016		135,004
Reviewed balance of Dragontail Israel at 30 June 2016		157,713
<i>Pro-forma adjustments:</i>		
Payment of remaining Costs of the Offer		(135,004)
		(135,004)
Pro-forma Balance		157,713

	Reviewed 14-Sep-16 US\$	Pro forma after Offer US\$
NOTE 6. CONTRIBUTED EQUITY		
Contributed equity	4,861	8,746,804
	Number of shares	US\$
<i>Adjustments to arise at the pro-forma balance:</i>		
Reviewed balance of Dragontail at 14 September 2016	655,379	4,861
Reviewed balance of Dragontail Israel at 30 June 2016		2,561,349
<i>Subsequent events:</i>		
Proceeds from capital raising completed by Dragontail Israel	-	1,100,000
Costs of the capital raising	-	(54,329)
	-	1,045,671
<i>Pro-forma adjustments:</i>		
Issue of shares to Dragontail Israel shareholders*	129,344,621	-
Consolidation adjustment on acquisition of Dragontail Israel	-	(4,861)
Proceeds from shares issued pursuant to the Offer	30,000,000	4,450,000
Payment of remaining costs of the Offer	-	(422,766)
Issue of shares upon conversion of Convertible Notes	7,500,000	1,112,550
Issue of shares to advisors and facilitators	6,000,000	890,040
Issue of shares to advisors and facilitators considered Costs of the Offer	-	(890,040)
	172,844,621	5,134,923
Pro-forma Balance	173,500,000	8,746,804

*129,344,621 Shares will be issued to Dragontail Israel shareholders as consideration for Dragontail's acquisition of the entire issued capital of Dragontail Israel. On continuation accounting consolidated basis, no adjustments are required.

Following completion of the Offer, the Company will have the following Performance Shares on issue:

Performance Shares on issue following the Offer	Number
Performance Shares on issue prior to the Offer	-
Performance Shares	25,000,000
Total Performance Shares on issue following the Offer	25,000,000

Refer Section 8.2 of the Prospectus for the full terms of the Performance Shares

Following completion of the Offer, the Company will have 1.5 million Incentive Options on issue which have an exercise price of A\$0.25 each on or before 31 December 2018. The Incentive Options, which are to be issued to Paul Steele as part of his remuneration and to incentivise his performance, will only vest and become exercisable if the Company is admitted to the official list of ASX on or before 31 December 2016 and Paul Steele remains a Director for 12 months following admission to the ASX. As at the date of this Report, the Incentive Options have not vested and as such no expense has been recorded in the pro forma consolidated historical Statement of Financial Position.

	Reviewed 14-Sep-16 US\$	Pro forma after Offer US\$
NOTE 7. RESERVES		
Reserves	-	-
<i>Adjustments to arise at the pro-forma balance:</i>		
Reviewed balance of Dragontail at 14 September 2016		-
Reviewed balance of Dragontail Israel at 30 June 2016		120,887
<i>Pro-forma adjustments:</i>		
Cancellation of options issued to APM & Co		(120,887)
		<u>(120,887)</u>
Pro-forma Balance		<u>-</u>

	Reviewed 14-Sep-16 US\$	Pro forma after Offer US\$
NOTE 8. ACCUMULATED LOSSES		
Accumulated losses	(70,961)	(2,604,270)
<i>Adjustments to arise at the pro-forma balance:</i>		
Reviewed balance of Dragontail at 14 September 2016		(70,961)
Reviewed balance of Dragontail Israel at 30 June 2016		(1,860,917)
<i>Pro-forma adjustments:</i>		
Finance expense associated with conversion of Convertible Notes		(472,834)
Payment of remaining costs of the Offer		(199,558)
		<u>(672,392)</u>
Pro-forma Balance		<u>(2,604,270)</u>

NOTE 9: RELATED PARTY DISCLOSURES

Transactions with Related Parties and Directors Interests are disclosed in the Prospectus.

NOTE 10: COMMITMENTS AND CONTINGENCIES

At the date of our Report no material commitments or contingent liabilities exist that we are aware of, other than those disclosed in the Prospectus.

4. INTELLECTUAL PROPERTY EXPERT'S REPORT

Contact: Ryan Boe
Principal/Associate: Todd Shand

13 September 2016

The Directors
Dragontail Systems, Ltd
BSR1 Tower Ben Gurion 2
Ramat Gan
ISRAEL

Dear Sirs

IP REPORT
Dragontail Systems, Ltd
Our ref: 265211:TS:RWB:nmt

1. EXECUTIVE SUMMARY

We are advised by *Dragontail Systems Ltd.* ("**Dragontail**") that this Report is prepared for the purpose of inclusion in an Initial Public Offering Prospectus to be issued by Dragontail.

We have been asked by Dragontail to provide a Report on the intellectual property position of Dragontail.

The Report sets out details of the Patents, Patent Applications, Trade Marks, Trade Mark Applications, Registered Designs and Registered Design Applications owned by Dragontail that are discussed in the Report. The Report is accurate to the best of our knowledge subject to any limitations and qualification set out in the Report.

2. INTELLECTUAL PROPERTY

The term "*intellectual property*" relates to a group of rights covering patents, trade marks, registered designs, copyright, confidential information/trade secrets, plant breeder's rights and printed circuits.

This Report deals only with intellectual property in the form of patents, patent applications, trade marks, trade mark applications, registered designs and registered design applications.

2.1. Patents—Background Information

Patents provide protection for new, non-obvious and useful inventions for a limited period. Patents may be granted in respect of new or improved products, compositions and processes in almost all areas of current scientific, commercial and industrial activities. However, it is important to note that not all new or improved products are amenable to patent protection, and that there is considerable variation between jurisdictions in this regard.

Patent rights are typically national rather than transnational and a patent must be obtained in each country where protection for an invention is required. A fundamental requirement of the patent system is that the invention be 'new' at the time of lodging a patent application. Newness in this sense is judged in relation to what was publicly known or used at the priority date of the patent application. Another requirement is for a distinct inventive advance over what was previously known. This means that valid patent protection cannot be obtained for obvious developments.

Pursuant to the Paris Convention for the Protection of Industrial Property, the filing of an initial patent application in a Paris Convention member state establishes a priority date for the invention in that state *and all other countries that are a party to this Convention*, including countries or jurisdictions such as the United States, Canada, New Zealand, Europe and Japan.

Within the one (1) year of filing the initial patent application, in order to obtain protection in other countries, the applicant may file separate national patent applications in each of the countries in which protection is required. Alternatively, the applicant may file a single international application under the provisions of the Patent Cooperation Treaty (generally referred to as a "PCT" Application or an 'International' application) in which it is possible to designate countries or regions in which protection is required. The International application itself does not mature into a worldwide patent, but at the end of the international phase, steps can be taken to file the application into any or all of the countries or regions designated in the original International application.

Regional patent applications, such as a European regional application, may also be filed.

The registration of a patent right includes a number of steps, the timings of which are widely variable from jurisdiction to jurisdiction, and also may vary greatly across different types of technology applications within one jurisdiction's examination office. In some jurisdictions, after a patent application is filed the application must be examined for substantive patentability before registration. Furthermore, in some jurisdictions the applicant is required to request examination before the application will proceed to examination, whilst in other jurisdictions examination will occur automatically in due course.

In most countries, patent rights may be kept in force for a period of 20 years from the date of filing of the complete application on which the patent is granted.

A granted patent enables the patentee to prevent others from performing the invention claimed therein. A granted patent does *not* guarantee that performing the invention described in the patent does not infringe the rights of other patent owners. The scope of the monopoly that prevents others from performing the invention afforded by a granted patent is defined by the claims of the patent. As such, the following analysis of patents and patent applications filed by Dragontail is focussed on the claims of those patents and patent applications.

In most countries, a patent application is subjected to examination for novelty and obviousness (and other grounds) before a patent is granted. There can be no assurance that any of the patent applications set out below will result in the grant of a patent, or that the scope of protection provided by any granted patent will be identical to the scope of the application as originally filed, or that the granted patent will effectively inhibit competition. Furthermore, due to differences in examination between countries and regions and scope of available protection, the scope of protection provided by a granted patent in one jurisdiction may differ from that provided by a granted patent in another jurisdiction.

Further, it should be noted that the grant of a patent does not guarantee validity of that patent since it may be revoked by a court on the grounds of invalidity at any time during its life. If none of the claims of a granted patent are valid, then the patent is unenforceable. For example, relevant prior disclosures may be discovered that were not raised during examination, which may limit the scope of patent protection sought, perhaps to a very narrow field. In the preparation of this Report, we have not assessed the validity of the granted patents or the likelihood that the pending applications will grant with commercially effective patent claims.

2.2. Trade Marks—Background Information

A trade mark is a badge of origin that is used to distinguish the goods and/or services of one trader from the goods and services of other traders. Trade marks are a tradable property right that are particularly important and valuable once a product or a process enters the market. A trade mark may be for example, a word, phrase, letter, number, sound, smell, shape, logo, picture, aspect of packaging or a combination of these used to denote the trade source of goods and/or services.

The exclusive right of trade mark owners serves the function of consumer protection as well as protection of interests of traders in both the goodwill associated with their trade marks and the value of a registered trade mark as a property right. A registered trade mark gives the owner the legal right to use, license or sell it within the jurisdiction it is registered in (subject to any other conflicting laws or rights of third parties under common law—for example, superior reputational claims giving rise to confusion) for the goods and services for which it is registered. A registered trade mark gives the owner the right to prevent others from using an identical or deceptively similar mark as a badge of origin in respect of the same or closely related goods or services.

Trade Marks are registered in relation to particular goods or services. These goods and services are categorised into one or more of 45 available international classes.

The registration of a trade mark right includes the application being examined by the Trade Marks Office of the country where the trade mark is filed.

Generally, if there are grounds for objecting to the application, an Examination Report will be issued by the Examining Office.

The most common grounds for objecting to a trade mark application are:

- (a) that the trade mark is descriptive of the goods or services claimed; and
- (b) that the trade mark is substantially identical with or deceptively similar to an earlier lodged trade mark application or registration, which claims the same or similar goods and/or services.

A period is provided for responding to the Examination Report and overcoming any objections raised.

Upon overcoming all objections the trade mark application will be accepted and usually the trade mark will be registered subject to the payment of a registration fee.

The registration will then be in force indefinitely, provided that renewal fees are paid as per the laws of the jurisdiction in which the trade mark is filed.

In order to obtain protection in countries outside the jurisdiction that an originating trade mark application is filed in, the owner may file separate national trade mark applications in each of the countries or jurisdictions in which protection is required. Alternatively, the applicant may file an International trade mark application under the Madrid Protocol (generally referred to as a “*Madrid Protocol*” or “*International*” Application) based on the originating trade mark application, to obtain protection in those countries that are party to the Madrid Protocol. Whilst such national and/or Madrid Protocol applications may be filed at any time, if filed within six (6) months from the lodgement date of the Australian trade mark application, they may generally claim priority rights back to said lodgement date.

A Madrid Protocol application is filed with the World Intellectual Property Office (**WIPO**) designating each jurisdiction in which trade mark protection is sought. Once WIPO accepts the form of the application, it is then passed on to the respective Trade Mark Offices of each designated jurisdiction for examination with respect to the laws of the respective jurisdictions. The examination period varies for each jurisdiction, usually between three and 18 months. An opportunity is provided to overcome any objections raised during the examination period by a respective Trade Mark Office. If the respective Trade Mark Offices do not raise objection to the application, or if any objection is overcome, the application will be accepted and published for opposition purposes. During the opposition period (which varies for each jurisdiction but is normally around three (3) months) any party can oppose registration of the application. Assuming there are no oppositions, the respective Trade Mark Offices will then move to register the application in their respective jurisdictions.

A Madrid Protocol registration is effective for ten (10) years. It may be renewed for further periods of ten (10) years, in respect of all of the designated jurisdictions or only some of them.

Currently, there are 97 members to the Madrid Protocol covering 113 countries.

2.3. Designs—Background Information

The registration of an Industrial Design allows designers to obtain protection for the visual features of products that they have designed.

Registrable designs must have features of shape, pattern, or ornamentation which are present in the product. These features in the product must be apparent to the eye. Registrable designs do not include methods or principles of construction which are more appropriately afforded protection through patents.

To be protected under most national laws, an industrial design must be new and original. Novelty or originality is determined by comparing the application to what products or protected designs are already in existence.

Industrial design laws in some countries grant—without registration—time and scope limited protection to so-called “*unregistered industrial designs*”.

Depending on the particular national law and the kind of design, industrial designs may also be protected as works of art under copyright law.

In order to obtain protection in countries outside the jurisdiction it was originally filed in, the owner may file separate national industrial design applications in each of the countries in which protection is required. In order for the industrial design application filed in a foreign jurisdiction to be valid, it must be filed within six (6) months of the filing date of the originally filed design.

Alternatively, provided the jurisdiction in which the originating application is a member, the Hague System for the International Registration of Industrial Designs can be used as a mechanism to register a design in countries or jurisdictions that are members. There are currently 65 member states that can access the Hague System.

The Hague System allows owners of an industrial design to obtain protection in several countries by simply filing one application with the International Bureau of WIPO, in one language, with one set of fees in one currency (Swiss Francs). An international registration produces the same effects in each of the designated countries, as if the design had been registered directly with each national office, unless protection is refused by the national office of that country.

3. PATENTS AND PATENT APPLICATIONS IN THE NAME OF DRAGONTAIL

Wrays was supplied with the details of one US Patent Application filed for Dragontail. Wrays has conducted a further search on worldwide Patent databases for other Patents or Patent Applications in the name of Dragontail. The following Report details the status and standing of each of the Patents and Patent Applications either reported to Wrays or identified from our searches, together with a summary of the scope of the patent, or potential scope of the pending application, as reflected in the broadest granted or pending claims.

As noted in the below Limitations section, we have made no comments on the validity of the claims of the identified Patent Application. We additionally make no comment on the potential for obtaining enforceable patent protection.

3.1. Patent Application Entitled *“Method and System for Managing Preparation and Delivery of Goods”*

We confirm that Dragontail is the Patent Applicant of the following Patent with the above title:

COUNTRY	APPLICATION NUMBER	DATE FILED	STATUS	REGISTERED APPLICANT
US	61/939,340	13 February 2014	Lapsed and Continued as Below Application US2015227888	Dragontail Systems Ltd.
US	2015227888	12 February 2015	Awaiting Examination	Dragontail Systems Ltd.

US 61/939,340 was a Provisional Application, meaning that no protection can be obtained for it. To attempt to seek enforceable protection, US 61/939,340 was continued as subsequent filing US 2015227888. Noting that the claims of US 2015227888 may be amended during prosecution of the application, the broadest claims of US 2015227888 read:

“1. A method of managing preparation and delivery of goods, comprising:
 receiving a plurality of orders, each order comprising one or more requested goods and a point of delivery, wherein each of the requested goods requires at least one preparation stage;
 calculating estimated travelling time from a preparation facility to at least two points of delivery of at least two of the plurality of orders;
 estimating at least a travelling time between the at least two points of delivery;
 determining optional sets of orders from the plurality of orders, wherein each of said optional sets of orders comprises at least one order;
 selecting a first set of orders from the optional sets of orders based at least on the calculated travelling time from the preparation facility to each of the at least two points of delivery and the estimated travelling time between the at least two points of delivery;
 determining an expected arrival time at the preparation facility, of each courier from a plurality of available couriers;
 selecting a first courier from the plurality of available couriers based on the determined expected arrival time at the preparation facility;
 assigning the first set to the first courier;
 wherein selecting of the first set of orders, selecting the first courier and assigning the first set to the first courier minimize an average delivery time of the first set of orders; and
 determining a timing for the at least one preparation stage of the one or more requested goods in the first set of orders according to the selection of the first set and the first courier expected arrival time”.

Claims 2 to 17 are dependent claims, introducing additional features further defining the device of Claim 1.

“18. A system for managing preparation and delivery of goods, comprising:

an order receiving unit;
a communication unit in communication with a plurality of mobile devices each associated with a courier;
a processor for executing instructions;
a flow instruction timing unit comprising an output device to provide preparation timing indications for each good included in the order received in orders receiving unit; and
a memory stored thereon instructions to be executed by the processor;

wherein the instructions comprise:

receiving a plurality of orders via the orders receiving unit, each order comprising one or more requested goods and a point of delivery, wherein each of the requested goods requires at least one preparation stage;

calculating estimated travelling time from a preparation facility to at least two points of delivery of at least two of the plurality of orders;

estimating at least a travelling time between the at least two points of delivery received for the at least two of the plurality of orders;

determining optional sets of orders from the plurality of orders, wherein each of said set of orders comprises at least one order;

selecting a first set of orders from the optional sets of orders based at least on the calculated travelling time and the estimated travelling time between the points of delivery;

determining arrival time at the preparation facility, of each courier from a plurality of available couriers, the arrival time is determined based on information received from the plurality of mobile devices;

selecting a first courier from the plurality of available couriers based on the determined arrival time at the preparation facility;

assigning the first set to the first courier;

wherein selecting of the first set of orders, selecting the first courier and assigning the first set to the first courier minimize an average time for a delivery of the first set of orders; and

determining a timing for the at least one preparation stage of the requested good in the first set of orders according to the selection of the first set and the first courier”.

Claims 19 to 21 are dependent claims, introducing additional features further defining the device of Claim 1.

As more than 12 months has passed from the filing of the first application, US 61/939,340, Dragontail will be unable to seek patent protection in jurisdictions outside the US for this invention.

The invention has not been the subject of prior art searching or examination by a Patent Office at this stage. There can be no assurance that any patent will be granted with claims in their current or any amended form.

If it were granted as a patent, the maximum life span of US 2015227888 is 12 February 2035.

To our knowledge US 2015227888 is the only “live” patent or patent application in the name of Dragontail.

4. TRADE MARKS AND TRADE MARK APPLICATIONS IN THE NAME OF DRAGONTAIL

Wrays was supplied with the details of three Israeli Trade Mark and two US applications filed for Dragontail. Wrays has conducted a further search on worldwide Trade Mark databases for other Trade Marks or Trade Mark Applications in the name of Dragontail. The following Report details the status and standing of each of the Trade Marks or Trade Mark Applications either reported to Wrays or identified from our searches.

COUNTRY	APPLICATION NUMBER	DATE FILED	MARK	STATUS	REGISTERED APPLICANT
Israel	288949	3 August 2016	Out of Oven, Out the Door	Filed. Yet to be Examined.	Dragontail Systems Ltd.
Israel	286951	3 August 2016	Algo Dispatching System	Filed. Yet to be Examined.	Dragontail Systems Ltd.
Israel	2886950	3 August 2016	Just-in-time Baking	Filed. Yet to be Examined.	Dragontail Systems Ltd.
US	87158453	1 September 2016	 DRAGONTAIL SYSTEMS	Filed. Yet to be Examined.	Dragontail Systems Ltd.
US	87158465	1 September 2016	ALGO DISPATCHING SYSTEM	Filed. Yet to be Examined.	Dragontail Systems Ltd.

Dragontail will be able to seek Trade Mark protection in jurisdictions outside Israel or the US for these Trade Marks using the first filing of the marks as the basis for foreign filings.

To our knowledge these three Israeli Trade Mark applications and two US Trade Mark applications are the only “live” Trade Marks of Trade Mark application in the name of Dragontail.

5. REGISTERED DESIGNS AND REGISTERED DESIGN APPLICATIONS IN THE NAME OF DRAGONTAIL

Wrays was supplied with the details of two European Registered Designs filed for Dragontail. Wrays has conducted a further search on worldwide Design databases for other Registered Designs or Registered Design Applications in the name of Dragontail. The following Report details the status and standing of each of the Registered Designs or Registered Design Applications either reported to Wrays or identified from our searches.

COUNTRY	APPLICATION NUMBER	DATE FILED	STATUS	REGISTERED APPLICANT
Europe	002556258-0001	13 October 2014	Registered	Dragontail Systems Ltd.
Europe	002556258-002	13 October 2014	Registered	Dragontail Systems Ltd.

As more than six (6) months has passed from the filing of these applications, Dragontail will be unable to seek design protection in jurisdictions outside Europe for these designs.

To our knowledge these Designs are the only “live” Registered Designs or Registered Design Applications in the name of Dragontail.

6. FURTHER ISSUES

6.1. Ownership and Entitlement

In usual circumstances, a patent can only be granted to an inventor of the invention or to a party that derives title from the inventor. Similarly, a Registered Design can only be granted to a designer of the design or a party that derives title from the designer. Common ways of deriving title are through term of employment or through an assignment. Trade Marks on the other hand can be registered to the person who files them regardless. In many jurisdictions, at least in theory, a Trade Mark is susceptible to revocation if it is not used or the owner does not establish a reputation in the mark.

6.2. Transfer of Ownership

Patents, Patent Applications, Trade Marks, Trade Mark Applications, Registered Designs and Registered Design Applications (including provisional Patent Applications) like any other type of property can be transferred between parties. This can be by sale, assignment, contract, through death and bequeath or otherwise.

6.3. Rights Granted

Once a patent is granted, monopoly rights are given to exclude others from producing, using, selling or otherwise exploiting the subject matter of the claims of the patent. It is the scope of the claims of the patent that define the granted monopoly. There are currently 21 claims in US 2015227888. During examination of US 2015227888 opportunities will arise to change, redirect and amend the scope of the claims of US 2015227888.

Once a Trade Mark is registered it generally gives the owner the exclusive right to use the mark in relation to the goods or services that the mark is registered in, subject to any limitations or conditions expressly placed on the registration.

Once a Registered Design has become enforceable it generally gives the owner the right to pursue others for infringement for objects that appear the same or similar to that of the Registered Design. The tests around this vary by jurisdiction.

6.4. Enforceability of Rights Granted

If Dragontail's patent application is granted, Trade Marks become registered or if they wish to enforce their Registered Designs, commonly the owner may initiate infringement proceedings against an alleged infringer. With respect to Patents, it should also be noted that it is possible for a granted patent to be valid but still infringe on existing patent rights of another.

7. INDEPENDENCE

This is an Independent Report. When considering this Patent Report, it should be noted that:

- (a) Wrays have prepared this IP Report. Wrays will be paid a fee of \$9,320 by Dragontail for the preparation of this Report and payment is not contingent on the outcome of the prospectus. Wrays confirms that the Patent Report has been prepared by Ryan Boe, a Registered Patent and Trade Mark Attorney of Wrays based in the Sydney Office, who is not associated with Dragontail and has no financial interest in the outcome of the Initial Public Offering.

8. LIMITATIONS OF REPORT

This Report is based on information generated by searches undertaken on 26 August 2016 and Wrays is not aware of any material changes expected to occur to the status of matters discussed, except for normal changes in the course of standard patent and trade mark prosecution.

This Report is not to be construed as a legal opinion as to the registrability or validity of the Dragontail IP.

Whilst we are confident on the status of the Patent Application, Trade Mark Applications and Designs noted in this Report, we advise that the accuracy of our comments regarding the current status of any Patent Applications, Trade Mark Applications and Designs owned by Dragontail is entirely dependent upon the accuracy with which the databases we have reviewed have been established and maintained.

Furthermore, when Complete, International or corresponding Patent Applications, Trade Mark Applications and Registered Design Applications are filed, patents and patent applications can be challenged by third parties on a variety of grounds. We have not reviewed or commented on the validity of the IP discussed in this Report in any respect.

The present Report is not a '*Freedom to Operate*' opinion and does not establish or comment on whether Dragontail could test or commercialise the subject matter of the IP identified in this report.

Thank you for the opportunity to present this Report to Dragontail. This Report has been prepared by Ryan Boe, a Registered Patent and Trade Mark Attorney of Wrays.

Yours sincerely
WRAYS

A handwritten signature in black ink, appearing to read 'R Boe', with a stylized flourish at the end.

Ryan Boe
Associate

5. RISK FACTORS

The Shares offered under this Prospectus are 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 Shares.

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 5, and other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares.

5.1 SPECIFIC RISKS

5.1.1 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.

5.1.2 NEW INDUSTRY CHALLENGES

The Company's business depends on customers agreeing to adopt the Algo Dispatching 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. There is a risk that some restaurants will decide not to adopt Algo 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. Due to the Company's limited operational history, widespread customer demand has yet to be established.

The Company notes, however, like other innovations which seek to disrupt an industry, there is inherently an initial period needed by the market to understand the innovation and its utility. The Company considers that it will be able to accelerate market awareness for its Algo through marketing programs and through any customers reporting successful results from Algo.

5.1.3 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 Algo 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 (e.g. amidst difficult economic conditions).

5.1.4 RELIANCE ON KEY CUSTOMER

Currently, a large proportion of the Company's revenue is derived from its major customer, Yum Restaurant Services Group, Inc (**Yum**), which owns the 'Pizza Hut' brand for Pizza Hut Israel, Pizza Hut USA and Pizza Hut Canada. A summary of the Company's agreement with Yum is set out in Section 7.2. The master agreement between the parties can be terminated by either party on 30 days' notice, subject to any outstanding or incomplete statements of work. If the

Company's relationship with Yum was to deteriorate and the agreement was terminated, the Company's financial performance may be significantly and adversely impacted.

5.1.5 GROWTH AND EXPANSION RISKS

One of the Company's strategies moving forward is to continue to grow and expand, with an initial focus on Israel, Canada, the USA and Australia. 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.

5.1.6 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 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. There is no guarantee that the Company's R&D projects will be successful or prove to be commercially viable. The failure of an R&D project could have a materially adverse impact on the Company's operations and financial performance.

5.1.7 SALES AND MARKETING SUCCESS

The Company intends to use some of the funds raised under the Offer on sales and marketing measures to continue to promote Algo and grow its business. By their nature, there is no guarantee that the Company's sales and marketing campaigns will be successful. In the event that they are not, the Company may encounter difficulty in creating market awareness of Algo, which would likely have an adverse impact on the Company's sales and profitability.

5.1.8 FAULTS WITH PRODUCTS AND SERVICES

Because Algo is 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 Algo 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 Algo, 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.

5.1.9 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.

5.1.10 INTERNATIONAL OPERATIONS

The Company currently operates in Israel, Canada and the USA, and intends to commence operations in Australia following completion of the Offer. 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:

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

5.1.11 COMPETITION AND NEW TECHNOLOGIES

Although the Company is not aware of any existing products or technologies similar to Algo, 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 Algo directly through technological innovation, marketing or price discounting. The Company will have no influence or control over the activities or actions of competitors.

5.1.12 PROTECTION OF INTELLECTUAL PROPERTY RIGHTS

To an extent, the value of the Company's key asset and flagship product, the Algo Dispatching System, is dependent on the Company's ability to protect its intellectual property rights. If the Company fails to protect its intellectual property rights in Algo adequately, 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 Algo without the Company's deep knowledge and experience in the technology and QSR industries.

The Company has applied for a patent in the USA in relation to Algo, further details of which are set out in the Intellectual Property Expert's Report in Section 4. There is no guarantee that the pending patent application for Algo will be granted, or that any other future patent applications will be granted. If any patents are issued in the future, they 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' 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.

5.1.13 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.

5.1.14 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 Algo. 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.

5.1.15 RELIANCE ON KEY PERSONNEL

To an extent, the Company's success is dependent upon the retention of key personnel, in particular, 2 of its founders: Managing Director, Ido Levanon, and Executive Vice President of Strategy and Technology, Guy Brandwin, 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 or Guy leaving the Group is reduced by the fact that they are Shareholders 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. See Section 8.2 for full terms and conditions of the Performance Shares.

5.1.16 UNFORESEEN EXPENDITURE RISK

Expenditure may need to be incurred that has not been taken into account in 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.

5.1.17 FUTURE FUNDING NEEDS

The funds raised under the Offer are considered sufficient to meet the immediate objectives of the Company. Further funding may be required by the Company in the event costs exceed estimates or revenues do not meet estimates, 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.

5.1.18 TRADE LIQUIDITY AND ESCROW EXPIRY

The Company anticipates that ASX will determine that a significant proportion of Shares held or to be held by the Pre-IPO Investors and Trident Capital (and/or its nominees) are required to be held in escrow for a period of 12 or 24 months. Israeli Pre-IPO Shareholders will also be party to the Paying Agent Agreement which will mean that all 116,336,280 Shares held or to be held by them will not be trading on ASX for the full 24 months from listing.

Accordingly, a high proportion of Shares will be subject to escrow or will otherwise not be tradeable following completion of the Offer. This reduces liquidity in the market for the Company's Shares, and may affect the ability of a Shareholder to sell some or all of its Shares due to the effect less liquidity may have on demand. An illiquid market for the Company's Shares is likely to have an adverse impact on the Share price.

Following the end of the escrow periods, a significant portion of Shares will become tradable on ASX. This may result in an increase in the number of Shares being offered for sale on market which may in turn put downward pressure on the Company's Share price.

Please see Section 1.7 for further information on escrow arrangements, and Section 7.8 for a summary of the Paying Agent Agreement.

5.1.19 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, after listing, the Company's financial reports will be denominated in US dollars. Any depreciation of the US dollar relative to the Australian dollar may result in lower than anticipated revenues of profits.

The Company will be exposed to foreign exchange risks between 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.

5.1.20 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 growth.

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

5.1.21 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.

5.1.22 INSURANCE COVERAGE

The Company intends to maintain 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.

5.2 GENERAL RISKS

5.2.1 INVESTMENT RISK

The Shares to be issued under this Prospectus should be considered highly speculative. There is no guarantee as to the payment of dividends, return of capital or the market value of the Shares from time to time. The price at which an investor is able to trade the Shares may be above or below the price paid for Shares under the Offer. 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.

5.2.2 SHARE MARKET

Share market conditions may affect the value of the Company's securities regardless of the Company's operating performance. Share market conditions may cause the Shares to trade at

prices below the price at which the Shares are being offered under this Prospectus. There is no assurance that the price of the Shares will increase following quotation on the ASX, even if the Company's earnings increase. Some factors include, but are not limited to, the following:

- general economic outlook;
- interest rates and inflation rates;
- currency fluctuations;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital;
- terrorism or other hostilities; and
- other factors beyond the control of the Company.

5.2.3 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.

5.2.4 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:

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

5.2.5 TAXATION

The acquisition and disposal of Shares 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 Shares 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 Shares under this Prospectus.

5.2.6 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 Shares. These events include acts of terrorism, outbreaks of international hostilities, fires, pandemics, floods, earthquakes, labor 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.

5.3 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 5 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 Shares. Therefore, the Shares 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 Shares under this Prospectus.

6. KEY PERSONS AND CORPORATE GOVERNANCE

6.1 BOARD OF DIRECTORS

Among other things, the Board is responsible for:

- setting and reviewing strategic direction and planning;
- reviewing financial and operational performance;
- identifying principal risks and reviewing risk management strategies; and
- considering and reviewing significant capital investments and material transactions.

Collectively, the Directors have significant experience in the technology, e-commerce, telecommunications, corporate finance and legal industries. Brief profiles of the Directors are set out in Section 6.2.

6.2 DIRECTOR PROFILES

Paul Steele

Non-Executive Chairman

Paul Steele has executive level experience in software technology, property development, management consulting, not-for-profit, healthcare, telecommunications and charitable foundations, and has served as a director on both for-profit and not-for-profit boards.

Paul currently holds the following directorships:

- Executive Chairman of The Difference Incubator Ltd;
- Director of Benefit Capital Pty Ltd and Ethical Property Australia Pty Ltd;
- Director of Insights Systems LLC (USA), a contract execution management software as a service company that Paul founded; and
- Advisory Board Member of the Australia Advisory Board to the G8 Impact Investment Taskforce.

Paul is a graduate member of the Australian Institute of Company Directors.

Paul was appointed as a Director on 14 September 2016.

Ido Levanon

Managing Director

Ido Levanon has over 20 years of experience and a proven track record in the successful management and turnaround of various international companies such as Oro Alexander, Inc. Ido has acted as the CEO and a seed investor in several technology start-ups, and the Financial Planning Manager for Fujitsu USA (including managing its merger with International Computers Limited).

Ido also served as a captain in the Israeli Armed Forces for the artillery corps, commanding over 120 soldiers and officers.

Ido holds a Master of Business Administration (Magna Cum Laude) from San Diego University, and a Bachelor of Science (Mathematics and Computer Science) from Tel Aviv University. He

has been part of DT Israel since its inception in 2013 as its CEO and one of the founding investors.

Ido was appointed as a Director on 14 September 2016.

Yehuda Shamai

Non-Executive Director

Yehuda Shamai has established and managed large Israeli entities with international brands such as Pizza Hut, KFC and Domino's Pizza.

In the past, Yehuda served as Business Development Manager for Israel Corporation Ltd and as such has been involved in some of the largest mergers and acquisitions in Israel.

Yehuda has a vast knowledge of management software tools and e-payments, and is involved as a director and investor in several existing companies and start-ups developing and marketing advanced physical and virtual payment solutions.

Yehuda was appointed as a Director on 14 September 2016.

Ron Zuckerman

Non-Executive Director

Ron Zuckerman has been active as a tech entrepreneur and investor for most of the last 25 years.

Ron was one of the founders of Sapiens International, a software company he took public on NASDAQ in 1990 and which is currently trading with a market cap of over \$700m. Ron acted as Chairman and CEO of Sapiens from early 1995 until late 1999.

He was the founder and Executive Chairman of Precise Software Solutions, another software company he took public on NASDAQ in 2000, until its acquisition in late 2003 by VERITAS in a cash transaction valued at over \$600m.

Ron was a founder, first round investor and a board member in GVT Holding SA, a large telephone operator in Brazil until its acquisition in late 2009 by The Vivendi Group of France for over \$4.7 Billion. Ron was an early investor and a board member at Wintegra Inc. which was acquired in 2010 by PMC Sierra for over \$200m.

In 2000, Ron was chosen by the World Economic Forum as leading one of the most influential tech ventures (i.e. Sapiens), together with such individuals as Masayoshi Son of SoftBank Group, Jerry Yang of Yahoo! and Michael Dell of Dell Computers.

Ron was appointed as a Director on 14 September 2016.

Adam Sierakowski

Non-Executive Director

Adam Sierakowski is a lawyer and a founding director of the legal firm Price Sierakowski. He has over 20 years of experience in legal practice, much of which he has spent as a corporate lawyer consulting and advising on a range of transactions to a variety of large private and listed entities.

Adam is also a co-founder and director of Perth based corporate advisory business, Trident Capital, where for 15 years he has advised a variety of large private and public companies on structuring their transactions and coordinating fundraisings both domestically and overseas.

Adam has held a number of directorships with ASX-listed companies, and he is a member of the Australian Institute of Company Directors and the Association of Mining and Exploration Companies.

Adam was appointed as a Director on 14 September 2016.

6.3 COMPANY SECRETARY PROFILE

Deborah Ho

Company Secretary

Deborah Ho holds a Bachelor of Commerce from Curtin University and is a member of the Governance Institute of Australia.

Deborah has over 2 years of experience in public practice including auditing listed and unlisted companies.

Deborah also has over 3 years of experience in company secretarial roles and financial accounting, including the preparation of financial statements.

Deborah was appointed as Company Secretary on 14 September 2016.

6.4 COMPOSITION OF THE BOARD

The Board currently comprises of 5 members, including 4 Non-Executive Directors (including the Non-Executive Chairman) and 1 Executive Director.

The Board considers an independent Director to be a Non-Executive Director who is not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of that Director's judgment. The Company considers Paul Steele and Ron Zuckerman to be independent Directors.

Although the Chairman is an independent Director, the composition of the Company's Board will not initially be in line with the recommendations of the ASX Corporate Governance Council as a majority of its members will not be independent Directors. The Company has at this stage decided to select directors with the expertise and experience to support the Company's business strategy rather than strictly adhere with these recommendations. The Company will consider ways of restructuring its Board in the future to ensure that a majority of its members are independent.

6.5 SENIOR MANAGEMENT TEAM

The Board has delegated responsibility for the business operations of the Company to the senior management team. The senior management team, led by the Managing Director, is accountable to the Board. The senior management team has extensive experience in the technology and QSR industries, and is comprised of individuals from different backgrounds. Brief profiles of the persons comprising the senior management team are set out below.

Ido Levanon

Managing Director

See Section 6.2.

Guy Brandwin

Executive Vice President of Strategy & Technology

Guy Brandwin is a technology leader with 18 years of experience in managing and implementing innovative system architecture, scalable R&D, quality assurance and integration teams.

In the past, Guy has managed numerous large scale projects, including the development of 3 generations of point of sale systems targeted specifically towards the food delivery and casual dining industry, serving as Chief Technology Officer of FrsVision and Formula Group.

Guy is one of the key driving forces behind the Algo Dispatching System and algorithm, and has been with DT Israel since its foundation in 2013.

Guy is also the founder and manager of the Google GO language forum in Israel. This role involves managing the GO developers' community in Israel and giving periodical lectures at the Google Israel offices.

Ruth Palmon

Chief Financial Officer

Ruth Palmon has over 10 years of experience holding various positions in 3 different technology start-ups, beginning as a software engineer, to team leader and eventually to business development and marketing management.

Ruth is a mergers and acquisitions expert, helping companies recruit strategic partners or buyers, and has served as an independent director for a Tel Aviv Stock Exchange company.

Ruth holds a Bachelor of Science in Computer Science and Business Administration (Hebrew University) and a Master of Business Administration in Finance (Interdisciplinary Center in Herzlia).

Itzik Bachar

Director of Operations

Itzik Bachar is a graduate in economy and management at the College of Management in Tel Aviv. Itzik has managed the operations and support services for several of the largest restaurants and retail customers in Israel including Aroma Café, Gaia Cosmetics, Roladin, Giraf, Zozubra and others.

Itzik Bachar's role with the Company involves managing and implementing the training systems in stores as well as support training for many other aspects of the business.

6.6 INTERESTS OF DIRECTORS

Other than as disclosed in this Prospectus, no existing or proposed Director holds at the date of this Prospectus, or has held in the 2 years prior to the date of this Prospectus, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer or Pre-IPO Investor Offer; or
- the Offer or Pre-IPO Investor Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to an existing or proposed Director for services in connection with the formation or promotion of the Company or the Offer or Pre-IPO Investor Offer, or to induce them to become, or qualify as, a Director.

6.6.1 SHAREHOLDING REQUIREMENTS

Directors are not required to hold any Shares under the Constitution of the Company.

6.6.2 DIRECTORS' SECURITY HOLDINGS

Assuming that Full Subscription is achieved under the Offer, set out below are the anticipated relevant interests of the Directors in the Shares of the Company upon completion of the Offer.

Director	Shares	Voting power
Paul Steele	911,002	0.53%
Ido Levanon	22,450,830	12.94%
Yehuda Shamai ¹	35,051,763	20.20%
Ron Zuckerman	8,433,020	4.86%
Adam Sierakowski ²	7,145,620	4.12%
Total	73,992,235	42.65%

Notes:

1. Yehuda Shamai's interest arises through his 85% shareholding interest in Tabasco Holdings Ltd (2,360,468 Shares) in addition to his own shareholding in the Company (32,691,295 Shares).
2. Adam Sierakowski's interest arises through his 100% shareholding interest in IML Holdings Pty Ltd (1,145,620 Shares) and his 50% shareholding interest in Trident Capital Pty Ltd (up to 6,000,000 Shares, depending on whether corporate adviser Shares are issued to non-associated nominees of Trident Capital).
3. The table assumes that no Directors apply for Shares under the Offer. The relevant interest of a Director in Shares, and its voting power, will increase to the extent that the Director applies for, and is issued, Shares under the Offer.

Set out below are the anticipated relevant interests of the Directors in other securities of the Company upon completion of the Offer.

Director	Performance Shares	Incentive Options
Paul Steele ¹	-	1,500,000
Ido Levanon ²	8,333,334	-
Yehuda Shamai ³	8,333,333	-
Ron Zuckerman	-	-
Adam Sierakowski	-	-
Total	16,666,667	1,500,000

Notes:

1. The Incentive Options will be issued to Paul Steele as part of his remuneration and to incentivise his performance. See Section 8.3 for full terms and conditions of the Incentive Options.
2. The Performance Shares will be issued to Ido Levanon as part of his remuneration and to incentivise his performance. See Section 8.2 for full terms and conditions of the Performance Shares.
3. The Performance Shares will be issued to Yehuda Shamai as part of his remuneration and to incentivise his performance. See Section 8.2 for full terms and conditions of the Performance Shares.

6.6.3 DIRECTORS' REMUNERATION

The Constitution provides that each Director is entitled to such remuneration from the Company as the Directors decide, but the total amount provided to all non-executive directors must not exceed in aggregate the amount fixed by the Directors prior to the first annual general meeting. The aggregate remuneration for all non-executive directors has been set at an amount of \$300,000 per annum by the Directors. The remuneration of the Directors must not be increased except pursuant to a resolution passed at a general meeting of the Company where notice of the proposed increase has been given to Shareholders in the notice convening the meeting.

Set out below is the initial remuneration payable by the Company to each Director.

Director	Role	Annual salary (including director fees and any superannuation)	Securities ¹
Paul Steele	Non-Executive Chairman	\$60,000	1,500,000 Incentive Options
Ido Levanon ²	Managing Director	\$160,039	8,333,334 Performance Shares
Yehuda Shamai	Non-Executive Director	\$36,000	8,333,333 Performance Shares
Ron Zuckerman	Non-Executive Director	\$36,000	-
Adam Sierakowski	Non-Executive Director	\$36,000	-

Notes:

1. See Section 8.3 for full terms and conditions of the Incentive Options, and Section 8.2 for full terms and conditions of the Performance Shares.
2. Ido Levanon's salary comprises of A\$36,000 in director fees, and ILS 356,400 (approximately A\$124,039) in wages. A summary of the Company's employment agreement with Ido is set out in Section 7.1.

6.7 RELATED PARTY ARRANGEMENTS

Supply agreement with Tabasco Holdings Ltd

The Company has entered into an agreement with Tabasco Holdings Ltd (**Tabasco**) – the owner of the Pizza Hut Israel chain – with respect to certain Pizza Hut establishments in Israel. Tabasco is a related party of the Company as it is controlled by Yehuda Shamai, who is a Non-Executive Director of the Company. The material terms of the agreement between the Company and Tabasco are as follows:

- for a period of 10 years from the first installation (i.e. February 2014) (**10 Year Period**), for the first 25 Pizza Hut Israel locations for which Tabasco receives services from the Company, Tabasco is not required to pay any initial set up fees and the Company provides the ongoing services at cost; and
- for the 26th to 100th Pizza Hut Israel locations, for the 10 Year Period, Tabasco pays a reduced initial set up fee (to be determined by the parties at the relevant time), and receives a 75% discount on the monthly fees, based on the Company's price list.

The discounted rates will cease to apply at the end of the 10 Year Period.

The Company notes that Tabasco has dedicated a significant amount of time and effort to the development of Algo and has helped it improve to its current state.

Corporate advisory agreement with Trident Capital Pty Ltd

The Company is party to a corporate advisory agreement with Trident Capital Pty Ltd, which is summarised in Section 7.5. Trident Capital is a related party of the Company because it is 50% owned by Adam Sierakowski, who is a Non-Executive Director of the Company. Despite this, the Company notes that it negotiated the terms of the agreement on an arm's length basis, and will

continue to ensure that all future dealings with Trident Capital are similarly entered into and undertaken on an arm's length basis.

Reseller agreements with Rision Limited

The Company is party to reciprocal reseller agreements with Rision Limited (**Rision**), which are summarised in Section 7.3. Although Rision is not a related party of the Company, the Company notes that Adam Sierakowski, who is a Non-Executive Director of the Company, is also a Non-Executive Director of Rision and, at the date of this Prospectus, has a relevant interest in 34,425,005 shares in Rision, which equates to voting power of approximately 3.6%.

6.8 CORPORATE GOVERNANCE

The Board recognises the importance of good corporate governance and establishing the accountability of the Board and management. To the extent relevant and practical, the Company has adopted a corporate governance framework that is consistent with the *Corporate Governance Principles and Recommendations (3rd Edition)* published by ASX Corporate Governance Council (**Recommendations**).

The Board has adopted the following suite of corporate governance policies which are available on the Company's website at www.dragontailsystems.com:

- Board Charter
- Corporate Code of Conduct
- Audit and Risk Committee Charter
- Remuneration Committee Charter
- Nomination Committee Charter
- Continuous Disclosure Policy
- Risk Management Policy
- Remuneration Policy
- Trading Policy
- Diversity Policy
- Shareholder Communications Strategy
- Performance Evaluation Procedures

The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

As the Company's activities develop in size, nature and scope the implementation of additional corporate governance structures will be given further consideration.

Following admission to the official list of ASX, the Company will be required to report any departures from the Recommendations in its annual financial report. As at the date of this Prospectus the Company complies with the Recommendations other than to the extent set out below.

Recommendation		Explanation for non-compliance
2.	Structure the Board to add value	
2.4	A majority of the board of a listed entity should be independent directors.	The Board currently consists of 1 executive director and 4 non-executive directors, of which 2 are considered by the Board to be independent directors. As a small entity, the Company has at this stage decided to select directors with the expertise and experience to support the Company's business strategy rather than strictly adhere strictly with these recommendations. The Company will consider ways of restructuring its Board in the future to ensure that a majority of its members are independent.
4.	Safeguard integrity in financial reporting	
4.1	The board of a listed entity should: (a) have an audit committee which: (i) has at least 3 members, all of whom are non-executive directors and a majority of whom are independent directors; and (ii) is chaired by an independent director, who is not the chair of the board, and disclose: (iii) the charter of the committee; (iv) the relevant qualifications and experience of the members of the committee; and (v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an Audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external Auditor and the rotation of the Audit engagement partner.	Due to the size of the Board, the Company does not have a separate Audit Committee. The roles and responsibilities of the Audit committee are undertaken by the Board. The full Board in its capacity as the Audit committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external Auditors. The duties of the full Board in its capacity as the Audit committee are set out in the Company's Audit Committee Charter which is available at www.dragontailsystems.com. When the Board meets as an Audit committee it carries out those functions which are delegated to it in the Company's Audit Committee Charter. Items that are usually required to be discussed by an Audit Committee are marked as separate agenda items at Board meetings when required. The Board is responsible for the initial appointment of the external Auditor and the appointment of a new external Auditor when any vacancy arises. Candidates for the position of external Auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external Auditor based on criteria relevant to the Company's business and circumstances. The performance of the external Auditor is reviewed on an annual basis by the Board. The Board has adopted an Audit Committee Charter which describes the role, composition, functions and responsibilities of the Audit Committee and is disclosed at www.dragontailsystems.com.

Recommendation		Explanation for non-compliance
7.	Recognise and manage risk	
7.1	The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (i) has at least 3 members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework.	Due to the size of the Board, the Company does not have a separate Risk Committee. The Board is responsible for the oversight of the Company's risk management and control framework. When the Board meets as a risk committee is carries out those functions which are delegated to it in the Company's Risk Committee Charter. Items that are usually required to be discussed by a Risk Committee are marked as separate agenda items at Board meetings when required. The Board has adopted a Risk Committee Charter which describes the role, composition, functions and responsibilities of the Risk Committee and is disclosed at www.dragontailsystems.com.
7.3	A listed entity should disclose: (a) if it has an internal Audit function, how the function is structured and what role it performs; or (b) if it does not have an internal Audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	The Company does not currently have an internal Audit function however, following admission to the Official List of the ASX the Company will consider establishing an internal Audit function in the future should the need arise. The Company monitors, evaluates and improves its risk management and internal control processes in line with the processes set out in its Risk Management Policy. A copy of this policy is available at www.dragontailsystems.com.
8.	Remunerate fairly and responsibly	
8.1	The board of a listed entity should: (a) have a remuneration committee which: (i) has at least 3 members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee;	Due to the size of the Board, the Company does not have a separate remuneration committee. The roles and responsibilities of a remuneration committee are currently undertaken by the Board. The duties of the full board in its capacity as a remuneration committee are set out in the Company's Remuneration and Nomination Committee Charter which is available at www.dragontailsystems.com. When the Board meets as a remuneration

	Recommendation	Explanation for non-compliance
	(iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	committee it carries out those functions which are delegated to it in the Company's Remuneration and Nomination Committee Charter. Items that are usually required to be discussed by a Remuneration Committee are marked as separate agenda items at Board meetings when required. The Board has adopted a Remuneration and Nomination Committee Charter which describes the role, composition, functions and responsibilities of the Remuneration Committee and is disclosed at www.dragontailsystems.com.

7. MATERIAL CONTRACTS

Set out in this Section 7 is a summary of the material contracts to which the Company or another member of the Group is a party that may be material in terms of the Offer or Pre-IPO Investor Offer, for the operation of the business of the Company, or otherwise may be relevant to a potential investor in the Company.

The whole of the provisions of the contracts are not repeated in this Prospectus and any intending applicant who wishes to gain a full knowledge of the content of the material contracts should inspect the same at the registered office of the Company.

7.1 EXECUTIVE AGREEMENTS

Ido Levanon

Managing Director

Ido Levanon is engaged as the Managing Director of the Company, in conjunction with and subject to his engagement as Chief Executive Officer of DT Israel pursuant to an employment agreement with DT Israel.

Ido has held the position of Chief Executive Officer of DT Israel since 10 December 2013.

Ido will be paid \$36,000 per annum in director's fees, plus ILS 356,400 (approximately A\$124,039) per annum in wages. He will also receive 8,333,334 Performance Shares at completion of the Offer, the terms and conditions of which are set out in Section 8.2.

Among other things, Ido's duties will include:

- managing the business of the Company including implementing strategic and tactical plans and managing operational functions to achieve the Company's goals and outcomes; review and initiate continuous improvement in support and administrative functions; implement employment policies and development of an effective and valued performance management framework;
- using best endeavours to ensure that the business of the Company is conducted in accordance with the policies, procedures and directions as notified from time to time by the Board, including in accordance with the requirements of any approved budget or business plan;
- formulating strategies to promote and improve the financial performance of the Company;
- ensuring the proper implementation of the Company's policies, procedures and systems;
- developing new opportunities and expanding the Company's current activities and market share;
- supervising and implementing appropriate financial controls and accounting procedures, and the preparation of financial statements; and
- managing subordinate staff.

Either party may terminate the agreement by providing 30 days' written notice to the other party.

During his employment and for 6 months following termination, Ido must not compete with the Company, or solicit any of the Company's clients or employees.

The agreement is otherwise on terms and conditions considered standard for agreements of this nature.

Guy Brandwin

Executive Vice President of Strategy & Technology

Guy Brandwin is engaged as the Group's Executive Vice President of Strategy & Technology via a services agreement between himself, Brand Technology and Consulting Ltd and DT Israel.

Although Guy has been working with DT Israel since its foundation, this agreement commenced on 30 March 2016 and will continue until terminated.

Guy will be paid ILS 436,800 (approximately A\$152,020) (plus value added tax at the applicable rate) per annum under the agreement. He will also receive 8,333,333 Performance Shares at completion of the Offer, the terms and conditions of which are set out in Section 8.2.

Guy undertakes to provide the following services under the agreement:

- lead the development and implementation of DT Israel's products;
- make recommendations to the Chief Executive Officer and Board on information technology and information management strategy to allow for the most effective platform of DT Israel's products;
- assist DT Israel's operations team to develop a customer service operation in relation to the implementation of DT Israel's products and after sales support; and
- be responsible for the recruitment of information technology personnel and the information technology team budget of DT Israel.

Either party may terminate the agreement by providing 30 days' written notice to the other parties. In the event a party is in breach of the agreement, the other party may terminate the agreement by providing 14 days' written notice to the breaching party, subject to the breaching party failing to cure the breach within those 14 days.

During his engagement and for 12 months following termination, Guy must not compete with DT Israel, or solicit any of DT Israel's clients or employees.

The agreement is otherwise on terms and conditions considered standard for agreements of this nature.

7.2 MASTER AGREEMENT WITH YUM

DT Israel entered into an information technology products and services master terms and conditions agreement with Yum Restaurant Services Group, Inc and its commonly owned affiliates (**Yum**) on 20 February 2014. The agreement provides the umbrella terms and conditions for all statements of work entered into between the parties.

Each statement of work is a specific agreement under which Yum, as the customer, engages DT Israel to supply products and services relating to the Algo Dispatching System, or as otherwise agreed between the parties. Examples of such products and services include:

- the provision of all necessary hardware (e.g. store servers, mobile phones and proxy server to handle all mobile communication);
- working with Yum local management teams to assure the smooth transition to the Algo Dispatching System; and
- ongoing technical support.

Each statement of work is expected to contain, among other things:

- a summary and detailed description of the products and services to be provided;
- applicable performance standards, service levels, and specifications for such products and services and specific remedies for failing to meet such standards;
- the decisions, cooperation and materials, if any, to be provided by Yum;
- the compensation or prices to be paid and, if expressly authorised, the expenses to be paid, for the products and services and any applicable taxes;
- the time schedule, lead times and delivery dates for completion of the services and delivery of products; and
- the designated project leader for each party.

Either party may elect to terminate the master agreement by providing 30 days' written notice to the other party, provided that there is no incomplete statement of work on foot. A party may terminate the master agreement where the other party has been in breach of a material term and that breach has gone uncured for 30 days after notice of the breach, or where the other party commits more than 3 breaches of a material term within any 12 month period.

The agreement is otherwise on terms and conditions considered standard for agreements of this nature.

7.3 WIRELESS COMMUNICATIONS AGREEMENT WITH AT&T

DT USA entered into a machine to machine wireless communications agreement with AT&T Mobility II, LLC (**AT&T**) on 18 August 2016, under which DT USA has agreed to purchase wireless communication services from AT&T for use in machine to machine communications on AT&T's wireless network in North America.

Under the agreement, DT USA will pay to AT&T a monthly fee that is dependent on the number of active SIM cards and service plans entered into with those SIM cards. Different charge rates apply to included data, data usage coverage, and international roaming.

The agreement runs until 17 August 2019, however it will then automatically renew for 1 year terms until it is terminated by either party with 30 days' written notice. Additionally, either party may terminate with 30 days' written notice upon an event of default where that default is not cured within the 30 day notice period, or may terminate for convenience at any time on 90 days' prior written notice to the other party.

The agreement is otherwise on terms and conditions that are considered standard for agreements of this nature.

7.4 RESELLER AGREEMENTS WITH RISION

DT Israel has entered into 2 reciprocal reseller agreements with Rision Ltd (**Rision**). Under one reseller agreement, DT Israel (a **Technology Owner**), as the provider of delivery management software solutions, appoints Rision as a non-exclusive reseller (a **Reseller**). Under the other reseller agreement, Rision (a **Technology Owner**), as the provider of a human resources platform designed to allow employers to manage their human resources department, appoints DT Israel as a non-exclusive reseller (a **Reseller**).

For every new purchase order that a Reseller sources from new business opportunities, the Receiver will receive sales commissions from the Technology Owner.

The Technology Owner acknowledges that the Reseller may introduce it to other non-exclusive resellers of its technology. The Reseller is entitled to an introductory services fee from the

Technology Owner on the invoiced amount of sales made by another reseller that is introduced by the Reseller.

Both parties may also be required to contribute to a marketing fund. The value of the contributions will depend upon a detailed projection of the sales to be achieved by the parties as Resellers based upon bona fide purchase orders from new business opportunities or follow-on purchase orders from new business opportunities received prior to 1 March 2017 (**Sales Pipeline**). For every \$1,000,000 that the Sales Pipeline is valued at, the Technology Owner must contribute \$70,000 up to a maximum contribution of \$3,500,000.

The reseller agreements expire on 3 April 2018, but may be terminated by either party at any time upon 60 days' written notice to the other party.

The agreements are otherwise on terms and conditions considered standard for agreements of this nature.

7.5 CORPORATE ADVISORY AGREEMENT

The Company has engaged Trident Capital Pty Ltd (**Trident Capital**) as its corporate adviser under a corporate advisory agreement, which commenced on 1 June 2016.

Among other things, Trident Capital will provide the following services:

- corporate and structuring advice;
- assistance with document preparation;
- assistance with the due diligence process;
- capital raising services;
- investors presentations; and
- merger and acquisition evaluation and procurement.

The Company will pay Trident Capital a fee of 5% of the amount it raises under the Offer. In addition, the Company will pay Trident Capital a management fee of 1% of the total amount raised under the Offer. Trident Capital (and/or its nominees) will also be issued 6,000,000 Shares as a facilitation fee.

The Company will pay Trident Capital a corporate advisory fee of \$15,000 plus GST for the first 3 months of the engagement and thereafter \$7,500 plus GST per month up to 20 November 2016.

The Company's engagement of Trident Capital as corporate adviser will expire on 31 December 2016 unless terminated by either party beforehand. The Company may terminate the engagement by providing written notice to Trident Capital. Trident Capital may terminate the engagement by providing 30 days' written notice to the Company, provided Trident Capital provides reasonable assistance to the Company in connection with the engagement of any replacement corporate adviser.

The Company indemnifies Trident Capital against any legal expenses or other expenses incurred by it arising out of any claim, demand, loss, expense, liability or action related to the services provided by Trident Capital under the agreement.

The agreement is otherwise on terms and conditions considered standard for agreements of this nature in Australia.

7.6 CONVERTIBLE NOTE AGREEMENTS

Prior to admission, the Company will enter into identical convertible note agreements (**Convertible Note Agreements**) with certain sophisticated or professional investors, pursuant to which it will raise a total of \$862,500 prior to listing. These funds will be applied to expenses of the Offer and working capital.

At completion of the Offer, the notes will convert into 7,500,000 Shares at a conversion price of \$0.115 each. Accordingly, no notes will remain on issue upon the Company's admission to the ASX.

The Convertible Note Agreements are otherwise on terms and conditions considered standard for agreements of this nature in Australia.

7.7 SHARE EXCHANGE AGREEMENT

Prior to admission, the Company will enter into a share exchange agreement (**Share Exchange Agreement**) with DT Israel and the existing shareholders of DT Israel (**Vendors**) for the purpose of implementing the corporate group structure set out in Section 2.2.

On completion of the Share Exchange Agreement, which is to occur at the same time as completion of the Offer, the Company will obtain all of the issued capital in DT Israel from the Vendors. In exchange, the Vendors will be issued 129,344,621 Shares (**Consideration Shares**) in the same proportion as their shareholdings in DT Israel.

Conditions to completion include the following:

- execution of the Paying Agent Agreement;
- DT Israel obtaining the Tax Ruling;
- the Company raising \$6,000,000 under the Offer; and
- the Company being satisfied of its ability to satisfy ASX's conditions to listing.

Upon completion, all Consideration Shares due to Israeli Pre-IPO Investors, as well as all Shares currently held by Israeli Pre-IPO Investors, will be issued and registered in the name of the Paying Agent in accordance with the Paying Agent Agreement. See Section 7.8 for a summary of the Paying Agent Agreement.

The Share Exchange Agreement is otherwise on terms and conditions considered standard for agreements of this nature in Australia.

7.8 PAYING AGENT AGREEMENT

Prior to admission, the Company will enter into a paying agent agreement (**Paying Agent Agreement**) with DT Israel, the Israeli Pre-IPO Investors, and 102 Capital Management (**Paying Agent**).

The Paying Agent Agreement is subject to and conditional on completion occurring under the Share Exchange Agreement, a summary of which is set out in Section 7.7.

The Paying Agent Agreement is being entered into to enable the Israeli Pre-IPO Investors to comply with a tax ruling (**Tax Ruling**) that is anticipated to be received by DT Israel from the Israel Tax Authority under section 104B of the Israel Income Tax Ordinance 5721-1961.

The Tax Ruling is expected to provide that the Consideration Shares due to the Israeli Pre-IPO Investors under the Share Exchange Agreement, as well as the Shares currently held by the Israeli Pre-IPO Investors, and the Performance Shares to be issued to 3 of the Israeli Pre-IPO

Investors (i.e. Ido Levanon, Guy Brandwin and Yehuda Shamai), must be held by the Paying Agent for 2 years from admission (**Withholding Period**) in order to ensure compliance with certain reporting obligations and the payment of applicable tax in Israel.

The Paying Agent will hold a total of 116,336,280 Shares and 25,000,000 Performance Shares as bare trustee for the benefit of the Israeli Pre-IPO Investors (as applicable) for the Withholding Period. However, it is anticipated that the Tax Ruling will provide that Israeli Pre-IPO Investors who are not actively involved in the Company (e.g. as staff or Directors) will be entitled to transfer or sell up to 10% of their Shares during the Withholding Period. This ability will be subject to any ASX imposed escrow restrictions.

The Israeli Pre-IPO Investors will maintain their voting rights in the Company pertaining to their Shares during the Withholding Period.

The Company will indemnify the Paying Agent from any loss, liability, cost, damage and expense that the Paying Agent may suffer in connection with the Paying Agent Agreement.

The Paying Agent Agreement is otherwise on terms and conditions considered standard for agreements of this nature.

7.9 ESCROW AGREEMENTS

Please see Section 1.7 for details of the escrow agreements to be entered into by the Company prior to admission to the official list of ASX. The escrow agreements will be on ASX's standard terms and conditions as set out in Appendix 9B of the Listing Rules.

7.10 DEEDS OF ACCESS, INDEMNITY AND INSURANCE

The Company has entered into deeds of access, indemnity and insurance with each Director which confirm each Director's right of access to certain books and records of the Company for a period of 7 years after the Director ceases to hold office. This 7 year period can be extended where certain proceedings or investigations commence before the 7 years expires. The deeds also require the Company to provide an indemnity for liability incurred as an officer of the Company, to the maximum extent permitted by law.

Under the deeds, the Company must arrange and maintain directors' and officers' insurance during each Director's period of office and for a period of 7 years after a Director ceases to hold office. This 7 year period can be extended where certain proceedings or investigations commence before the 7 years expires.

The deeds are otherwise on terms and conditions considered standard for deeds of this nature in Australia.

8. ADDITIONAL INFORMATION

8.1 RIGHTS AND LIABILITIES ATTACHING TO SHARES

The following is a general description of the more significant rights and liabilities attaching to the Shares. This summary is not exhaustive. Full details of provisions relating to rights attaching to the Shares are contained in the Corporations Act, Listing Rules and the Company's Constitution. A copy of the Company's Constitution is available upon request by contacting the Company's corporate adviser, Trident Capital, by email at info@tridentcapital.com.au or telephone on +61 8 6211 5099.

Ranking of Shares

At the date of this Prospectus, all shares are of the same class and rank equally in all respects. Shares issued pursuant to this Prospectus will rank equally with Existing Shares.

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 share held.

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 Shares in proportion to the amount paid up.

Variation of rights

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

Transfer of Shares

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

General meetings

Each 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 Shareholders under the Company's Constitution, the Corporations Act and Listing Rules.

Rights on winding up

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

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

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

8.2 TERMS OF PERFORMANCE SHARES

The performance shares entitle the holder to Shares on the terms and conditions set out below.

1. Issue price

Each performance share (**Performance Share**) will be issued for nil cash consideration.

2. Rights

- (a) The Performance Shares do not carry any voting rights in the Company.
- (b) The Performance Shares confer on the holder the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to Shareholders. Holders of Performance Shares have the right to attend general meetings of Shareholders.
- (c) The Performance Shares do not entitle the holder to any dividends.
- (d) The Performance Shares do not confer any right to participate in the surplus profits or assets of the Company upon winding up of the Company.
- (e) The Performance Shares do not confer any right to a return of capital, whether in a winding up, upon a reduction of capital or otherwise.
- (f) The Performance Shares do not confer the right to participate in new issues of securities such as entitlement issues. If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the number of Shares which must be issued on the conversion of a Performance Share will be increased by the number of Shares which the holder would have received if the relevant Performance Share had converted before the record date for the bonus issue.
- (g) If at any time the issued capital of the Company is reorganised, the Performance Shares are to be treated in the manner set out in Listing Rule 7.21 (or other applicable Listing Rule), being that the number of Performance Shares or the conversion ratio or both will be reorganised so that the holder of the Performance Shares will not receive a benefit that holders of ordinary shares do not receive and so that the holders of ordinary shares will not receive a benefit that the holder of the Performance Shares does not receive.
- (h) The Performance Shares give the holder no rights other than those expressly provided by these terms and conditions and those provided at law where such rights at law cannot be excluded by these terms and conditions.

3. Conversion

- (a) Subject to clauses 3(b) and 3(c), each Performance Share is convertible into a fully paid ordinary share in the capital of the Company (**Conversion Share**) upon the Company reporting that it has achieved annual earnings before interest, taxes, depreciation and amortisation of at least US\$5,500,000 (**Milestone**) by or before the end of 2019.
- (b) The conversion ratio of 1 Conversion Share for 1 Performance Share (**Conversion Ratio**) will be adjusted subject to the market capitalisation of the Company at the date the Milestone is achieved (**Milestone Date**). The adjustment will be made in accordance with the sliding scale set out in the following table.

Market Capitalisation at Milestone Date (A\$)	Share Price (A\$) ¹	Conversion Shares to be issued	Value of issued Conversion Shares (A\$)	Conversion Ratio ²
≤ \$100,000,000	≤ \$ 0.58	25,000,000	\$14,409,222	1 : 1
\$100,000,001 ≤ \$150,000,000	≤ \$ 0.86	18,401,667	\$15,909,222	0.736 : 1
\$150,000,001 ≤ \$200,000,000	≤ \$ 1.15	15,102,501	\$17,409,223	0.604 : 1
\$200,000,001 ≤ \$300,000,000	≤ \$ 1.73	10,935,835	\$18,909,224	0.437 : 1
\$300,000,001 ≤ \$400,000,000	≤ \$ 2.31	8,852,502	\$20,409,226	0.354 : 1
≥ \$400,000,001	≤ \$ 2.88	7,602,502	\$21,909,227	0.304 : 1

Notes:

1. The Share Price assumes 173,500,000 shares on issue and is indicative only.
2. The Conversion Ratio assumes that 25,000,000 Performance Shares are issued by the Company.

- (c) Despite anything else contained in these terms and conditions, the conversion of any Performance Shares is subject to the Company obtaining all required (if any) Shareholder or regulatory approval for the purpose of issuing the Conversion Shares. If conversion of all or part of the Performance Shares would result in any person being in contravention of section 606(1) of the Corporations Act then the conversion of each Performance Share that would cause the contravention will be deferred until such time or times that the conversion would not at a later date result in a contravention of section 606(1) of the Corporations Act. The holder must give prior notification to the Company in writing if it considers that the conversion of all or part of its Performance Shares may result in the contravention of section 606(1) of the Corporations Act, failing which the Company will be entitled to assume that the conversion of the Performance Shares under these terms and conditions will not result in any person being in contravention of section 606(1) of the Corporations Act.

- (d) The Company must issue any Conversion Shares in the name of the holder (or its nominee) within 7 days of the relevant Performance Shares becoming convertible into Conversion Shares under these terms and conditions.
- (e) Each Conversion Share will rank equally with a fully paid ordinary share in the capital of the Company.
- (f) The Performance Shares will not be quoted on any securities exchange and the Company will not make an application for quotation in respect of them. However, if the Company is listed on the ASX at the relevant time, upon conversion of any Performance Shares into Conversion Shares, the Company must within 7 days after the conversion apply for quotation of the Conversion Shares on the ASX, subject always to the requirements of the Listing Rules, including those relating to escrow.

4. Expiry

If the Milestone is not satisfied on or before 31 December 2019, the Performance Shares will be redeemed by the Company for nil cash consideration on the day after the Company publishes its financial accounts for the financial year ending 31 December 2019.

5. Transferability

The Performance Shares are not transferable.

6. Compliance with Corporations Act, Listing Rules and Constitution

- (a) Despite anything else contained in these terms and conditions, if the Corporations Act, Listing Rules or Constitution prohibits an act being done, that act must not be done.
- (b) Nothing contained in these terms and conditions prevents an act being done that the Corporations Act, Listing Rules or Constitution require to be done.
- (c) If the Corporations Act, Listing Rules or Constitution conflict with these terms and conditions, or these terms and conditions do not comply with the Corporations Act, Listing Rules or the Constitution, the holder authorises the Company to do anything necessary to rectify such conflict or non-compliance, including but not limited to unilaterally amending these terms and conditions.
- (d) The terms of the Performance Shares may be amended as necessary by the directors of the Company in order to comply with the Listing Rules, or any directions of ASX regarding the terms.

8.3 TERMS OF INCENTIVE OPTIONS

The Incentive Options entitle the holder to subscribe for Shares on the terms and conditions set out below.

(a) Entitlement

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) Expiry Date

Each Option will expire at 5.00pm (WST) on 31 December 2018 (**Expiry Date**).

(c) **Exercise Price**

Each Option will have an exercise price equal to \$0.25 (**Exercise Price**).

(d) **Vesting, exercise period and lapsing**

The Options will only vest and become exercisable if:

- (i) the Company is admitted to the official list of ASX on or before 31 December 2016 (**Admission**); and
- (ii) Paul Steele remains a Director for 12 months following Admission.

Subject to the foregoing and clause (i), Options may be exercised at any time after the date of issue and prior to the Expiry Date. After this time, any unexercised Options will automatically lapse.

(e) **Exercise Notice and payment**

Options may be exercised by notice in writing to the Company (**Exercise Notice**) together with payment of the Exercise Price for each Option being exercised. Any Exercise Notice for an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt. Cheques paid in connection with the exercise of Options must be in Australian currency, made payable to the Company and crossed 'Not Negotiable'.

(f) **Shares issued on exercise**

Shares issued on exercise of Options will rank equally in all respects with then existing fully paid ordinary shares in the Company.

(g) **Quotation of Shares**

Provided that the Company is quoted on ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.

(h) **Timing of issue of Shares**

Subject to clause (i), within 5 business days after the later of the following:

- (i) receipt by the Company of an Exercise Notice given in accordance with these terms and conditions and payment of the Exercise Price for each Option being exercised if the Company is not in possession of excluded information (as defined in section 708A(7) of the Corporations Act); and
- (ii) the date the Company ceases to be in possession of excluded information with respect to the Company (if any) following the receipt of the Notice of Exercise and payment of the Exercise Price for each Option being exercised by the Company,

the Company will:

- (iii) allot and issue the Shares pursuant to the exercise of the Options;
- (iv) give ASX a notice that complies with section 708A(5)(e) of the Corporations Act (to the extent that it is legally able to do so); and
- (v) apply for official quotation on the ASX of the Shares issued pursuant to the exercise of the Options.

(i) **Shareholder and regulatory approvals**

Notwithstanding any other provision of these terms and conditions, exercise of Options into Shares will be subject to the Company obtaining all required (if any) Shareholder and regulatory approvals for the purpose of issuing the Shares to the holder. If exercise of the Options would result in any person being in contravention of section 606(1) of the Corporations Act then the exercise of each Option that would cause the contravention will be deferred until such time or times that the exercise would not result in a contravention of section 606(1) of the Corporations Act. Holders must give notification to the Company in writing if they consider that the exercise of the Options may result in the contravention of section 606(1) of the Corporations Act, failing which the Company will be entitled to assume that the exercise of the Options will not result in any person being in contravention of section 606(1) of the Corporations Act.

(j) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 4 business days after the issue is announced. This is intended to give the holders of Options the opportunity to exercise their Options prior to the announced record date for determining entitlements to participate in any such issue.

(k) **Adjustment for bonus issues of Shares**

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (i) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the holder would have received if the holder had exercised the Option before the record date for the bonus issue; and
- (ii) no change will be made to the Exercise Price.

(l) **Adjustment for rights issue**

If the Company makes an issue of Shares pro rata to existing Shareholders there will be no adjustment to the Exercise Price.

(m) **Adjustment for reorganisation**

If there is any reconstruction of the issued share capital of the Company, the rights of the holders may be varied to comply with the Listing Rules which apply to the reconstruction at the time of the reconstruction.

(n) **Quotation**

The Company will not apply for quotation of the Options on ASX.

(o) **Transferability**

Options can only be transferred with the prior written consent of the Company (which consent may be withheld in the Company's sole discretion).

8.4 CONTINUOUS DISCLOSURE

The Company will be a 'disclosing entity' for the purposes of Part 1.2A of the Corporations Act. As such, it will be subject to regular reporting and disclosure obligations which will require it to disclose to ASX any information which it is or becomes aware of concerning the Company and which a reasonable person would expect to have a material effect on the price or value of the securities of the Company.

8.5 SUBSTANTIAL HOLDERS

Assuming that no Pre-IPO Investors apply for Shares under the Offer, it is anticipated that the only Pre-IPO Investors who will have a relevant interest in 5% or more of the total Shares on issue upon completion of the Offer are as follows:

Shareholder	Shares	Voting power at completion
Yehuda Shamai ¹	35,051,763	20.2%
Ido Levanon ²	22,450,830	12.94%
Guy Brandwin ³	14,162,810	8.16%
Niv Zilberstein	12,496,596	7.2%
Total	84,161,999	48.51%

Notes:

1. Yehuda Shamai is a Non-Executive Director of the Company. Yehuda's interest arises through his 85% shareholding interest in Tabasco Holdings Ltd (2,360,468 Shares) in addition to his own shareholding in the Company (32,691,295 Shares). Yehuda will also have a relevant interest in 8,333,333 Performance Shares upon completion of the Offer.
2. Ido Levanon is the Managing Director of the Company. Ido will also have a relevant interest in 8,333,334 Performance Shares upon completion of the Offer.
3. Guy Brandwin is Executive Vice President of Strategy & Technology for the Company. Guy will also have a relevant interest in 8,333,333 Performance Shares upon completion of the Offer.
4. The table assumes that no Pre-IPO Investors apply for Shares under the Offer. The relevant interest of a Pre-IPO Investor in Shares, and its voting power, will increase to the extent that the Director applies for, and is issued, Shares under the Offer.

Following completion of the Offer but prior to Shares commencing trading on ASX, the Company will announce to ASX details of its top 20 Shareholders by number of Shares.

8.6 INTERESTS OF EXPERTS AND ADVISERS

Other than as set out below or elsewhere in this Prospectus, no expert, promoter, underwriter or other person named in this Prospectus who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, holds at the date of this Prospectus, or has held in the 2 years prior to the date of this Prospectus, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer or Pre-IPO Investor Offer; or
- the Offer or Pre-IPO Investor Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such persons for services in connection with the formation or promotion of the Company or the Offer or Pre-IPO Investor Offer.

Trident Capital Pty Ltd has acted as corporate adviser to the Company in relation to the Offer. Fees payable to Trident Capital for these services are set out in Section 7.5.

BDO Corporate Finance (WA) Pty Ltd has prepared the Investigating Accountant's Report which is included in Section 3 of this Prospectus. Fees payable to BDO Corporate Finance (WA) Pty Ltd for these services are approximately A\$10,000 plus GST.

Price Sierakowski Corporate has acted as the Australian legal adviser to the Company in relation to the Offer. Fees payable to Price Sierakowski Corporate for these services are approximately A\$100,000 plus GST. Price Sierakowski Corporate may receive further fees for additional work done determined on the basis of hours spent at its ordinary hourly rates.

APM & Co has acted as the Israeli legal adviser to the Company in relation to the Offer. Fees payable to APM & Co for these services are approximately A\$343,161, which includes a bonus payment on the Company's successful listing of US\$240,000 (converted at OANDA Global's foreign currency exchange rate on 22 September 2016 of A\$1 = US\$0.7645). APM & Co may receive further fees for additional work done determined on the basis of hours spent at its ordinary hourly rates

Wrays Pty Ltd has prepared the Intellectual Property Expert's Report which is included in Section 4 of this Prospectus. Fees payable to Wrays Pty Ltd for these services are approximately A\$10,000 plus GST.

Global Access Advisers has acted as a corporate adviser to the Company in relation to the Offer. Fees payable to Global Access Advisers for these services are approximately A\$120,000.

8.7 CONSENTS

Each of the parties referred to below:

- does not make the Offer or Pre-IPO Investor Offer;
- does not make, or purport to make, any statement that is included in this Prospectus, or a statement on which a statement made in this Prospectus is based, other than as specified below or elsewhere in this Prospectus;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement contained in this Prospectus with the consent of that party as specified below; and
- has given and has not, prior to the lodgement of this Prospectus with ASIC, withdrawn its consent to the inclusion of the statements in this Prospectus that are specified below in the form and context in which the statements appear.

Trident Capital Pty Ltd has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the corporate adviser to the Company in the form and context in which it is named. Trident Capital has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to its name.

BDO Corporate Finance (WA) Pty Ltd has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the investigating accountant in the form and context in which it is named and to the inclusion of the Investigating Accountant's Report in the form and context in which it is included. BDO Corporate Finance (WA) Pty Ltd has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to its name and the Investigating Accountant's Report.

Price Sierakowski Corporate has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the Australian legal adviser to the Company in the form and context in which it is named. Price Sierakowski Corporate has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to its name.

APM & Co has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as Israeli legal adviser to the Company in the form and context in which it is named. APM & Co has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to its name.

Wrays Pty Ltd has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the intellectual property expert in the form and context in which it is named and to the inclusion of the Intellectual Property Expert's Report in the form and context in which it is included. Wrays Pty Ltd has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to its name and the Intellectual Property Expert's Report.

Advanced Share Registry Limited has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the Share Registry in the form and context in which it is named. Advanced Share Registry Limited has had no involvement in the preparation of any part of this Prospectus other than being named as the Share Registry. Advanced Share Registry Limited has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to its name.

There are a number of persons referred to elsewhere in this Prospectus who have not made statements included in this Prospectus and there are no statements made in this Prospectus on the basis of any statements made by those persons. These persons did not consent to being named in this Prospectus and did not authorise or cause the issue of this Prospectus.

8.8 EXPENSES OF THE OFFER

Assuming the Company achieves Full Subscription, the expenses of the Offer and Pre-IPO Investor Offer are expected to comprise the following amounts, which are exclusive of any GST payable by the Company.

Expense	Amount
Capital raising fees	\$360,000
Adviser fees (corporate, accounting, legal, other)	\$635,661
ASX and ASIC fees	\$92,050
Printing, design and miscellaneous	\$10,000
Total	\$1,097,711

Note: Trident Capital (and/or its nominees) will also receive 6,000,000 Shares as part of its capital raising fee.

8.9 LITIGATION

No company within the Group is involved in any litigation that is material for the purposes of this Prospectus, and the Directors are not aware of any circumstances that might reasonably be expected to give rise to such litigation.

8.10 TAXATION

The tax consequences of any investment in Shares will depend upon each applicant's particular circumstances. It is the responsibility of all persons to satisfy themselves of the particular taxation treatment that applies to them in relation to an investment in Shares under this Prospectus by consulting their own professional tax advisers. Accordingly, the Company strongly recommends that all applicants obtain their own tax advice before deciding on whether or not to invest. Neither the Company nor any of its Directors accepts any liability or responsibility in respect of the taxation consequences of an investment in Shares under this Prospectus.

8.11 FOREIGN INVESTOR RESTRICTIONS

This Prospectus does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. No action has been taken to register or qualify Shares that are offered under this Prospectus or otherwise permit a public offering of the Shares in any jurisdiction outside Australia.

8.11.1 ISRAEL

This Prospectus may not be circulated or distributed in Israel and the Shares offered by this Prospectus have not been offered or sold, and will not be offered or sold to any person for re-offering or resale, directly or indirectly, to any resident of Israel except pursuant to applicable Israeli laws and regulations.

The contents of this Prospectus have not been reviewed by any Israel regulatory authority. You are advised to exercise caution in relation to an investment under this Prospectus. If you are in any doubt about the contents of this Prospectus, you should obtain independent professional advice.

8.11.2 UNITED STATES OF AMERICA

This document may not be released or distributed in the United States. This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this document have not been, and will not be, registered under the US Securities Act and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements under the US Securities Act and applicable USA state securities laws.

9. DIRECTORS' AUTHORISATION

28 September 2016

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

Signed for and on behalf of Dragontail Systems Limited.

A handwritten signature in black ink, appearing to read 'Ido Levanon', written in a cursive style.

Ido Levanon
Managing Director

10. DEFINITIONS

Algo or **Algo Dispatching System** means the Company's restaurant optimisation algorithm known as 'Algo' or the 'Algo Dispatching System', which is described in Section 2.4.

Application Monies means the amount of money in dollars and cents payable for Shares under the Offer at \$0.20 each.

Application Form means the application form in the form accompanying this Prospectus pursuant to which investors may apply for Shares under the Offer.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited ABN 98 008 624 691, or the Australian Securities Exchange, as the context requires.

ASX Settlement means ASX Settlement Pty Limited ABN 49 008 504 532.

ASX Settlement Operating Rules means the settlement and operating rules of ASX Settlement.

AT&T means AT&T Mobility II, LLC.

Board means the board of Directors.

CHESS means the Clearing House Electronic Subregister System operated by ASX Settlement.

Closing Date means the date that the Offer and Pre-IPO Investor Offer closes which is 5.00pm (WST) on 26 October 2016, or such other time and date as the Board determines.

Convertible Note Agreement means a convertible note agreement between the Company and a sophisticated or professional investor, as summarised in Section 7.6.

Company means Dragontail Systems Limited ACN 614 800 136.

Constitution means the constitution of the Company.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a director of the Company.

DT Canada means Dragontail Systems Canada, Inc (Corporation No. 2525627).

DT Israel means Dragontail Systems Limited (Corporate No. 514981232).

DT USA means Dragontail Systems USA, Inc (File No. 6078823).

Exposure Period means the period of 7 days after the date of lodgement of this Prospectus, which period may be extended by ASIC by up to a further 7 days pursuant to section 727(3) of the Corporations Act.

FY means financial year (1 January to 31 December).

Full Subscription means the subscription of 30,000,000 Shares at an issue price of \$0.20 each to raise \$6,000,000 under the Offer.

Group or **Dragontail Systems Group** means the Company, DT Israel, DT USA and DT Canada.

Incentive Option means an Option on the terms and conditions set out in Section 8.3.

Israeli Pre-IPO Investors means the Pre-IPO Investors who are resident in Israel for tax purposes.

IT means information technology.

Listing Rules means the official listing rules of ASX.

Minimum Subscription has the same meaning as Full Subscription.

Offer means the offer of 30,000,000 Shares under this Prospectus at an issue price of \$0.20 each to raise \$6,000,000 before costs.

Opening Date means the date that the Offer and Pre-IPO Investor Offer opens which is 9:00am WST on 5 October 2016, subject to any extension of the Exposure Period by ASIC or as otherwise determined by the Board.

Option means an option to acquire a Share.

Paying Agent means 102 Capital Management.

Paying Agent Agreement means the paying agent agreement to be entered into between the Company, DT Israel, the Israeli Pre-IPO Investors and the Paying Agent, as summarised in Section 7.8.

Performance Share means a performance share on the terms and conditions set out in Section 8.2.

POS means point of sale.

Pre-IPO Investor means a person who invested in the Company or DT Israel prior to the Offer.

Pre-IPO Investor Application Form means the Pre-IPO Investor application form in the form accompanying this Prospectus pursuant to which Pre-IPO Investors may apply for Shares under the Pre-IPO Investor Offer

Pre-IPO Investor Offer means the offer of up to 136,844,621 Shares under this Prospectus to the Pre-IPO Investors either as consideration for their shares in DT Israel pursuant to the Share Exchange Agreement, or as consideration for funds advanced pursuant to a Convertible Note Agreement.

Prospectus means this prospectus dated 28 September 2016.

QSR means quick service restaurant.

Quality Control Camera means the quality control camera and additional wireless sensor described in Section 2.4.4.

R&D means research and development.

Rision means Rision Ltd ACN 090 671 819.

Section means a section of this Prospectus.

Share means a fully paid ordinary share in the capital of the Company.

Share Exchange Agreement means the share exchange agreement between the Company, DT Israel and the Vendors, as summarised in Section 7.6.

Shareholder means a holder of one or more Shares.

Share Registry means Advanced Share Registry Limited ABN 14 127 175 946.

Tabasco means Tabasco Holding Ltd.

Tax Ruling means the tax ruling expected to be received by DT Israel from the Israel Tax Authority under section 104B of the Israel Income Tax Ordinance 5721-1961, as described in Section 7.8.

Trident Capital means Trident Capital Pty Ltd ACN 100 561 733

USA means the United States of America.

Vendor means a holder of one or more shares in DT Israel as at the date of this Prospectus.

WST means Western Standard Time, being the time in Perth, Western Australia.

Yum means Yum Restaurant Services Group, Inc and its commonly owned affiliates.

APPLICATION FORM

Dragontail Systems Limited

ACN 614 800 136

Fill out this Application Form if you wish to apply for Shares in Dragontail Systems Limited under the Offer

- x Please read the Prospectus dated 28 September 2016.
- x Follow the instructions to complete this Application Form (see reverse).
- x Print clearly in capital letters using black or blue pen.

Offer closes at 5.00pm WST on 26 October 2016

A Number of Shares you are applying for

B Total amount

Minimum of 10,000 Shares to be applied for.

C Write the name(s) you wish to register the Shares in (see reverse for instructions)

Applicant 1

Name of Applicant 2 or < Account Designation >

Name of Applicant 3 or < Account Designation >

D Write your postal address here

Number / Street

Suburb/Town

State

Postcode

E CHESS participant – Holder Identification Number (HIN)

Important please note if the name & address details above in sections C & D do not match exactly with your registration details held at CHESS, any Shares issued as a result of your application will be held on the Issuer Sponsored subregister.

F Enter your Tax File Number(s), ABN, or exemption category

Applicant #1

Applicant #2

Applicant #3

G Cheque payment details – PIN Cheque(s) Here

Please enter details of the cheque(s) that accompany this Application Form. Make your cheque or bank draft payable to 'Dragontail Systems Limited – Subscription Account'.

Name of drawer of cheque

Cheque No.

Cheque Amount A\$

H Contact telephone number (daytime/work/mobile)

By submitting this Application Form, I/We declare that this application is completed and lodged according to the Prospectus and the instructions on the reverse of the Application Form and declare that all details and statements made by me/us are complete and accurate. I/We agree to be bound by the Constitution of Dragontail Systems Limited (Company). I/We was/were given access to the Prospectus together with the Application Form. I/We represent, warrant and undertake to the Company that our subscription for the above Shares will not cause the Company or me/us to violate the laws of Australia or any other jurisdiction which may be applicable to this subscription for Shares in the Company.

Guide to the Application Form

YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

Please complete all relevant sections of the appropriate Application Form using BLOCK LETTERS. These instructions are cross-referenced to each section of the Application Form.

Instructions

- A. If applying for Shares insert the number of Shares for which you wish to subscribe at Item A (not less than 10,000). Multiply by \$0.20 to calculate the total for Shares and enter the dollar amount at B.
- C. Write your full name. Initials are not acceptable for first names.
- D. Enter your postal address for all correspondence. All communications to you from the Company will be mailed to the person(s) and address as shown. For joint applicants, only one address can be entered.
- E. If you are sponsored in CHESS by a stockbroker or other CHESS participant, you may enter your CHESS HIN if you would like the allocation to be directed to your HIN.
- F. Enter your Australian tax file number (TFN) or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN / ABN of each joint applicant. Collection of TFN's is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application Form.
- G. Complete cheque details as requested. Make your cheque payable to 'Dragontail Systems Limited – Subscription Account', cross it and mark it 'Not negotiable'. Cheques must be made in Australian currency, and cheques must be drawn on an Australian Bank.
- H. Enter your contact details so we may contact you regarding your Application Form or Application Monies.

NB: Your registration details provided must match your CHESS account exactly.

Correct form of Registrable Title

Note that ONLY legal entities can hold Shares. The application must be in the name of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and surname is required for each natural person.

Examples of the correct form of registrable title are set out below:

Type of Investor	Correct form of Registrable Title	Incorrect form of Registrable Title
Individual	Mr John David Smith	J D Smith
Company	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings	Mr John David Smith & Mrs Mary Jane Smith	John David & Mary Jane Smith
Trusts	Mr John David Smith	John Smith Family Trust
Deceased Estates	<J D Smith Family A/C>	John Smith (deceased)
Partnerships	Mr Michael Peter Smith	John Smith & Son
Clubs/Unincorporated Bodies	<Est Lte John Smith A/C>	Smith Investment Club
Superannuation Funds	Mr John David Smith & Mr Ian Lee Smith	John Smith Superannuation Fund

Lodgement

Post or deliver your completed Application Form with cheque(s) attached to the following address:

Mail to:

Dragontail Systems Limited
c-/ Trident Capital
PO Box Z5183
St Georges Terrace
Perth WA 6831

Deliver to:

Dragontail Systems Limited
c-/ Trident Capital
Level 24 St Martins Tower
44 St Georges Terrace
Perth WA 6000

It is not necessary to sign or otherwise execute the Application Form. For questions on how to complete the Application Form, please contact Advance Share Registry on +61 8 9389 8033.

Privacy Statement

Chapter 2C of the *Corporations Act 2001* (Cth) requires information about you as a shareholder (including your name, address and details of the shares you hold) to be included in the public register of the entity in which you hold shares. Information is collected to administer your shareholding and if some or all of the information is not collected then it might not be possible to administer your shareholding. Your personal information may be disclosed to the entity in which you hold shares. You can obtain access to your personal information by contacting Advance Share Registry on +61 8 9389 8033. Our privacy policy is available online at www.dragontailsystems.com.

PRE-IPO INVESTOR APPLICATION FORM

Dragontail Systems Limited

ACN 614 800 136

Fill out this Application Form if you wish to apply for Shares under the Pre-IPO Investor Offer

x You must be a Pre-IPO Investor to apply under the Pre-IPO Investor Offer.

x Please read the Prospectus dated 28 September 2016.

x Follow the instructions to complete this Application Form (see reverse).

x Print clearly in capital letters using black or blue pen.

Offer closes at 5.00pm WST on 26 October 2016

A Number of Shares you are applying for

B Write the name(s) you wish to register the Shares in (see reverse for instructions)

Applicant 1

Name of Applicant 2 or < Account Designation >

Name of Applicant 3 or < Account Designation >

C Write your postal address here

Number / Street

Suburb/Town

State

Postcode

D CHESS participant – Holder Identification Number (HIN)

X

Important please note if the name & address details above in sections C & D do not match exactly with your registration details held at CHESS, any Shares issued as a result of your application will be held on the Issuer Sponsored subregister.

E Enter your Tax File Number(s), ABN, or exemption category

Applicant #1

Applicant #2

Applicant #3

F Contact telephone number (daytime/work/mobile)

By submitting this Application Form, I/We declare that this application is completed and lodged according to the Prospectus and the instructions on the reverse of the Application Form and declare that all details and statements made by me/us are complete and accurate. I/We agree to be bound by the Constitution of Dragontail Systems Limited (Company). I/We was/were given access to the Prospectus together with the Application Form. I/We represent, warrant and undertake to the Company that our subscription for the above Shares will not cause the Company or me/us to violate the laws of Australia or any other jurisdiction which may be applicable to this subscription for Shares in the Company.

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Instructions

- A. If applying for Shares insert the number of Shares for which you wish to subscribe at Item A.
- B. Write your full name. Initials are not acceptable for first names.
- C. Enter your postal address for all correspondence. All communications to you from the Company will be mailed to the person(s) and address as shown. For joint applicants, only one address can be entered.
- D. If you are sponsored in CHESS by a stockbroker or other CHESS participant, you may enter your CHESS HIN if you would like the allocation to be directed to your HIN.
- E. Enter your Australian tax file number (TFN) or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN / ABN of each joint applicant. Collection of TFN's is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application Form.
- F. Enter your contact details so we may contact you regarding your Application Form.

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Joint Holdings	Mr John David Smith & Mrs Mary Jane Smith	John David & Mary Jane Smith
Trusts	Mr John David Smith	John Smith Family Trust
Deceased Estates	<J D Smith Family A/C>	John Smith (deceased)
Partnerships	Mr Michael Peter Smith	John Smith & Son
Clubs/Unincorporated Bodies	<Est Lte John Smith A/C>	Smith Investment Club
Superannuation Funds	Mr John David Smith & Mr Ian Lee Smith	John Smith Superannuation Fund

Lodgement

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Deliver to:

Dragontail Systems Limited
c-/ Trident Capital
Level 24 St Martins Tower
44 St Georges Terrace
Perth WA 6000

It is not necessary to sign or otherwise execute the Application Form. For questions on how to complete the Application Form, please contact Advance Share Registry on +61 8 9389 8033.

Privacy Statement

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