

23 March 2020

DRAGONTAIL ENTERS INTO BINDING SUBSCRIPTION AGREEMENT FOR FUNDING LED BY STRATEGIC US INVESTORS

Highlights

- Dragontail is pleased to announce that a binding subscription agreement has been entered into for a two-stage investment of up to A\$19.25m via the issue of convertible preference shares.
- The agreement follows the term sheet announced by the Company on 22 January 2020.
- The raise is led by strategically important US-based investors, Eldridge Industries (together with its affiliates, "Eldridge") and Goudy Park Capital LP (together with its affiliates, "Goudy").
- Stage 1 of the funding will raise A\$12m comprised of Eldridge's investment of A\$5.25m, Goudy's investment of A\$4.75m and a A\$2m investment by Alceon Liquid Strategies Pty Ltd as trustee of the Alceon High Conviction Absolute Return Fund ("Alceon").
- The issue price of the convertible preference shares is A\$0.13.
- The Company will use the funds to repay its existing A\$4.3m corporate loan with Alceon and the US\$2m bridge loan provided by Eldridge, thus discharging all third-party borrowings. The funding will also support the Company's operations, including its planned expansion into the US and its ongoing growth in other markets.
- The agreement was entered into after completion of a confirmatory due diligence by the investors.

23 March 2020 (Australia): Dragontail Systems Limited (ASX: DTS, the "**Company**" or "**Dragontail**") is pleased to announce that the Company has entered into a long form binding subscription agreement ("**Agreement**") for a two-stage equity raising to raise up to A\$19.25m via the issue of convertible preference shares ("**Preference Shares**") by the Company to Eldridge, a holding company that invests in growing businesses based in Greenwich, CT, Goudy, an investment advisory firm based in Chicago with very strong US based F&B connections, and Alceon, the Company's largest Australia-based shareholder. The Agreement was entered into following the term sheet announced by the Company on 22 January 2020 ("**Term Sheet**").

Stage 1 of the funding will raise A\$12m and is comprised of (i) Eldridge's investment of A\$5.25m, (ii) Goudy's investment of A\$4.75m, and (iii) Alceon's investment of A\$2m. This funding will serve as a catalyst for Dragontail's entry into the US given Eldridge's experience in the F&B sector. Completion of Stage 1 is subject to certain conditions, including shareholder approvals for the purposes of ASX Listing Rule 7.1 (and certain other purposes). It is anticipated that the notice of meeting will be circulated to shareholders in the coming weeks.

Each of Eldridge and Alceon may separately elect to participate in stage 2 (in their absolute discretion). The stage 2 investment may raise A\$7.25m and is comprised of A\$5.25m by Eldridge and A\$2m by Alceon via the issue of Preference Shares. Eldridge and Alceon may each elect to participate in stage 2 by notifying the Company at any time within 12 months. The

issue of Preference Shares in stage 2 may be completed within Dragontail's placement capacity under ASX Listing Rule 7.1 or, if such placement capacity is insufficient, the Company will seek shareholder approval at the relevant time for the purposes of ASX Listing Rule 7.1. Completion of stage 2 is subject to certain conditions, including Eldridge and/or Alceon electing to subscribe for additional Preference Shares. As such, there is no guarantee that stage 2 will proceed.

The key terms of the Agreement will be summarized in the notice of meeting to be sent to shareholders.

The funds from the issue of the Preference Shares will be used by the Company to repay in full its existing A\$4.3m corporate loan with Alceon and the US\$2m bridge loan provided to the Company by Eldridge, thus discharging all third-party borrowings. The remaining funds will enable Dragontail to accelerate its entry into the US and other global territories, to explore significant business opportunities, and to build a dedicated Sales and Marketing department.

The Agreement follows the Term Sheet that was signed 2 months ago to raise A\$20m (see the Company's announcement on 22 January 2020). Under the Term Sheet it was contemplated the issue price of the Preference Shares would be A\$0.1406, which represented a 26% premium to the 30-day volume weighted average price (as at 20 January 2020). Despite the global Coronavirus crisis, the investors remain committed to investing in the Company, however the parties have agreed that the investment will take place in 2 stages and at an issue price of A\$0.13.

Mr. Ido Levanon, Dragontail's Managing Director, added: "We are very excited about new investors joining Dragontail. We thank them for expressing their confidence in our Company, especially during such challenging times. The Company is committed to moving forward and will continue its plan of action and work tirelessly to achieve its goals with the ever growing food delivery opportunities".

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About Dragontail Systems

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

The Algo Platform 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 patented advanced AI machine-learning technology, the system keeps improving its diagnostics, becoming even more efficient.

For more information, visit www.dragontail.com.

This ASX Announcement was approved and authorised by Dragontail's Board of Directors.

About Eldridge Industries

Eldridge Industries grows diversified businesses with a focus on Insurance and Fintech; Credit; Real Estate; Sports and Media; Consumer; and Technology. In particular, the firm seeks to build and grow businesses led by proven management teams that have demonstrated leadership and experience to scale an enterprise. Eldridge is headquartered in Greenwich, Connecticut, with additional offices in Beverly Hills, New York, and London. To learn more about Eldridge please visit www.eldridge.com.