

DRAGONTAIL FY2020 Results and Appendix 4E

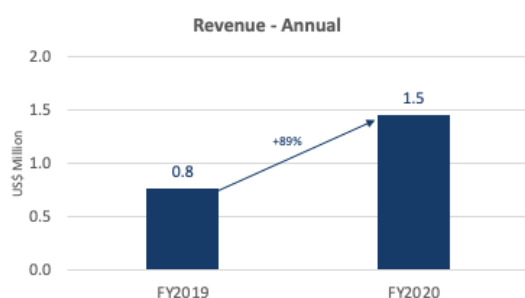
Highlights

- 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.

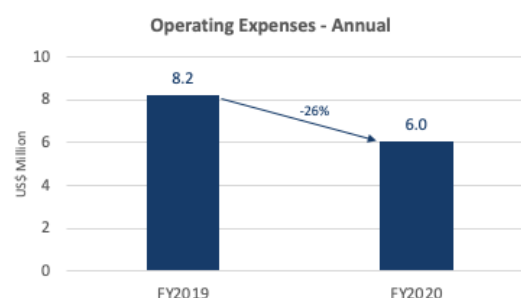
25 February 2021: Dragontail Systems Limited (ASX: DTS, the "Company" or "Dragontail"), bringing process efficiency and improving customer satisfaction through its Algo SaaS platform and QT AI camera system to the Quick Service Restaurant (QSR) and foodservice industry, is pleased to provide its FY2020 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.

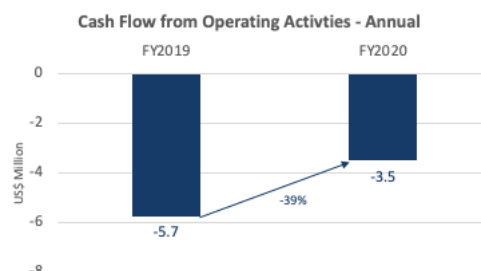
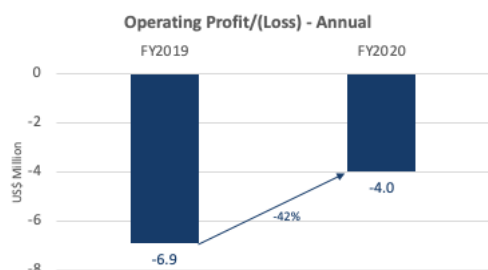


*Includes customers' generated sales only, and does not include US \$600k of other income.



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.

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

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

| | Note | Year ended 31 December | |
|--|------|---------------------------|--------------------|
| | | 2020 | 2019 |
| | | USD | |
| Revenues | | 1,451,325 | 769,247 |
| Other income* | | 600,050 | 504,879 |
| | | 2,051,375 | 1,274,126 |
| 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 | | (6,046,581) | (8,193,576) |
| | | | |
| <u>Operating loss</u> | | (3,995,206) | (6,919,450) |
| Net finance expenses | | (42,087) | (777,637) |
| <u>Loss before taxes on income</u> | | (4,037,293) | (7,697,087) |
| Taxes on income | | - | - |
| <u>Loss for the year</u> | | (4,037,293) | (7,697,087) |
| | | | |
| 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 | | (4,294,267) | (7,758,511) |
| | | | |
| Loss per share (diluted and undiluted) | 9 | (1.53) cents | (3.10) cents |

*ATO for R&D incentives

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 Financial Position

| | | As of 31 December | |
|-----------------------------------|------|--------------------|--------------------|
| | | 2020 | 2019 |
| | Note | 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

| | Share Capital | Foreign currency translation reserve | Share based payments reserve | Accumulated Losses | Total |
|---|-------------------|---|---------------------------------|---------------------|--------------------|
| | USD | USD | USD | USD | USD |
| 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) | |
| 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
ACN 614 800 136

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

Cash and cash equivalents

| As of 31 December | |
|-------------------|---------|
| 2020 | 2019 |
| USD | |
| 2,202,877 | 957,010 |
| 2,202,877 | 957,010 |

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 |
| | 285,988,462 | 22,136,246 |

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) |
| | 248,883,418 | 18,688,069 |

¹ On 20 June 2018, 2,000,000 shares were issued 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 | 2,185,140 | 2,346,890 |

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 | - |
| | 264,724,317 | 248,312,598 |
| Basic loss per share calculation (cents) (loss/weighted ave shares) | (1.52) | (3.10) |

(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 |
| | 2,110,020 | 3,475,044 |

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 |
| | 278,328 | 272,188 |

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 |
| | 1,878,293 | 1,794,215 |

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 |
| | 1,604,432 | 1,886,223 |

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 |