

DRAGONTAIL FY2020 Results and Appendix 4E

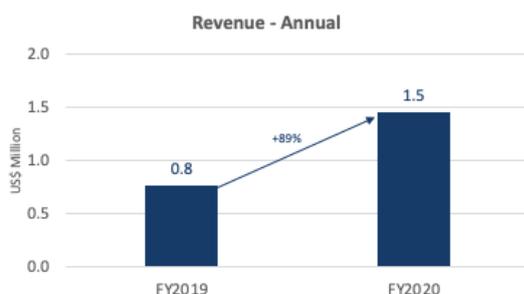
Highlights

- Strong revenue growth of 89% for FY2020 compared to FY2019, increasing from US\$769k to US\$1.451M.
- Significant reduction in Operating expenses of 26% in FY2020 and Operating Loss improvement of 42% compared to FY2019; technology platform is showing its ability to positively scale making strong movement towards profitability.
- Operational: contracted stores more than doubled in FY2020 with 9,291 stores at end of Q4 FY2020 (up on 3,814 stores at end of Q4 FY2019), and total installed stores increased to 2,663 stores from 2,003 stores (up 33%), achieved despite difficult COVID circumstances and using remote installation measures.
- Key QSR agreements: numerous large chains were signed in FY2020 reflecting expansion into the USA market – Papa John’s, Sweetgreen, a major US franchisee and internationally, Food Delivery Brands Group.
- Key collaborations: delivery Aggregators (Uber Eats – US, Deliveroo, Grab and Food Panda) and post year end, technology collaborations – drone delivery optimization capability into Algo Platform), and together with Domino’s ANZ, launch of the QT Camera ‘Cleanliness Module’ and entry into the mobile food truck sector.
- Customer retention: Dragontail continues to celebrate no single customer switching away from its game changing technology.
- Appointment of two US based Directors to the Board – Mr Jon Weber & Mr Jeff Wilbur.
- Cash balance of US\$2.05M per end December 2020 plus post year end, AU\$7.25M raised from the strategic fund raising (AU\$5.25M received post year end and AU\$2.0M receivable and subject to being approved at a shareholder meeting in March 2021).
- Outlook: With the recent round of fund raising combined with the pre-existing cash balance at the end of December 2020 and consistently growing cash receipts, the Company has a very strong cash runway to grow the business substantially in calendar 2021, while maintaining a firm grip on the cost structure.

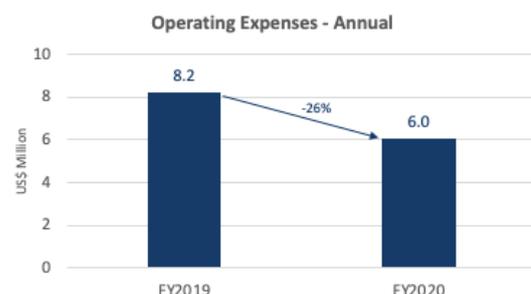
25 February 2021: Dragontail Systems Limited (ASX: DTS, the “Company” or “Dragontail”), bringing process efficiency and improving customer satisfaction through its Algo SaaS platform and QT AI camera system to the Quick Service Restaurant (QSR) and foodservice industry, is pleased to provide its FY2020 results and Appendix 4E Preliminary Final Report (year ended 31 December 2020).

Financial results

Strong revenue growth was achieved in FY2020 of 89% on the prior year, FY2019. This was achieved through a combination of new store installations and broadening the product offering with existing customers.



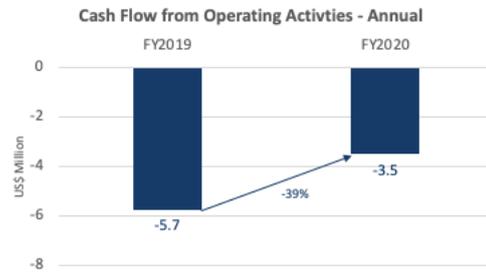
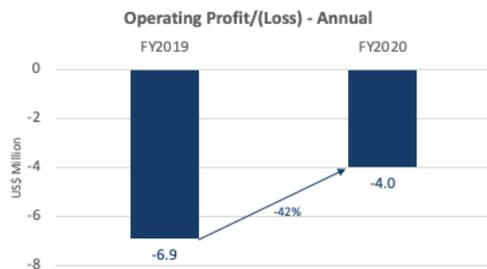
*Includes customers' generated sales only, and does not include US \$600k of other income.



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A significant reduction in Operating expenses of 26% was achieved in FY2020 on the prior year.

In FY2020, the business has showed for the first time strong improvement in financial metrics, with an increase in Revenue, a decrease in Operating Expenses and large improvement in both Operating Loss and Cash Flow from Operating Activities. This indicates that the business' technology platform is showing its ability to positively scale towards profitability.



Operational

The pipeline of stores contracted to receive installations (Algo Platform and/or QT camera) more than doubled in FY2020 with 9,291 stores at the end of December 2020 (up on 3,814 stores at end of December 2019), and total installed stores increased to 2,663 stores from 2,003 stores for the same period respectively (up 33%).

Growth in both contracted stores and store implementations was achieved despite COVID circumstances and restrictions and by using remote installation measures.



Key agreements – QSR chains

Papa John's: A Master Services Agreement (MSA) was signed with Papa John's US, a prominent pizza chain operating in many locations across the US; the first phase will be a trial of Dragontail's curbside food pickup feature, a developmental module within the Algo Platform focused on optimizing food readiness for customer safe pickup.

Entry into 'Fast Casual' QSR segment with Sweetgreen: A Statement of Work (SOW) was signed with Sweetgreen, a fast growing chain that currently operating over 100 stores, to incorporate Dragontail's QT AI Camera system and the Algo Kitchen management into its stores across the US.

Major US QSR franchisee: A Statement of Work (SOW) was signed, with the system integration work and rollout discussions taking place for several hundred locations.

Penetrating into new markets with Food Delivery Brands Group: More territories under Food Delivery Brands Group, a multi-brand Pizza Delivery operator across Latin America and other markets with a presence in approximately 30 countries and 2,500 stores globally, has joined the Master Services Agreement (MSA) signed with Dragontail in July 2020, by signing Statements of Work (SOWs) as an interconnected agreement for installing the Algo Platform across their stores, including: Ecuador, Spain, Trinidad & Tobago, Colombia, Dominican Republic, Mexico and Puerto Rico.

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Key agreements – collaborations

Integration with delivery Aggregators: Uber Eats – US, Deliveroo, Grab, Food Panda and more, now covering all major aggregators globally.

Integration of drone food delivery optimization capability into Dragontail's Algo Platform: a cutting-edge development that synchronizes and optimizes the food preparation process as well as schedules the drone for the food collection and delivery to the end customer, improve delivery speed and customer service. This will allow Dragontail to offer drone delivery capabilities globally based on the Algo Platform, also combining restaurant drivers and Aggregators, also to other addressable markets.

Domino's ANZ: Dragontail launched a unique 'Cleanliness Module' to its QT AI Camera and has already completing its rollout to all Domino's stores across Australia and New Zealand, thereby leading the QSR sector with its technology solutions including for the Covid impacted environment.

Entry into mobile Food Truck sector: A Memorandum of Understanding (MOU) was signed with Curb'd Inc., to implement unique innovative features of Dragontail's Algo Platform and the QT AI Camera into Food Trucks across the US.

Customer retention

The Company continues to celebrate the fact that since inception, not a single customer or even a single store ever switched away from its game changing technology, proving the fact that once you start using Dragontail's game changing technology, you never go back. Moreover, several of the recent new customers that have opted to start using Dragontail's product previously used other solution providers in the last mile delivery area, however, who do not provide Dragontail's full kitchen integration capability with significant operational benefit for its clients.

Funding

The Company holds a cash balance of US\$2.05M per end December 2020 plus post year end, AU\$7.25M raised from the strategic fund raising (AU\$5.35M already received from Eldridge Industries LLC post year end and AU\$2.0M is receivable from Alceon Liquid Strategies Pty Ltd, subject to being approved at an Extraordinary General Meeting and meeting in March 17, 2021).

Appointment of two US based Directors to the Board

Dragontail appointed two US based Directors to the Company's Board: Mr Jon Weber - a top executive with more than 25 years of proven success with some of the world's most well-known and respected brands in the restaurant industry, such as Applebee's International and Apple Investors Group (a multi-brand restaurant company), and currently as NPC's CEO and President.

Mr. Jeff Wilbur – a Senior Director at Eldridge, a holding company with investments in several QSR brands, such as Aurify Brands (which includes Le Pain Quotidien, Melt Shop, Little Beet, Little Beet Table, and Fields Good Chicken), and has held several senior management positions over the years.

Outlook

With the recent round of fund raising combined with the pre-existing cash balance at the end of December 2020 and consistently growing cash receipts, the Company has a very strong cash runway to grow the business substantially in calendar 2021, while maintaining a firm grip on the cost structure.

This ASX Announcement was approved and authorised by Dragontail's Managing Director.

Ido Levanon, CEO
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About Dragontail Systems

Dragontail is revolutionising the Quick Service Restaurant (QSR) and foodservice industry with its core technology offering being its patented **Algo Platform** and **QT AI camera system**, sold under a cloud-based monthly subscription-based Software-as-a-Service (SaaS) revenue model which results in time and cost savings, and improved customer satisfaction through:

- Optimising and managing kitchen process task flow and timing from order to delivery
- Checking food quality and consistency
- Providing customers visibility over their food orders
- Acting as a valuable training tool for staff
- Controlling for food hygiene and sanitisation
- Managing driver activities leading to increased efficiency

The **Algo Platform** is the first system in the world to fully automate and streamline the kitchen flow to deliver an immediate and significant return on investment to fast food and quick service restaurants. The Algo integrates into a QSR's point of sale (POS) system.

The **QT AI camera** system's sensor and camera automatically monitor the preparation and cooking process in the kitchen. Using proprietary patented advanced AI machine-learning technology, the system keeps improving its diagnostics, becoming even more efficient. The QT has been upgraded in 2020 for hygiene and sanitisation checking. Dragontail's offering consists of:

1. **Total Technology solution:** Algo Platform + POS + online ordering developed by Dragontail in partnership, resulting in a full and ready integration).
2. **Algo Platform or full Algo:** Ready to integrate into an existing QSR POS system, managing the entire food preparation process from order to delivery.
3. **Algo Lite:** A delivery module – driver tracking and order aggregation. A QSR may begin with this system and migrate across to the full Algo over time.
4. **QT AI camera quality system:** Proprietary developed camera hardware and software used to quality control food preparation.

Dragontail is rolling out its technology globally and has signed contracts with leading QSR franchisors and franchisees including key contracts with Yum! Brands, TelePizza and household names like Dominos, Pizza Hut, KFC, Papa John's and Sweetgreen, and has formed partnerships with global aggregators (third party delivery operators such as Uber Eats, Deliveroo, DoorDash, Grab and FOOD PANDA), across a growing number of countries globally.

For more information, visit www.dragontail.com.

Dragontail Systems Limited and its Controlled Entities
ACN 614 800 136

Appendix 4E – Preliminary Final Report for the Year Ended 31 December 2020
Consolidated Statement of Profit or Loss and Other Comprehensive Income

Results for announcement to market	Up / Down	% Change	2020 \$	2019 \$
Revenue from ordinary activities	Up	89%	1,451,325	769,247
Loss after tax from ordinary activities attributable to members	Down	48%	(4,037,293)	(7,697,087)
Loss attributable to members	Down	48%	(4,037,293)	(7,697,087)

Dividend Information	Amount per share	Franked Amount per share
Dividend – current reporting period	Nil	Nil
Dividend – previous reporting period	Nil	Nil

Net Tangible Asset Backing per Ordinary Share	Cents
Net tangible asset backing per ordinary share – current reporting period	-1.14
Net tangible asset backing per ordinary share – previous reporting period	-1.01

Commentary on the Results for the Period

Please refer to the discussion above for commentary on the results.

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 25th day of February 2021

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Appendix 4E – Preliminary Final Report for the Year Ended 31 December 2020
Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Year ended 31 December	
		2020	2019
USD			
Revenues		1,451,325	769,247
Other income*		600,050	504,879
		<u>2,051,375</u>	<u>1,274,126</u>
Expenses			
Research and development expenses	10	(2,110,020)	(3,475,044)
Selling and marketing expenses	11	(278,328)	(272,188)
Operating expenses	12	(1,878,293)	(1,794,215)
General and administrative expenses	13	(1,604,432)	(1,886,223)
Share based payment	8	(175,508)	(765,906)
Total operating expenses		<u>(6,046,581)</u>	<u>(8,193,576)</u>
<u>Operating loss</u>		<u>(3,995,206)</u>	<u>(6,919,450)</u>
Net finance expenses		(42,087)	(777,637)
<u>Loss before taxes on income</u>		<u>(4,037,293)</u>	<u>(7,697,087)</u>
Taxes on income		-	-
<u>Loss for the year</u>		<u>(4,037,293)</u>	<u>(7,697,087)</u>
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		(256,974)	(61,424)
Total comprehensive loss for the period		<u>(4,294,267)</u>	<u>(7,758,511)</u>
Loss per share (diluted and undiluted)	9	<u>(1.53) cents</u>	<u>(3.10) cents</u>

*ATO for R&D incentives

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

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Appendix 4E – Preliminary Final Report for the Year Ended 31 December 2020

Consolidated Statement of Financial Position

	Note	As of 31 December	
		2020	2019
		USD	
<u>Current Assets</u>			
Cash and cash equivalents	2	2,202,877	957,010
Trade receivables		128,656	104,509
Inventory		30,232	33,636
Other receivables		156,575	257,665
Total Current Assets		2,518,340	1,352,820
<u>Non-Current Assets</u>			
Other receivables		12,625	11,628
Property, Plant and Equipment	3	63,127	64,463
Total Non-Current Assets		75,752	76,091
Total Assets		2,594,092	1,428,911
<u>Current Liabilities</u>			
Trade payables		(426,643)	(205,819)
Other payables	4	(728,448)	(728,655)
Short – term loan		-	(3,014,852)
Convertible preference shares	5	(4,700,281)	-
Total Current Liabilities		(5,855,372)	(3,949,326)
Net Liabilities		(3,261,280)	(2,520,415)
<u>Equity</u>			
Issued capital	6	22,136,247	18,688,069
Reserves	7	2,185,140	2,336,890
Retained earnings		(27,582,667)	(23,545,374)
Total Equity		(3,261,280)	(2,520,415)

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 2020

Consolidated Statement of Changes in Equity

	<u>Share Capital</u>	<u>Foreign currency</u> <u>translation reserve</u>	<u>Share based</u> <u>payments reserve</u>	<u>Accumulated Losses</u>	<u>Total</u>
	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>
Balance as at 1 January 2020	18,688,069	103,968	2,232,922	(23,545,374)	(2,520,415)
Comprehensive income					
Loss for the year	-	-	-	(4,037,293)	(4,037,293)
Total comprehensive loss for the year	-	-	-	(4,037,293)	(4,037,293)
Transactions with owners, in their capacity as owners, and other transfers					
Issue of share capital (Note 6)	3,448,178	-	(70,284)	-	3,377,894
Share based payment transactions (Note 8)	-	-	175,508	-	175,508
Foreign exchange movements	-	(256,974)	-	-	(256,974)
Transactions with owners and other transfers	3,448,178	(256,974)	105,224	-	3,296,428
Balance as at 31 December 2020	22,136,247	(153,006)	2,338,146	(27,582,667)	(3,261,280)
Balance as at 1 January 2019	18,348,386	165,392	1,339,488	(15,848,287)	4,004,979
Comprehensive income					
Loss for the year	-	-	-	(7,697,087)	(7,697,087)
Total comprehensive loss for the year	-	-	-	(7,697,087)	(7,697,087)
Transactions with owners, in their capacity as owners, and other transfers					
Issue of share capital (Note 6)	339,683	-	(339,683)	-	-
Share based payment transactions (Note 8)	-	-	1,233,117	-	1,233,117
Foreign exchange movements	-	(61,424)	-	-	(61,424)
Transactions with owners and other transfers	339,683	(61,424)	893,434	-	1,171,693
Balance as at 31 December 2019	18,688,069	103,968	2,232,922	(23,545,374)	(2,520,415)

The accompanying notes form an integral part of this consolidated statement of changes in equity.

Dragontail Systems Limited and its Controlled Entities
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Appendix 4E – Preliminary Final Report for the Year Ended 31 December 2020

Consolidated Statement of Cash Flows

	Year ended 31 December	
	2020	2019
	USD	
<u>Cash flows from operating activities</u>		
Receipts from customers	1,587,554	1,016,005
Receipt from ATO for R&D incentive and others	600,050	512,495
Payments to suppliers and employees	(5,689,671)	(7,267,950)
Interest received	1,789	8,838
Net cash used in operating activities	(3,500,278)	(5,739,450)
<u>Cash flows from investing activities:</u>		
Payments for property, plant and equipment	(41,879)	(10,239)
Net cash used in investing activities	(41,879)	(10,239)
<u>Cash flows from financing activities:</u>		
Proceeds from issue of share capital	3,448,177	-
Proceeds from loan	-	3,014,852
Short term loan repayment	(3,014,852)	-
Proceeds from issue of convertible preference shares	4,700,281	-
Interest expense	(219,979)	(207,941)
Net cash provided by financing activities	4,913,627	2,815,749
Exchange differences on balances of cash and cash equivalents	(125,603)	106,272
Decrease/Increase in cash and cash equivalents	1,245,867	(2,827,668)
Cash and cash equivalents at the beginning of the year	957,010	3,784,678
Cash and cash equivalents at the end of the year	2,202,877	957,010

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 2020 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>2020</i>	<i>2019</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

	As of 31 December	
	2020	2019
	USD	
Cash and cash equivalents	2,202,877	957,010
	<u>2,202,877</u>	<u>957,010</u>

Note 3 – Property, Plant and Equipment

	Office equipment	Furniture	Leasehold improvements	Total
	USD			
<u>Cost</u>				
Balance as at 1 January 2020	131,972	35,611	14,257	181,840
Additions	18,033	19,626	4,222	41,880
Disposals	(60,435)	(10,042)	(13,296)	(83,773)
Balance as at 31 December 2020	89,570	45,195	5,183	139,947
<u>Accumulated Depreciation</u>				
Balance as at 1 January 2020	88,627	15,012	13,738	117,377
Depreciation for the year	29,203	4,377	1,190	34,770
Disposals	(60,095)	(1,936)	(13,296)	(75,327)
Balance as at 31 December 2020	57,735	17,453	1,632	76,820
<u>Property, Plant and Equipment as at 31 December 2020</u>	31,834	27,742	3,551	63,127
<u>Cost</u>				
Balance as at 1 January 2019	141,949	25,453	16,217	183,619
Additions	-	10,239	0	10,239
Disposals	(9,977)	(81)	(1,960)	(12,018)
Balance as at 31 December 2019	131,972	35,611	14,257	181,840
<u>Accumulated Depreciation</u>				
Balance as at 1 January 2019	59,812	8,225	10,259	78,296
Depreciation for the year	34,690	6,787	3,942	45,149
Disposals	(5,872)	-	(463)	(6,338)
Balance as at 31 December 2019	88,627	15,012	13,738	117,377
<u>Property, Plant and Equipment as at 31 December 2019</u>	43,345	20,599	519	64,463

Note 4 - Other payables

	As of December 31	
	2020	2019
	USD	
Payroll liabilities	(430,215)	(342,106)
Provision for annual leave	(298,233)	(190,891)
Deferred income	-	(80,490)
Interest payable	-	(115,168)
	(728,448)	(728,655)

Note 5 - convertible preference shares

	As of December 31	
	2020	2019
	USD	
Convertible preference shares at fair value through profit or loss ¹	(4,700,281)	-
	(4,700,281)	-

¹On March 23, 2020 the Company announced 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 ('CPS').

The Company completed stage 1 of the funding during June 2020 and issued 92,307,964 convertible preference shares, for a total of A\$12m (USD \$8.3M).

- 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 raised 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.
- Each convertible preference share entitles the holder to discretionary dividend rate of 8% per annum where the CPS are redeemed for cash.
- Each CPS confers all of the rights to one ordinary Share. Upon conversion, one CPS will convert into one ordinary share, any deferred amount interest ceases to accrue and be deemed to be written off.
- The Company used the funds to repay its A\$4.3m corporate loan with Alceon and the US\$2m bridge loan provided by Eldridge, thus discharged 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 CPS can be redeemed for cash only in the event of a liquidation, acquisition/merger, purchase of substantially all assets or an acquisition of substantially all licenses in respect of the Company's intellectual property.
- Under the agreement, an 'Adjustment Event' will vary the conversion ratio resulting in a variable number of shares being issued. An Adjustment Event includes any rights issue, bonus issue or other issue of ordinary shares at a price lower than 90% of the VWAP during the VWAP period, issue of options and any reconstruction or reorganization of the Company's share capital.

As there is no maturity attributable to the CPS, an amortized cost valuation would not be appropriate therefore the Company has recognized the whole instrument at fair value through profit or loss. On initial recognition the debt value of the CPS was calculated based on underlying share price on issue date, with the residual equity value being considered as \$nil on the basis that cash redemption is considered remote, and therefore no dividend stream is expected to be paid by the Company. Subsequent to initial recognition, the fair value of CPS is revalued based on probability of settlement options with the difference being recognized as finance income/expense through profit or loss.

On July 9, 2020, 4,040,954 convertible preference shares were converted into 4,040,954 ordinary shares and on July 23, 2020, 32,497,508 convertible preference shares were converted.

Appendix 4E – Preliminary Final Report for the Year Ended 31 December 2020

On 31 December 2020 it was assessed that the most likely outcome is the conversion of the CPS to ordinary shares (at 100% probability) and hence the debt is fair valued based on the share price of the company at balance date being USD \$4,700,281 (A\$ 6,134,616), being 55,769,232 CPS at A\$0.11 fair value per CPS and a finance cost of USD \$771,615 was recognized in the profit or loss statement.

Note 6 - Share Capital

Composition:

	As at 31 December		As at 31 December	
	2020		2019	
	No	USD	No	USD
Ordinary shares	285,988,462	22,136,246	248,883,418	18,668,069

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 2020	
	No.	USD
Opening balances as at 1 January 2020	248,883,418	18,688,069
Exercise of employee Incentive Option Plan options	566,582	70,284
Conversion of CPS	36,538,462	3,377,893
	<u>285,988,462</u>	<u>22,136,246</u>

Movement in share capital:

	December 2019	
	No.	USD
Opening balances as at 1 January 2019	248,000,000	18,348,386
Exercise of employee Incentive Option Plan options	2,883,418	339,684
Selective buy-back of shares ¹	(2,000,000)	(1)
	<u>248,883,418</u>	<u>18,688,069</u>

¹ On 20 June 2018, 2,000,000 shares were issue to Mark Bayliss under his Agreement for Appointment. On 30 November 2018 the Company announced that it had, under that same Agreement, exercised its right to buy back the shares for total consideration of \$1.00. Following shareholder approval at the Company's Annual General Meeting on 29 May 2019 the shares were bought back on 6 June 2019.

Note 7 - Reserves

	As at 31 December	
	2020	2019
	USD	
Share based payment reserve ¹	2,338,146	2,232,922
Foreign currency translation reserve ²	(153,006)	103,968
Closing balance	<u>2,185,140</u>	<u>2,348,467</u>

¹ This reserve is used to record the value of equity benefits for options and performance shares issued for nil cash consideration.

² 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.

Note 8 – Options

On 1 August 2019, the Company issued 2 options pursuant to an Option Subscription Deed and in conjunction with the debt facility. Each option is exercisable into 5,000,000 Shares. The issue of options is valued at the fair value on grant date as the fair value of the services received was not able to be reliably valued. These options have a fair value of AUD \$682,260 (approximately USD 467,211). The fair value of the options is determined using Black-Scholes option valuation methodology and applying the following inputs.

As this is part of loan consideration, this expense is classified as financial cost in the statement of profit or loss and other comprehensive income.

	Options	Options
Exercise Price (AUD)	\$0.22	\$0.25
Grant Date	1 August 2019	1 August 2019
Expiry Date	16 July 2021	16 July 2021
Risk Free Rate	0.73%	0.73%
Volatility	100%	100%
Total Value of Options (AUD)	\$353,527	\$328,733
Total Value of Options (USD)	\$242,095	\$225,116

On 15 May 2019, the Company issued 3,650,000 Employee Incentive Options exercisable at \$0.15 and 3,400,000 exercisable at \$0.00 under the Employee Incentive Option Plan approved at the Annual General Meeting held on 21 May 2018. The issue of options is valued at the fair value on grant date. The options have a total fair value of AUD \$1,093,152 (USD 756,133) which will be expensed in accordance with the vesting periods of the options. The Company has recognised an expense of AUD \$70,568 (USD 48,819) in the current reporting period. The fair value of the options is determined using Black-Scholes option valuation methodology and applying the following inputs:

	Options	Options
Exercise Price (AUD)	\$0.15	\$0.00
Grant Date	15 January 2019	9 January 2019
Expiry Date	15 November 2025	15 November 2025
Risk Free Rate	1.55%	1.55%
Volatility	100%	100%
Total Value of Options (AUD)	\$515,152	\$578,000
Total Value of Options (USD)	\$361,173	\$423,320

On 21 November 2019, the Company granted 1,225,000 Employee Incentive Options exercisable at \$0.15 and 1,700,000 exercisable at \$0.22 under the Employee Incentive Option Plan approved at the Annual General Meeting held on 21 May 2018. The options were issued on 14 January 2020. The issue of options is valued at the fair value on grant date. The options have a total fair value of AUD \$237,339 (approximately USD 166,398) which will be expensed in accordance with the vesting periods of the options. The Company has recognised an expense of AUD \$81,971 (approximately USD 56,707) in the current reporting period. The fair value of the options is determined using Black-Scholes option valuation methodology and applying the following inputs:

	Options	Options
Exercise Price (AUD)	\$0.22	\$0.15
Grant Date	26 December 2019	15 January 2019
Expiry Date	26 December 2026	15 November 2025
Risk Free Rate	0.77%	0.77%
Volatility	100%	100%
Total Value of Options (AUD)	\$125,490	\$111,849
Total Value of Options (USD)	\$87,981	\$78,417

Appendix 4E – Preliminary Final Report for the Year Ended 31 December 2020

On 10 September 2020, the Company granted 650,000 Employee Incentive Options exercisable at \$0.15 and 700,000 exercisable at \$0.22 under the Employee Incentive Option Plan approved at the Annual General Meeting held on 21 May 2018. The options are still to be issued by the Company. The issue of options is valued at the fair value on grant date. The options have a total fair value of AUD \$93,441 (USD 67,745) which will be expensed in accordance with the vesting periods of the options. The Company has recognised an expense of AUD \$47,640 (USD 34,444) in the current reporting period. The fair value of the options is determined using Black-Scholes option valuation methodology and applying the following inputs:

	Options	Options
Exercise Price (AUD)	\$0.22	\$0.15
Grant Date	10 September 2020	10 September 2020
Expiry Date	21 November 2026	10 September 2027
Risk Free Rate	0.28%	0.38%
Volatility	100%	100%
Total Value of Options (AUD)	\$45,801	\$47,640
Total Value of Options (USD)	\$33,206	\$34,539

Note 9 - 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:

	As of December 31	
	2020	2019
	USD	
Loss attributable to ordinary equity holders	(4,037,293)	(7,697,087)
Balance as at 1 January/balance before transaction	248,312,598	248,000,000
Effect of shares issued for the acquisition (2,000,000 shares)*(208/365)	-	(1,139,726)
Effect of shares for exercise of options (566,695*119/366)	184,217	1,452,324
Conversion of CPS (4,040,954*175/366)	1,932,150	-
Conversion of CPS (32,497,508*161/366)	14,295,352	-
	<u>264,724,317</u>	<u>248,312,598</u>
Basic loss per share calculation (cents) (loss/weighted ave shares)	<u>(1.52)</u>	<u>(3.10)</u>

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

(2) 2020 was a year of 366 days.

Note 10 - Research and development expenses

	Year ended	
	December 31	
	2020	2019
	USD	
Payroll and related expenses	1,758,951	2,462,853
Subcontractors	227,178	166,590
Research and product development	123,527	820,846
Travel abroad	364	24,755
	<u>2,110,020</u>	<u>3,475,044</u>

Note 11 - Selling and marketing expenses

	Year ended December 31	
	2020	2019
	USD	
Payroll and related expenses	77,012	-
Travel abroad	32,414	130,781
Advertising and marketing expenses	168,902	141,407
	<u>278,328</u>	<u>272,188</u>

Note 12 – Operating expenses

	Year ended December 31	
	2020	2019
	USD	
Payroll and related expenses	1,024,101	987,514
Software and program operating	491,837	434,174
Subcontractors	305,468	147,714
Travel abroad	56,887	224,753
	<u>1,878,293</u>	<u>1,794,215</u>

Note 13 - General and administrative expenses

	Year ended December 31	
	2020	2019
	USD	
Payroll and related expenses	745,467	824,660
Subcontractors	43,993	53,182
Professional services	136,207	270,181
Travel abroad	0	21,940
Office expenses	261,582	235,826
Rent	159,118	192,481
Director fees	103,435	100,069
Public company expenses	92,209	87,265
Depreciation	30,459	45,419
Bad debt expense	3,200	2,950
Training and recruitment	28,762	52,250
	<u>1,604,432</u>	<u>1,886,223</u>

Note 14 - 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.

	Segment revenue		Segment Expenses	
	2020	2019	2020	2019
	USD		USD	
Segment Revenue and Results				
Software research and development	1,451,325	769,247	(2,110,020)	(3,475,044)
Other income	600,050	504,879	-	-
Total for continuing operations	2,051,375	1,274,126	(2,110,020)	(3,475,044)
Finance expenses (net of finance income)	-	-	(42,087)	(777,637)
Selling and marketing expenses	-	-	(278,328)	(272,188)
General and administrative expenses	-	-	(1,604,432)	(1,886,223)
Operation expenses	-	-	(1,878,293)	(1,794,215)
Share based payment	-	-	(175,508)	(765,906)
Loss before tax (continuing operations)	2,051,375	1,274,126	(6,088,668)	(8,971,213)

	2020	2019
	USD	
Segment Assets		
Unallocated assets	2,594,093	1,428,911
Total assets	2,594,093	1,428,911

	2020	2019
	USD	
Segment Liabilities		
Unallocated liabilities	(5,855,372)	(3,949,326)
Total liabilities	(5,855,372)	(3,949,326)

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:

	Year ended December 31	
	2020	2019
	USD	
Israel	158,364	46,654
Australia	1,468,049	941,308
Canada	312,352	219,549
USA	112,610	66,615
Total revenues	2,051,375	1,274,126

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

	2020	2019
	USD	
Customer A	320,607	314,378
Customer B	312,476	68,276
Customer C	66,988	63,702
Total	700,071	446,356