

ASX ANNOUNCEMENT

## **Dragontail completes a transformational year**

**Successfully completed rollout of Algo platform to all Pizza Hut corporate owned stores**

**Further strengthened relationship with KFC – initial stores performing well in Singapore**

**Signed agreement with Domino's Pizza Enterprises to rollout QT camera system**

**Succesfully raised \$8.8m in heavily oversubscribed placement**

**Expanded global reach with office openings in Singapore, Melbourne and Brisbane**

28 February 2018 (Melbourne): Dragontail Systems Limited (ASX: DTS) is pleased to announce its results for the 12 months ended 31 December 2017 (2017) – a transformational year that saw the Company progress its vision of setting a new standard in Quick Service Restaurants (QSR) management and delivery operations worldwide.

Commenting on the Company's performance in 2017, Dragontail CEO Ido Levnanon said: "The past year was a period of tremendous change for our company. We are very focused on executing on our vision, and the success we have had with iconic global QSR companies has positioned the company strongly as commercialisation of our technologies ramp up."

Total revenue was up 156% to \$306,620 as the Company began to commercialise and scale its unique food preparation and delivery optimisation technologies. The total loss for 2017 was \$4,858,141 (2016: loss of \$2,662,169) reflecting the Company's increased global activities and resourcing as Dragontail executed on the growth opportunities available to it with large global QSR / foodservice customers globally.

### **Multiple milestones achieved in 2017**

During 2017, Dragontail successfully executed its focused global growth strategy, with several notable successes including:

- Completion of the Algo platform rollout across all Pizza Hut Corporate Stores in Canada
- Completion of complex IT/POS integrations required by KFC Asia
- Selected as the only delivery management platform to participate at KFC Asia's regional "store of tomorrow" convention held in Bangkok in late January
- Signing an agreement with Domino's Pizza Enterprise (ASX: DMP) covering the QT quality control camera system. The QT is a unique quality control sensor and camera system that monitors key elements during the preparation and cooking process to improve the quality and consistency of pizzas and other meals. Under the agreement, the QT camera, to be known in Domino's as the "Pizza Checker" will be rolled out to all Domino's Australia stores this year, in

addition to the potential of a much broader rollout of this technology across the seven countries DMP operates in, and other Domino's markets globally (over 13,000 stores)

- Reached advanced integration stage with Cara Operations, the largest QSR/fast casual company in Canada
- Developed new modules for the Algo platform in order to provide further value to store owners and operators, including resource scheduling, intelligent management of the delivery system, driver pool management, etc.
- Expanded the Company's global reach with office openings in Singapore, Melbourne and Brisbane (Australia) to more closely manage the projects with regional customers and to create a larger R&D platform

### **Positioned for substantial growth in 2018**

With 1,030 stores contracted at the end of 2017, the Company has a strong backlog of stores to be installed that will underpin rapid scaling of Dragontail's technology platform.

Commenting on the Company's progress over 2017, and with the Company strongly positioned to deliver substantial growth in 2018, Mr Levanon said: "Dragontail is currently in the midst of an exciting period in its history. We have the necessary resources to realise the exciting potential we see ahead us. Our successful heavily oversubscribed fundraising last year, combined with the strong relationships we have with major strategic customers like Pizza Hut, KFC, Cara Operations and Domino's Pizza Enterprises put us in a strong position to deliver rapid growth and move the company to breakeven."

- ENDS -

### **For further information please contact:**

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### **About Dragontail Systems**

Dragontail is revolutionising the Quick Service Restaurant (QSR) industry with its 'Algo' system and computer-vision QT quality system that uses artificial intelligence (AI) machine learning.

The 'Algo' system uses a sophisticated patented algorithm to optimise and manage the entire food preparation process from order to delivery. It is the first system in the world to fully automate and streamline the kitchen flow to deliver an immediate and significant return on investment to fast food and quick service restaurants.

The QT system's sensor and camera automatically monitor the preparation and cooking process in the kitchen to improve the quality and consistency of meals. Using proprietary advanced AI machine-learning technology, the system keeps improving its diagnostics, becoming even more efficient.

For more information, visit [www.dragontailsystems.com](http://www.dragontailsystems.com).

Dragontail Systems Limited and its Controlled Entities  
ACN 614 800 136

Appendix 4E – Preliminary Final Report for the Year Ended 31 December 2017

<b>Results for announcement to market</b>	<b>Up / Down</b>	<b>% Change</b>	<b>2017 \$</b>	<b>2016 \$</b>
Revenue from ordinary activities	Up	156%	306,620	119,875
Loss after tax from ordinary activities attributable to members	Up	82%	(4,858,141)	(2,662,169)
Loss attributable to members	Up	82%	(4,858,141)	(2,662,169)

<b>Dividend Information</b>	<b>Amount per share</b>	<b>Franked Amount per share</b>
Dividend – current reporting period	Nil	Nil
Dividend – previous reporting period	Nil	Nil

<b>Net Tangible Asset Backing per Ordinary Share</b>	<b>cents</b>
Net tangible asset backing per ordinary share – current reporting period	2.86
Net tangible asset backing per ordinary share – previous reporting period	2.26

### Commentary on the Results for the Period

#### *Year ended 31 December 2016*

On 12 December 2016, Dragontail System Limited (“DTS Australia”) acquired 100% of the issued capital of Dragontail Systems Limited (Company no. 514981232) (“DTS Israel”) in exchange for 130,000,000 ordinary shares.

For accounting purposes, DTS Israel has been identified as the accounting acquirer of the consolidated group. The accompanying consolidated financial statements represent a continuation of DTS Israel’s financial statements. The consolidated results reflect a full year of DTS Israel plus DTS Australia from the date of incorporation, 14 September 2016 to 31 December 2016. The comparative period results reflect DTS Israel only.

The loss for the prior year was attributable to increased costs in relation to the acquisition that occurred during that year.

#### *Year ended 31 December 2017*

Following the public listing of the Group in December 2016, Dragontail Systems has extensively accelerated operations globally and therefore has incurred significant additional expenditure as part of operating activities.

### Audit

This Preliminary Final Report is based on the Annual Financial Report which is in the process of being audited.



**Ido Levanon**

**Managing Director**

Dated at Israel this 28<sup>th</sup> day of February 2018

### Principal activities

The Group's principal activities are research and development of software for customers in the field of QSR (quick service restaurants).

### Operating results and financial position

Total revenue was up 156% to \$306,620 as the Company began to commercialise and scale its unique food preparation and delivery optimisation technologies.

The total loss for the year was \$4,858,139 (2016: loss of \$2,662,169). The loss for the year is attributable to increased global activities and resourcing as Dragontail executed on the growth opportunities available to it with large global QSR / foodservice customers.

### Review of operations

During the year ended 31 December 2017, Dragontail focused its efforts on winning new business from large, well known QSR and foodservice companies. Two such wins were:

- 1) Domino's Pizza Enterprises (operating in 7 countries and headquartered in Australia) for the Company's QT camera system
- 2) Cara Operations (Canada's largest fast casual foodservice operator) for the Company's Algo platform, commencing with the rollout of Algo Light through two of its five brands.

At the same time, the Company ensured existing customers, which include Yum! Brands – KFC and Pizza Hut – as well as Domino's, Burger King, and others.

To support the Company's global growth opportunities, on 31 October 2017, Dragontail successfully raised A\$8.8 million in a heavily oversubscribed capital raising that was strongly supported by existing shareholders as well as a number of new sophisticated and institutional investors from Australia and offshore.

Dragontail continued to undertake R&D to support its unique technologies that utilize machine-learning artificial intelligence [AI] to optimize food preparation and delivery. The Company's R&D efforts led to the release of its proprietary world class camera quality control system, now being rolled out to all Domino's Pizza Enterprises' Australian stores as the first phase with this company.

In order to drive global growth without the need for a large global sales team, Dragontail has successfully put in place a number of strategic partnerships and integrations with companies that operate ordering systems based on web platforms, POS companies and others.

Over 2017, Dragontail achieved a number of key milestones that strongly position the Company to deliver exponential growth in 2018. These include:

- The successful completion of the Algo platform rollout across all Pizza Hut Corporate Stores in Canada
- The successful completion of complex IT/POS integrations required by KFC Asia and specific benefits being delivered and realized in the first two KFC Singapore stores using the Algo platform
- Selected as the only delivery management platform to participate at KFC Asia's regional "store of tomorrow" convention held in Bangkok in later January
- Signing an agreement with Domino's Pizza Enterprise (ASX: DMP) covering the QT quality control camera system. The QT is a unique quality control sensor and camera system that monitors key elements during the preparation and cooking process to improve the quality and consistency of pizzas and other meals. Under the agreement, the QT camera, to be known in Domino's as the "Pizza Checker" will be rolled out to all Domino's Australia stores this year, in addition to the potential of a much broader rollout of this technology across the seven countries DMP operates in, and other Domino's markets globally (over 13,000 stores)
- Reached advanced integration stage with Cara Operations, the largest QSR/fast casual company in Canada
- Developed new modules for the Algo platform in order to provide further value to store owners and operators, including resource scheduling, intelligent management of the delivery system, driver pool management, etc.
- Expanding the company's global reach with office openings in Singapore, Melbourne and Brisbane (Australia) to more closely manage the projects with regional customers and to create a larger R&D platform

Dragontail Systems Limited and its Controlled Entities  
ACN 614 800 136

Appendix 4E – Preliminary Final Report for the Year Ended 31 December 2017

*Corporate*

On 31 October 2017, the Company issued 40,000,000 fully paid ordinary shares at \$0.22 per share after successfully completing heavily oversubscribed placement to sophisticated and institutional investors raising \$8.8 million.

Dragontail Systems Limited and its Controlled Entities  
ACN 614 800 136

Appendix 4E – Preliminary Final Report for the Year Ended 31 December 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

		Year ended	
		31 December	
		2017	2016
	Note	USD	
Revenues		306,620	119,875
<b>Expenses</b>			
Research and development expenses	9	(811,474)	(884,459)
Selling and marketing expenses	10	(671,748)	(435,595)
Operating expenses	11	(1,985,902)	-
General and administrative expenses	12	(1,425,632)	(1,426,048)
Share based payment	7	(178,135)	(118,240)
<b>Total operating expenses</b>		<b>(5,072,891)</b>	<b>(2,864,342)</b>
<b><u>Operating loss</u></b>		<b>(4,766,271)</b>	<b>(2,744,467)</b>
Net finance expenses		19,161	(4,615)
<b><u>Loss before taxes on income</u></b>		<b>(4,747,110)</b>	<b>(2,749,082)</b>
Taxes on income		-	-
<b><u>Loss for the year</u></b>		<b>(4,747,110)</b>	<b>(2,749,082)</b>
Other comprehensive income (loss):			
<i>Amount that will not be reclassified subsequently to profit or loss:</i>			
Adjustments arising from translating financial statements from functional currency to presentation		(111,031)	86,913
<b>Total comprehensive loss for the period</b>		<b>(4,858,141)</b>	<b>(2,662,169)</b>
Loss per share (diluted and undiluted)	8	(2.69) cents	(2.08) cents

**The accompanying notes are an integral part of the consolidated financial statements.**

Dragontail Systems Limited and its Controlled Entities  
ACN 614 800 136

Appendix 4E – Preliminary Final Report for the Year Ended 31 December 2017

Consolidated Statement of Financial Position

		As at 31 December	
		2017	2016
	Note	USD	
<b><u>Current Assets</u></b>			
Cash and cash equivalents	2	6,404,417	4,175,428
Trade receivables		44,725	20,367
Inventory		1,196	-
Other receivables		92,202	97,428
<b>Total Current Assets</b>		<b>6,542,540</b>	<b>4,293,223</b>
<b><u>Non Current Assets</u></b>			
Other receivables		12,193	6,172
Property, Plant and Equipment	3	76,521	35,735
<b>Total Non-Current Assets</b>		<b>88,714</b>	<b>41,907</b>
<b>Total Assets</b>		<b>6,631,254</b>	<b>4,335,130</b>
<b><u>Current Liabilities</u></b>			
Short-term credit from banks		-	(24,739)
Trade payables		(294,222)	(185,321)
Other payables	4	(250,184)	(196,289)
<b>Total Current Liabilities</b>		<b>(544,406)</b>	<b>(406,349)</b>
<b>Net Assets/(Liabilities)</b>			
		<b>6,086,848</b>	<b>3,928,781</b>
<b><u>Equity</u></b>			
Issued capital	5	14,717,002	7,875,123
Reserves	6	264,645	201,347
Retained earnings		(8,894,799)	(4,147,689)
<b>Total Equity</b>		<b>6,086,848</b>	<b>3,928,781</b>

The accompanying notes are an integral part of the consolidated financial statements.



Dragontail Systems Limited and its Controlled Entities  
ACN 614 800 136

Appendix 4E – Preliminary Final Report for the Year Ended 31 December 2017

Consolidated Statement of Changes in Equity

	Share Capital	Foreign currency translation reserve	Share based payments reserve	Accumulated Losses	Total
	USD	USD	USD	USD	USD
<b>Balance as at 1 January 2016</b>	<b>908,213</b>	-	-	<b>(1,398,607)</b>	<b>(490,394)</b>
<b>Comprehensive income</b>					
Loss for the year	-	86,913	-	(2,749,082)	(2,662,169)
<b>Total comprehensive loss for the year</b>	-	86,913	-	(2,749,082)	(2,662,169)
<b>Transactions with owners, in their capacity as owners, and other transfers</b>					
Issue of share capital	7,235,472	-	-	-	1,432,810
Conversion of convertible loans	402,336	-	-	-	402,336
Share issue costs	(670,898)	-	-	-	(670,898)
Options issued	-	-	118,240	-	118,240
Foreign exchange movements	-	(3,806)	-	-	(3,806)
<b>Transactions with owners and other transfers</b>	<b>6,966,910</b>	<b>(3,806)</b>			
<b>Balance as at 31 December 2016</b>	<b>7,875,123</b>	<b>83,107</b>	<b>118,240</b>	<b>(4,147,689)</b>	<b>3,928,781</b>
<b>Balance as at 1 January 2017</b>	<b>7,875,123</b>	<b>83,107</b>	<b>118,240</b>	<b>(4,147,689)</b>	<b>3,928,781</b>
<b>Comprehensive income</b>					
Loss for the year	-	-	-	(4,747,110)	(4,747,110)
<b>Total comprehensive loss for the year</b>	-	-	-	(4,747,110)	(4,747,110)
<b>Transactions with owners, in their capacity as owners, and other transfers</b>					
Issue of share capital	6,850,553	-	-	-	6,850,553
Share issue costs	(8,674)	-	-	-	(8,674)
Options issued	-	-	174,329	-	174,329
Foreign exchange movements	-	(111,031)	-	-	(111,031)
<b>Transactions with owners and other transfers</b>	<b>6,841,879</b>	<b>(111,031)</b>	<b>174,329</b>	<b>-</b>	<b>6,905,177</b>
<b>Balance as at 30 December 2017</b>	<b>14,717,002</b>	<b>(27,924)</b>	<b>292,569</b>	<b>(8,894,799)</b>	<b>6,086,848</b>

The accompanying notes are an integral part of the consolidated financial statements.

Dragontail Systems Limited and its Controlled Entities  
ACN 614 800 136

Appendix 4E – Preliminary Final Report for the Year Ended 31 December 2017

Consolidated Statement of Cash Flows

	<b>Year ended 31 December</b>	
	<b>2017</b>	<b>2016</b>
	<b>USD</b>	
<b><u>Cash flows from operating activities</u></b>		
Receipts from customers	262,262	79,920
Payments to suppliers and employees	(4,754,223)	(1,564,789)
Increase in inventory	1,196	-
Interest paid	-	(9,833)
Interest received	4,144	226
<b>Net cash used in operating activities</b>	<b>(4,486,621)</b>	<b>(1,494,475)</b>
<b><u>Cash flows from investing activities:</u></b>		
Payments for property, plant and equipment	(63,949)	(26,312)
<b>Net cash used in investing activities</b>	<b>(63,949)</b>	<b>(26,312)</b>
<b><u>Cash flows from financing activities:</u></b>		
Proceeds from issue of share capital	6,850,553	5,751,070
Proceeds from convertible loan	-	620,750
Share issue costs	(8,674)	(670,898)
Receipt (Repayment) of short-term credit from banks	(24,739)	(12,477)
<b>Net cash provided by financing activities</b>	<b>6,817,140</b>	<b>5,688,445</b>
Exchange differences on balances of cash and cash equivalents	(37,581)	7,319
<b>Decrease/Increase in cash and cash equivalents</b>	<b>2,228,989</b>	<b>4,174,977</b>
Cash and cash equivalents at the beginning of the year	4,175,428	451
<b>Cash and cash equivalents at the end of the year</b>	<b>6,404,417</b>	<b>4,175,428</b>

The accompanying notes are an integral part of the consolidated financial statements.

## CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The directors make a number of estimates and assumptions in preparing general purpose financial statements. The resulting accounting estimates, will, by definition, seldom equal the related actual results. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and future periods if relevant.

### Basis of preparation

The consolidated financial statements and notes of Dragontail Systems Limited (the “Company”), and its legal subsidiaries (the “Group”) as presented in this Appendix 4E are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. Australian Accounting Standards are equivalent to International Financial Reporting Standards (“IFRS”). Compliance with Australian Accounting Standards ensures that these financial statements comply with International Financial Reporting Standards

The following key judgement and estimate was made in preparing these financial statements:

### Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all the subsidiaries that DTS Australia has the power to control the Group when it is exposed to, or has rights to, variable returns from its involvement with the Group and has the ability to affect those returns through its power to direct the activities of the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the Group. For the year ended 31 December 2016, the Group had been restructured as part of an IPO process with DTS Australia being incorporated on 14 September 2016. During the prior year, DTS Australia acquired DTS Israel and its subsidiaries. The transaction represented a common control transaction and had been accounted for as a continuation of DTS Israel.

The consolidated results of the year ended 31 December 2017 reflect a full year of the Group and the comparative year results reflect DTS Israel plus DTS Australia from the date of incorporation.

### Share based payment expenses

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instrument at the date at which they are granted when the fair value of goods and/or services cannot be determined. The fair value of options granted is measured using the Black-Scholes option pricing model. The model uses assumptions and estimates as inputs.

The fair value of performance shares is measured valued at the date of issue. The model uses assumption and estimates as input.

### Presentation and Functional Currency

The consolidated financial statements are presented in United States Dollars (USD), which is DTS Israel’s functional and presentational currency.

The functional currency of DTS Australia is the Australian Dollar (AUD). The functional currency of DTS USA is the United States Dollar. The functional currency of DTS Canada is the Canadian Dollar (CAD).

### Note 1

The consolidated financial statements include financial statements of DTS Israel and the following subsidiary:

<i>Name</i>	<i>Country of Incorporation</i>	<i>% Equity Interest</i>	
		<i>2017</i>	<i>2016</i>
Dragontail Systems Limited (“DTS Israel”)	Israel	100%	100%
DragonTail Systems USA Inc. (“DTS USA”)	USA	100%	100%
DragonTail Systems Canada Inc. (“DTS Canada”)	Canada	100%	100%

**Note 2**

**Cash and cash equivalents**

	<b>As of 31 December</b>	
	<b>2017</b>	<b>2016</b>
	<b>USD</b>	
Cash and cash equivalents	6,404,417	4,175,428
	<b>6,404,417</b>	<b>4,175,428</b>

**Note 3 – Property, Plant and Equipment**

	<b>Computers</b>	<b>Furniture</b>	<b>Leasehold improvements</b>	<b>Total</b>
	<b>USD</b>			
<b><u>Cost</u></b>				
Balance as at 1 January 2017	38,598	11,835	3,143	53,576
Additions	36,942	14,329	12,677	63,949
Disposals				
Balance as at 31 December 2017	75,540	26,164	15,820	117,525
<b><u>Accumulated Depreciation</u></b>				
Balance as at 1 January 2017	15,944	1,373	524	17,841
Additions	19,305	-36	3,894	23,163
Disposals				
Balance as at 31 December 2017	35,249	1,337	4,418	41,004
<b><u>Property, Plant and Equipment as at 31 December 2017</u></b>	<b>40,291</b>	<b>24,827</b>	<b>11,402</b>	<b>76,521</b>
<b><u>Cost</u></b>				
Balance as at 1 January 2016	21,763	5,501	1,427	28,691
Additions	16,835	6,334	3,143	26,312
Disposals	-	-	(1,427)	(1,427)
Balance as at 31 December 2016	38,598	11,835	3,143	53,576
<b><u>Accumulated Depreciation</u></b>				
Balance as at 1 January 2016	6,951	567	292	7,810
Additions	8,993	806	1,659	11,458
Disposals	-	-	(1,427)	(1,427)
Balance as at 31 December 2016	15,944	1,373	524	17,841
<b><u>Property, Plant and Equipment as at 31 December 2016</u></b>	<b>22,654</b>	<b>10,462</b>	<b>2,619</b>	<b>35,735</b>

**Note 4 - Other payables**

	<b>As of December 31</b>	
	<b>2017</b>	<b>2016</b>
	<b>USD</b>	
Payroll liabilities	(166,888)	(64,999)
Provision for annual leave	(83,296)	(43,438)
Accrued expenses	-	(83,407)
	<b>(250,184)</b>	<b>(196,289)</b>

Appendix 4E – Preliminary Final Report for the Year Ended 31 December 2017

**Note 5 - Share Capital**

Composition:

	As at 31 December		As at 31 December	
	2017		2016	
	No	USD	No	USD
Ordinary shares	213,500,000	14,717,002	173,500,000	7,875,123

A reconciliation of the movement in capital and reserves for the Company can be found in the Statement of Changes in Equity.

Movement in share capital:

	December 2016	
	No.	USD
Opening balances as at 1 January 2016	497,118	908,213
Conversion of convertible loans <sup>1</sup>	38,424	402,336
April Issue <sup>2</sup>	43,387	383,569
Additional April Issue <sup>3</sup>	6,379	-
July Issue <sup>4</sup>	68,884	1,104,841
August Issue <sup>5</sup>	1,187	19,965
Less: share issued cost	-	(75,565)
Total at time of acquisition of DTS Israel by DTS Australia	655,379	2,743,359
Completion of acquisition of DTS Israel by DTS Australia	(655,379)	
Issue of shares – acquisition of DTS Israel <sup>6</sup>	130,000,000	-
Issue of shares – Public Offer <sup>6</sup>	30,000,000	4,318,260
Issue of shares – Facilitation Offer <sup>6</sup>	6,000,000	863,652
Issue of shares – Conversion of Convertible Notes <sup>7</sup>	7,500,000	620,750
Less: share issued cost		(670,898)
	173,500,000	7,875,123

Movement in share capital:

	December 2017	
	No.	USD
Opening balances as at 1 January 2017	173,500,000	7,875,123
Issue of shares – Placement <sup>8</sup>	40,000,000	6,850,553
Less: share issued cost	-	(8,674)
	213,500,000	14,717,002

- 1 In April 2016, convertible loans from shareholders were converted into 38,424 ordinary shares.
- 2 In April 2016, 43,387 ordinary shares were issued for a total amount of approximately USD 343,000.
- 3 In April 2016, the Company issued 6,379 ordinary shares to 3 Shareholders at no cost, due to exercise of pre-emptive rights.
- 4 During 2016, the Company signed Share Purchase Agreements with Shareholders and other investors (Hereinafter- "the Investors"). As at year end 2016, the Company received from the investors a total amount of approximately USD1,105,000 and 68,884 ordinary shares value were issued.
- 5 In August 2016, 1,187 ordinary shares issued for a total amount of approximately USD 20,000.
- 6 Pursuant to the Company's Prospectuses and on 12 December 2016, 130,000,000 Vendor shares were issued, 6,000,000 Public Officer shares were issued and 6,000,000 Facilitation shares were issued.
- 7 On 12 December 2016, 7,500,000 shares were issued on conversion of convertible notes at AUD\$0.115 per share.
- 8 On 31 October 2017, 40,000,000 shares were issues at AUD\$0.22 per share, under a Placement.

**Note 6 - Reserves**

	As at 31 December	
	2017	2016
	USD	
Foreign currency translation reserve <sup>1</sup>	(27,924)	(83,107)
Share based payment reserve <sup>2</sup>	292,569	(118,240)
Total reserves	(264,645)	(201,347)

<sup>1</sup> The foreign currency exchange reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the effect of hedging net investments in foreign operations.

<sup>2</sup> This reserve is used to record the value of equity benefits for options and performance shares issued for nil cash consideration.

**Note 7 – Options**

On 12 December 2016, 1,500,000 incentive options were issued by DTS Australia to Paul Steele as part of his remuneration and to incentivise his performance as contemplated by its Prospectus dated 28 September 2016 and Supplementary Prospectus dated 28 October 2016. The issue of options is valued at AUD \$164,512 (approximately USD118,659). The fair value of the options is determined using the Black-Scholes option valuation methodology and applying the following inputs:

	Options
Exercise Price	\$0.25
Expiry Date	31 Dec 18
Risk Free Rate	1.82%
Volatility	110%
Total Value of Options (AUD)	\$164,512
Total Value of Options (USD)	\$118,659

On 4 September 2017, 1,500,000 options were issued pursuant to a corporate mandate for the provision of investor relations, strategic communications and media relations services. The issue of options is valued at AUD \$229,500 (approximately USD173,910).

	Options
Exercise Price	\$0.40
Expiry Date	4 Sept 2020
Risk Free Rate	1.79%
Volatility	100%
Total Value of Options (AUD)	\$229,500
Total Value of Options (USD)	\$173,910

**Note 8 - Loss per share**

**Basic loss per share:**

The loss and weighted number of ordinary shares used in the calculation of basic loss per share are as follows:

	<b>As of December 31</b>	
	<b>2017</b>	<b>2016</b>
	<b>USD</b>	
Loss attributable to ordinary equity holders	(4,858,139)	(2,749,082)
Balance as at 1 January/balance before transaction	173,500,000	-
Effect of shares issued for the acquisition (130,000,000 shares) (i)	-	130,000,000
Effect of shares for the IPO (43,500,000*19/365 days)	-	2,264,384
Effect of shares issued during the year	6,794,521	-
	180,294,521	132,264,384
Basic loss per share calculation (cents) (loss/weighted ave shares)	(2.69)	(2.08)

(i) Includes the effect of the transaction (under continuation accounting) for the purposes of the comparative earnings per share

**Note 9 - Research and development expenses**

	<b>Year ended December 31</b>	
	<b>2017</b>	<b>2016</b>
	<b>USD</b>	
Payroll and related expenses	250,811	473,093
Subcontractors	107,200	187,794
Travel abroad	1,369	107,707
Rent	-	42,698
Electricity and Maintenance	-	11,784
Taxes and fees	-	3,792
Insurance	-	16,086
Communication and postage	-	10,211
Office expenses	-	13,928
Depreciation	-	11,458
Others	452,094	5,908
	811,474	884,459

**Note 10 - Selling and marketing expenses**

	<b>Year ended December 31</b>	
	<b>2017</b>	<b>2016</b>
	<b>USD</b>	
Payroll and related expenses	156,716	176,358
Subcontractors	70,230	239,619
Transportation	3,050	4,940
Travel abroad	262,194	14,678
Other advertising and marketing expenses	179,558	-
	671,748	435,595

**Note 11 – Operating expenses**

	<b>Year ended December 31</b>	
	<b>2017</b>	<b>2016</b>
	<b>USD</b>	
Traveling abroad	501,236	-
Subcontractors	108,716	-
Payroll and related exp.	1,250,817	-
Other communication operation expenses	125,133	-
	<u>1,985,902</u>	<u>-</u>

**Note 12 - General and administrative expenses**

	<b>Year ended December 31</b>	
	<b>2017</b>	<b>2016</b>
	<b>USD</b>	
Payroll and related expenses	412,360	142,229
Subcontractors	109,389	6,509
Professional services	128,489	1,156,293
Rent	147,421	79,931
Electricity and Maintenance	20,269	16,328
Taxes and fees	182,204	14,406
Insurance	47,365	10,352
Communication and postage	60,623	-
Office expenses	72,338	-
Depreciation	23,163	-
Travel abroad	25,013	-
Public company expenses	91,181	-
Director fees	105,817	-
	<u>1,425,632</u>	<u>1,426,048</u>

**Note 13 - Segment information**

The operating segments are identified on the basis of information that is reviewed by the chief operating decision maker ("CODM") to make decisions about resources to be allocated and assess its performance. Accordingly, for management purposes, the Company is organised into operating segments based on the services of the business units. The company recognises activities of software for customers in the field of QSR (quick service restaurant) as the only reporting segment.

	<b>Segment revenue</b>		<b>Segment Expenses</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>USD</b>		<b>USD</b>	
<b>Segment Revenue and Results</b>				
Software research and development	306,620	119,875	(811,474)	(884,459)
Total for continuing operations	306,620	119,875	(811,474)	(884,459)
Finance expenses (net of finance income)	-	-	19,161	(4,614)
Selling and marketing expenses	-	-	(671,748)	(435,595)
General and administrative expenses	-	-	(1,425,632)	(1,426,048)
Operation expenses	-	-	(1,985,902)	-
Share based payment	-	-	(178,135)	(118,240)
<b>Loss before tax (continuing operations)</b>	<b>306,620</b>	<b>119,875</b>	<b>(5,053,730)</b>	<b>(2,782,044)</b>



Appendix 4E – Preliminary Final Report for the Year Ended 31 December 2017

	<b>2017</b>	<b>2016</b>
	<b>USD</b>	
<b>Segment Assets</b>		
Unallocated assets	6,631,254	4,335,130
<b>Total assets</b>	<u>6,631,254</u>	<u>4,335,130</u>
	<b>2017</b>	<b>2016</b>
	<b>USD</b>	
<b>Segment Liabilities</b>		
Unallocated liabilities	(544,406)	(406,349)
<b>Total liabilities</b>	<u>(544,406)</u>	<u>(406,349)</u>

Geographic information

Revenues reported in the financial statements derive from the Company's country of domicile (Israel) and foreign countries based on the location of the customers, are as follows:

	<b>Year ended December 31</b>	
	<b>2017</b>	<b>2016</b>
	<b>USD</b>	
Israel	50,162	60,488
Australia	57,491	-
Canada	194,647	53,861
USA	4,320	5,526
<b>Total revenues</b>	<u>306,620</u>	<u>119,875</u>

Revenues from major customers which each account for 10% or more of total revenues as reported in the financial statements:

	<b>2017</b>	<b>2016</b>
	<b>USD</b>	
Customer A	6,648	13,406
Customer B	57,491	-
Customer C	194,647	53,861
Customer D	12,798	16,535