

ASX ANNOUNCEMENT

**DRAGONTAIL SYSTEMS SUCCESSFULLY COMPLETES PLACEMENT
TO UNDERPIN NEXT PHASE OF GROWTH**

24 October 2017 (Melbourne): Dragontail Systems Limited (ASX: DTS) is pleased to announce that it has successfully completed a placement of ordinary shares to global and domestic sophisticated, professional and other institutional investors (Placement), raising \$8.8 million.

The Placement was heavily oversubscribed, and the Placement shares are to be issued at \$0.22 per share. This represents a 13.7% discount to the stock's last closing price, and a 0.9% discount to the 15-day volume weighted average share price.

Dragontail Systems is transforming the Quick Service Restaurant (QSR) and food service industry globally with its 'Algo' system and computer-vision QT quality system that use artificial intelligence (AI) machine learning. The Company is gaining strong traction with top global brands.

To support Dragontail System's next phase of growth, the Placement proceeds will fund:

- continued development of the Company's proprietary 'Algo' system and QT-Computer Vision System;
- ramp-up investment in operations to be carried out for all the major QSR brands that Dragontail Systems is currently working with as well as potential new customers;
- increased marketing spend targeting recruitment of new customers; and
- general working capital needs of the business.

The Placement has introduced several new high quality global and domestic institutional investors to Dragontail System's share register. The Company welcomes these new shareholders and also thanks existing shareholders for their strong support.

Commenting on the successful Placement, Dragontail Systems' CEO Ido Levanon said: "I am delighted that Dragontail Systems has attracted broad support from high quality institutional names through this Placement. I see a very bright future ahead for the Company and its shareholders. The proceeds raised will help us accelerate growth to meet the demands of our fast expanding list of clients."

The Placement of 40,000,000 new shares will be within the Company's ASX Listing Rule 7.1 and 7.1A capacity available for issue with 24,525,000 Shares to be issued under LR7.1 and 15,475,000 Shares under LR7.1A.

Canaccord Genuity (Australia) Limited was the Sole Lead Manager to the Placement, and the Company was advised by Market Eye.

Settlement of the Placement is scheduled to take place on Monday 30 October 2017, with allotment and quotation of shares expected to occur on ASX on Tuesday 31 October 2017.

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For further information please contact:

Corporate:

Ido Levanon, CEO
P: +61-3 9088 0374

Investors:

Ronn Bechler / Adrian Mulcahy, Market Eye
P: +61-3 9591 8900

Media:

Tristan Everett, Market Eye
P: +61 403 789 096

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.