DRAGONTAIL SYSTEMS LIMITED
AND ITS CONTROLLED ENTITIES

ABN 63 614 800 136

CONSOLIDATED ANNUAL REPORT
for the year ended 31 December 2020

CONTENTS TO THE CONSOLIDATED FINANCIAL REPORT

Corporate information

This annual report is for Dragontail Systems Limited and its controlled entities ("the Group"). Unless otherwise stated, all amounts are presented in US Dollars.

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the directors' report on pages 4 to 14. The directors' report is not part of the financial statements.

Directors

Mr Yehuda Shamai (*appointed 14 September 2016*)

Mr Ido Levanon (*appointed 14 September 2016*)

Mr Ron Zuckerman (appointed 14 September 2016)

Mr Adam Sierakowski (appointed 14 September 2016)

Mr Henry Shiner (appointed 13 May 2020)

Mr Jon Weber (appointed 4 January 2021)

Mr Jeff Wilbur *(appointed 4 January 2021)*

Company Secretary

Mr Stephen Hewitt-Dutton (*appointed 10 May 2018*)

Registered Office

Level 24, 44 St George's Terrace

Perth WA 6000

Auditors

BDO Audit (WA) Pty Ltd

38 Station St

Subiaco WA 6008

Telephone: +61 8 6382 4600

Principal Office

Northbank Plaza, 22/69 Ann St

Brisbane City, QLD 4000 Australia

Share registry

Advanced Share Registry Limited

110 Striling Highway

Nedlands WA 6009

Telephone: +61 8 9389 8033

Israel Office

7 Massada St

BSR 4, Floor 3

Bnei Brak, Tel Aviv

5126112 Israel

Telephone: +972 3 794 3362

Exchange Listing

Dragontail Systems Limited is listed on the

Australian Securities Exchange

ASX Code: DTS

Web Site
www.dragontailsystems.com

Chairman's Letter

Dear Shareholder,

On behalf of the Board of Directors I am pleased to present Dragontail Systems Limited's Annual Report for the year ended 31 December 2020.

As Dragontail's chairman, I am happy to conclude the year of 2020, a challenging year that has forced us, and the whole world, to face obstacles of which we had to overcome with determination, creativity and faith. This year has demonstrated, again, that Dragontail is a strong, stable company, with reliable technology that continues to produce real, winning products. Dragontail's insights creates a significant difference, providing dramatic improvements to its customers' business, and offers a new and sophisticated way of thinking. This year as well, the Company demonstrated strong results in the various indices thus convincing of its amazing capabilities and promising future.

I would like to thank Mr. Ido Levanon, the Managing Director, and the whole global team, for creating, promoting, installing, supporting our customers all over the world, thus and accomplishing such great achievements. I am sure that Mr. Levanon will lead the Company towards so many exciting projects, presenting innovation in its glory and amazing results.

On behalf of the Company and its managers, I would also like to thank the shareholders, and express my appreciation for the vote of confidence in the Company and it's one-of-a-kind technology. We are determine to make you proud for choosing us, believing in our products and granting us this amazing opportunity to make a difference.

Udi (Yehuda) Shamai
Chairman

Managing Director's Address

As Managing Director of Dragontail Systems Limited, it is my pleasure to report to you on the Company's operations and achievements of 2020 and the goals that were set and accomplished.

As of today, Dragontail's technologies are deployed across all continents, in thousands of stores, numerous cities, interfacing with clients and end users all around the world, carrying the next gospel to the Quick Service Restaurant (QSR) industry. Dragontail's technologies are all over, making real difference.

2020 was a year of scaling up our install base, overcoming some challenges owing to the COVID-19, while still promoting our flagship products, the Algo and the QT quality control AI camera, installing across new territories, ending up with significant growth both in contracted and installed stores.

Our operations are focused on expanding our technologies, and providing the best solutions to our customers' needs, also during these complexed times. We proved time and time again, that our technologies serves our customers with the upmost professionalism and innovative suits, committed to be at the fore front of technology.

During 2020, Dragontail achieved several key milestones:

- 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 49% 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.
- Cash balance of US$2.20M per end 31 December 2020 plus post year end, AU$7.25M raised from the strategic fund raising.
- 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.

I would like to take this opportunity and to thank the Board, management team, and the Dragontail team all over the world for their dedicated hard work, contributing to the Company's success. I would also like to thank our investors for their constant belief in the Company and its wonderful professional team. We take the opportunity granted to us by our investors and carry our operations with great responsibility in order to conquer our next peaks during this year of 2021.

Ido Levanon
Managing Director

Directors' Report

The directors of Dragontail Systems Limited ("the Company" or "DTS Australia") and its controlled entities ("the Group") submit herewith the annual financial statements of the Group for the financial year ended 31 December 2020.

The names and particulars of the directors of the Company during or since the end of the financial year are:

DTS Australia

Ido Levanon
Managing Director (appointed 14 September 2016)

Ido Levanon has over 20 years of experience and a proven track record in the successful management and turnaround of various international companies such as Oro Alexander, Inc. Ido has acted as the CEO and a seed investor in several technology start-ups, and the Financial Planning Manager for Fujitsu USA (including managing its merger with International Computers Limited).

Ido also served as a captain in the Israeli Armed Forces for the artillery corps, commanding over 120 soldiers and officers.

Mr Levanon holds a Master of Business Administration (Magna Cum Laude) from San Diego University, and a Bachelor of Science (Mathematics and Computer Science) from Tel Aviv University. He has been part of DT Israel since its inception in 2013 as its CEO and one of the founding investors.

Interest in Shares	Mr Levanon holds 22,975,830 ordinary shares in the Company
Interest in Options	Mr Levanon holds no options in the Company.
Directorships held in other listed entities	During the past three years Mr Levanon has not served as a Director of any other listed companies.

Yehuda Shamai
Non-Executive Director (appointed 14 September 2016)

Yehuda Shamai has established and managed large Israeli entities with international brands such as Pizza Hut, KFC and Domino's Pizza.

In the past, Mr Shamai served as Business Development Manager for Israel Corporation Ltd and as such has been involved in some of the largest mergers and acquisitions in Israel.

Mr Shamai has a vast knowledge of management software tools and e-payments and is involved as a director and investor in several existing companies and start-ups developing and marketing advanced physical and virtual payment solutions.

Interest in Shares	Mr Shamai holds 35,051,763 ordinary shares in the Company
Interest in Options	Mr Shamai holds no options in the Company.
Directorships held in other listed entities	During the past three years Mr Shamai has not served as a Director of any other listed companies.

Ron Zuckerman
Non-Executive Director (appointed 14 September 2016)

Ron Zuckerman has been active as a tech entrepreneur and investor for most of the last 25 years.

Mr Zuckerman was one of the founders of Sapiens International, a software company he took public on NASDAQ in 1990 and which is currently trading with a market cap of over $700m. Ron acted as Chairman and CEO of Sapiens from early 1995 until late 1999.

He was the founder and Executive Chairman of Precise Software Solutions, another software company he took public on NASDAQ in 2000, until its acquisition in late 2003 by VERITAS in a cash transaction valued at over $600m.

Ron Zuckerman (continued)

Mr Zuckerman was a founder, first round investor and a board member in GVT Holding SA, a large telephone operator in Brazil until it's acquisition in late 2009 by The Vivendi Group of France for over $4.7 Billion. Ron was an early investor and a board member at Wintegra Inc. which was acquired in 2010 by PMC Sierra for over $200M.

In 2000, Mr Zuckerman was chosen by the World Economic Forum as leading one of the most influential tech ventures (i.e. Sapiens), together with such individuals as Masayoshi Son of SoftBank Group, Jerry Yang of Yahoo! and Michael Dell of Dell Computers.

Interest in Shares	Mr Zuckerman holds 8,433,020 ordinary shares in the Company.
Interest in Options	Mr Zuckerman holds no options in the Company.
Directorships held in other listed entities	During the past three years Mr Zuckerman has not served as a Director of any other listed companies.

Adam Sierakowski
Non-Executive Director (appointed 14 September 2016)

Adam Sierakowski is a lawyer and a founding director of the legal firm Price Sierakowski. He has over 20 years of experience in legal practice, much of which he has spent as a corporate lawyer consulting and advising on a range of transactions to a variety of large private and listed entities.

Mr Sierakowski is also a co-founder and director of Perth based corporate advisory business, Trident Capital, where for 15 years he has advised a variety of large private and public companies on structuring their transactions and coordinating fundraisings both domestically and overseas.

Mr Sierakowski has held a number of directorships with ASX-listed companies, and he is a member of the Australian Institute of Company Directors and the Association of Mining and Exploration Companies.

Interest in Shares	Mr Sierakowski holds 5,587,593 ordinary shares in the Company.
Interest in Options	Mr Sierakowski holds 1,500,000 options in the Company.
Directorships held in other listed entities	During the past three years Mr Sierakowski has served as a Director of the following other listed companies: Kinetiko Energy Limited (since 8 December 2010) Rision Limited (since 24 August 2016 to 23 May 2017. Appointed 8 June 2018) CZR Resources Limited (since 21 October 2010, resigned 2 November 2020) Connected IO Limited (since 3 December 2018)

Henry Shiner
Non-Executive Director (appointed 13 May 2020)

Mr. Shiner has vast experience accumulated over many years of senior management and strategic positions he held, including in the Quick Service Restaurant industry, where he held the positions at McDonalds of Vice President, Chief Information Officer (CIO) Australasia and then Vice President Global Financial Transformation IT.

Mr. Shiner, in serving as Vice President – Chief Information Officer of McDonald's Australia, was responsible for IT strategy and implementation for the McDonald's business across Australia, New Zealand and the Pacific Islands. Prior to McDonald's, Mr. Shiner held Senior executive positions in Norske Skog, Fletcher Challenge Paper, Honeywell and AGL. In addition to DragonTail Systems, Mr. Shiner has held NED roles on the National Board of Ronald McDonald Charities, Craveable Brands, Slikr, AirService , Guroo Producer and Advisory Board roles with numerous other companies.

In addition to an Honors degree in Chemical Engineering, Mr. Shiner has graduated in Global Management studies at the IMD School at Lausanne, Switzerland and is a member and graduate of the Australian Institute of Company Directors.

Interest in Shares	Mr Shiner holds no ordinary shares in the Company
Interest in Options	Mr Shiner holds no options in the Company.
Directorships held in other listed entities	During the past three years Mr Shiner has not served as a Director of any other listed companies.

Directors' Report (continued)

Jon Weber
Non-Executive Director (appointed 4 January 2021)

Mr. Weber is 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: Applebee's International, the largest casual dining chain in the US, where he held the position of Vice-President of Operations; Apple Investors Group (AIG), a privately held, multi-brand restaurant company, served as Chief Executive Officer and President; Cheddar's Casual Café, Inc., officiated as an Executive Vice-President. Jon is currently the CEO and President of NPC International – one of the largest restaurant operators in the United States operating more than 950 Pizza Hut restaurants and 350 Wendy's restaurants in 33 States. Mr. Weber has also held other executive leadership roles with responsibilities across North America for Hard Rock International and Uno Restaurants, Inc.

Interest in Shares	Mr Weber holds no ordinary shares in the Company
Interest in Options	Mr Weber holds no options in the Company.
Directorships held in other listed entities	During the past three years Mr Weber has not served as a Director of any other listed companies.

Jeff Wilbur
Non-Executive Director (appointed 4 January 2021)

Mr. Wilbur is a Senior Director at Eldridge a holding company that grows diversified businesses across Insurance, Credit, Technology, Real Estate, Sports and Media, and Consumer. Headquartered in Greenwich, Connecticut, Eldridge has 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). Jeff arrived to Eldridge from Mediabistro Holdings ("MBH"), where he served as CEO and oversaw all activities of the business units and corporate functions of the MBH platform, which included the following brands: The CLIO Awards, Mediabistro, ADWEEK, and the Film Expo Group. Prior to such, he was the Chief Financial Officer of Prometheus Global Media and a member of the Corporate Credit Group at Guggenheim Partners. Jeff currently serves on the Board of Directors of Aurify Brands, and as Vice President for Horizon Acquisition Corporation II (NYSE: HZON). He received his B.A. in Economics and Psychology from Williams College.

Interest in Shares	Mr Wilbur holds no ordinary shares in the Company
Interest in Options	Mr Wilbur holds no options in the Company.
Directorships held in other listed entities	During the past three years Mr Wilbur has not served as a Director of any other listed companies.

Stephen Hewitt-Dutton
Non-Executive Director (appointed 11 June 2018, resigned 13 May 2020)
Company Secretary (appointed 10 May 2018)

Stephen is a qualified accountant, is an Associate Director of Trident Capital Pty Ltd and holds a Bachelor of Business from Curtin University. He has over 20 years of experience in corporate finance, accounting and company secretarial matters.

Before joining Trident Capital, Stephen was an Associate Director of Carmichael Corporate where he assisted clients by providing equity market, IPO and M&A advice and assistance. He has also held Financial Controller and Company Secretary positions for both public and private companies for in excess of 20 years.

Interest in Shares	Mr Hewitt-Dutton holds 154,631 ordinary shares in the Company.
Interest in Options	Mr Hewitt-Dutton holds no options in the Company.
Directorships held in other listed entities	During the past three years Mr Hewitt-Dutton has served as a Director of the following other listed companies: Hughes Drilling Limited (appointed 16 August 2017, de-listed 27 June 2019) Empire Oil & Gas NL (appointed 20 March 2018, de-listed 4 May 2020)

Directors' Report (continued)

Directors' meetings

The following table sets out the number of directors' meetings held during the financial year ended 31 December 2020, and the number of meetings attended by each director (while they were a director).

Directors	Board of Directors	
	Eligible to Attend	Attended
Yehuda Shamai	5	4
Ido Levanon	5	5
Ron Zuckerman	5	3
Adam Sierakowski	5	5
Stephen Hewitt-Dutton	3	3
Henry Shiner	2	2

The Board of Directors also approved 10 circular resolutions during the year ended 31 December 2020 which were signed by all Directors of the Company. The audit, compliance and corporate governance committee is performed by the Board of Directors.

Principal activities

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

Review of operations

During the year ended 31 December 2020, Dragontail presented impressive capabilities both commercially & operationally as well as on the financial and development aspects; On the commercial and operational sides - by doubling the contracted stores while also presenting a sharp increase in installed stores, being spread across all continents. On the financial side – by securing the second and final strategic fundraising round, having the company completely debt-free, with no outstanding loans. On the development side – by introducing additional ground-breaking technologies. The Company has met its goals and has penetrated the US admirably, successfully reaching agreements and collaborations with significant entities in the fast-food industry. Among those and as detailed below, here are the Company's most prominent achievements in the past year:

- Strong revenue growth of 89% FY2020 compared to 2019, increasing from $769k to $1,451k.
- Significant reduction in operating expenses of 26% FY2020 compared to 2019.
- The combined positive trends of revenue increase and operating expenses decrease is a clear indication of the ongoing and expected growth of the Company towards profitability.
- Second round of funding commitment of US$4.2M by Eldridge confirmed during the year (and successfully completed after obtaining the shareholder approval in an EGM that took place on 3 February 2021).
- Contracted stores more than doubled in FY2020 to 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. Installations in Q4 alone were conducted on 4 continents and across 12 new countries.
- Key agreements signed with leading USA QSR chains like Papa John's, Sweetgreen and a large QSR USA Franchisee, which reflects the Company's successful effort in expanding into the USA market.
- New integrated drone food delivery optimization capability was implemented into the Algo Platform following winning of a government tender.
- Customer retention: Dragontail continues to celebrate no single customer switching away from its game changing technology.
- Post quarter end:
    - Dragontail launched a unique 'Cleanliness Module' to its QT AI Camera, already completing its rollout to all Domino's stores across Australia and New Zealand.
    - Appointment of two US based Directors to the Board – Mr Jon Weber & Mr Jeff Wilbur.
- 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.

Significant changes in state of affairs

Other than matters described above, there were no other significant changes in the state of affairs of the Group.

Events occurring after the reporting period

On February 3rd, 2021 and on March 17th, 2021 the Company's shareholders have approved stage two of a binding subscription agreement, for A$19.25 million Convertible Preference Shares ("CPS"), that was announced on March 23, 2020.

Stage 1 was completed successfully with A$12 million raised during June 2020.

Stage 2 includes an additional subscription of A$5.25 million for 40,384,616 CPS with a share price of A$0.13 from Eldridge Industries (together with its affiliates, "Eldridge") and A$2 million for 15,384,616 CPS with a share price of A$0.13 from Alceon Liquid Strategies Pty Ltd as trustee of the Alceon High Conviction Absolute Return Fund ("Alceon").

On February 9, 2021 and on March 24, 2021, following receipt of funds, the Stage 2 CPS were issued to Eldridge and Alceon, respectively.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and not practicable to estimate the potential impact, positive or negative, after the reporting fate. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

There were no other material subsequent events after the reporting period other than the above.

Future developments and expected results of operations

The Group will continue the development and commercialize of the Algo System and the QT Camera for customers in the field of QSR (Quick Service Restaurants).

Dividends

No amounts have been paid or declared by way of dividend by the Group since the end of the previous financial year and the Directors do not recommend the payment of any dividend.

Indemnification of officers and auditors

The Group has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Remuneration report (audited)

The directors present the Dragontail Systems Limited 2020 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year.

Key management personnel covered in this report		
Non-executive directors	**Executive directors**	**Other Key Management Personnel**
Yehuda Shamai[1] Ron Zuckerman[1] Adam Sierakowski[1] Stephen Hewitt-Dutton[2] Henry Shiner[3]	Ido Levanaon[1]	Guy Brandwine

Remuneration Policy and link to company performance

The board policy is to remunerate non-executive directors at a level which provides the company with the ability to attract and retain directors with the experience and qualifications appropriate to the development strategy of the company's Intellectual Property. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. This was set at AUD$300,000 per annum by the Directors prior to the first Annual General Meeting. During the year, the Chairman and non-executive director fees were AUD$36,000 and AUD$36,000 per annum respectively.

Non-executive directors' fees are not linked to the performance of the company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company.

The board policy is to remunerate executive directors at a level that provides the company with the ability to attract and retain executives with the experience and qualification appropriate to the development strategy of the company's Intellectual Property. During the financial year, the Group did not employ the use of remuneration consultants.

Executive Remuneration

The following table discloses the contractual arrangements with the Group's executive Key Management Personnel.

COMPONENT	Managing Director – Ido Levanon
Fixed remuneration	AUD$36,000 pa in director's fees and ILS540,000 pa in wages (USD 156,600) total of USD 181,505.
Contract duration	No fixed term
Termination notice by the individual/company	30 days
Other entitlements	18 days annual leave per annum

COMPONENT	Strategic Board Consultant (formerly Executive Vice President of Strategy and Operations) – Guy Brandwine
Fixed remuneration	ILS137,826 (plus value added tax at the applicable rate) per annum (USD 39,969).
Contract duration	No fixed term
Termination notice by the individual/company	30 days
Other entitlements	None

Relationship between the remuneration policy and company performance

Refer below in this remuneration report for details on Performance Shares issued during the year.

[1] Appointed 14 September 2016
[2] Appointed 11 June 2018, resigned 13 May 2020
[3] Appointed 14 May 2020

Remuneration report (audited) (continued)

Remuneration expense details for the year ended 31 December 2020

The directors incurred the following amounts as compensation for their services as directors and executives of the Group during the year:

2020	Short-term employee benefits			Post-employment benefits	Share-based payment	Total $USD	% Consisting of share-based payments $USD
	Salary & fees $USD	Bonus $USD	Other $USD	Superannuation $USD	Shares, options & rights $USD		
Directors							
Yehuda Shamai[1]	24,905	-	-	-	-	24,905	-
Ron Zuckerman[1]	24,905	-	-	-	-	24,905	-
Adam Sierakowski[1]	24,905	-	-	-	-	24,905	-
Stephen Hewitt-Dutton[3]	9,172	-	-	-	-	9,172	-
Henry Shiner[4]	23,097	-	-	2,194	-	25,291	-
Executives							
Ido Levanon[1, 2]	181,505	-	-	-	-	181,505	-
Guy Brandwine	39,969	-	-	-	-	39,969	-
Total	**328,458**	**-**	**-**	**2,194**	**-**	**330,652**	**-**

2019	Short-term employee benefits			Post-employment benefits	Share-based payment	Total $USD	% Consisting of share-based payments $USD
	Salary & fees $USD	Bonus $USD	Other $USD	Superannuation $USD	Shares, options & rights $USD		
Directors							
Yehuda Shamai[1]	25,034	-	-	-	-	25,034	-
Ron Zuckerman[1]	25,034	-	-	-	-	25,034	-
Adam Sierakowski[1]	27,287	-	-	-	-	27,287	-
Stephen Hewitt-Dutton[3]	25,034	-	-	-	-	25,034	-
Executives							
Ido Levanon[1, 2]	129,967	-	-	-	-	129,967	-
Guy Brandwine	34,015	-	-	-	-	34,015	-
Total	**266,371**	**-**	**-**	**-**	**-**	**266,371**	**-**

[1] The directors were Directors of DTS Australia during the whole 2020 financial year.

[2] Mr Levanon was an executive of DTS Israel during the whole financial year.

[3] Mr Hewitt-Dutton was appointed 11 June 2018 and resigned 13 May 2020.

[4] Mr Shiner was appointed 13 May 2020.

Remuneration report (audited) (continued)

Securities received that are not performance-related

No members of key management personnel are entitled to receive securities that are not performance-based as part of their remuneration package.

Options granted as remuneration

During the 31 December 2020 financial year, there were no options issued to KMP as remuneration.

Description of options issued as remuneration

Details of the options previously granted as remuneration to those key management personnel listed in the previous table are as follows:

Grant date	Issuer	Entitlement on exercise	Dates exercisable by	Exercise price (AUD)	Value per option at grant date (USD)	Amount paid/payable by recipient
20 June 2018	Dragontail Systems Limited	1:1 ordinary share in Dragontail Systems Limited	20 June 2021	$0.40	$0.043	$0.00

On 20 June 2018, 1,500,000 options vesting immediately were issued pursuant to a mandate for the provision of corporate advisory services. Option values at grant date were determined using the Black-Scholes method as the service received was not able to be reliably measured (note 15).

Remuneration report (audited) (continued)

Key Management Personnel shareholdings

The number of ordinary shares in Dragontail Systems Limited held by each key management personnel of the Group during the financial year is as follows:

Ordinary shares	Balance on 1 January 2020 or on date of appointment	Granted as remuneration during the year	Issued on exercise of options during the year	Net other changes during the year	Balance on 31 December 2020 or on date of resignation
2020 Directors					
Ido Levanon	22,975,830	-	-	-	22,975,830
Yehuda Shamai	35,051,763	-	-	-	35,051,763
Ron Zuckerman	8,433,020	-	-	-	8,433,020
Adam Sierakowski	5,587,593	-	-	-	5,587,593
Henry Shiner	-	-	-	-	-
Stephen Hewitt-Dutton	154,631	-	-	-	154,631
Executives					
Guy Brandwine	14,162,810	-	-	-	14,162,810
Total	**86,365,647**	**-**	**-**	**-**	**86,365,647**

The number of options in Dragontail Systems Limited held by each key management personnel of the Group during the financial year is as follows:

Options	Balance on 1 January 2020 or on date of appointment	Granted as remuneration during the year	Net other changes during the year	Number of options vested on 31 December 2020 or on date of resignation
2020 Directors				
Ido Levanon	-	-	-	-
Yehuda Shamai	-	-	-	-
Ron Zuckerman	-	-	-	-
Adam Sierakowski	1,500,000	-	-	1,500,000
Henry Shiner	-	-	-	-
Stephen Hewitt-Dutton	-	-	-	-
Executives				
Guy Brandwine	-	-	-	-
Total	**1,500,000**	**-**	**-**	**1,500,000**

Other equity-related Key Management Personnel transactions

There have been no other transactions involving equity instruments apart from those describe in the tables above relating to options, rights, and shareholdings.

Other transactions with Key Management Personnel and/for their related parties

There were no other transactions conducted between the Group and Key Management Personnel or their related parties, apart from those disclosed above and below, that were conducted other than in accordance with normal employee, customer, or supplier relationships on terms no more favorable than those reasonably expected under arm’s length dealings with unrelated persons.

Other transactions with Key Management Personnel and/for their related parties (continued)

Company secretarial and accounting services.

During the year, Trident Management Services Pty Ltd ("Trident Management Services"), provided the Company with accounting and company secretarial services. These services provided were based upon normal commercial terms and conditions no more favourable than those available to other parties. Mr Sierakowski is a Director of Trident Management Services. The amount incurred for the year ended 31 December 2020 was USD $74,991 (2019: USD $86,206). As of 31 December 2020 USD, $6,040 (2019: USD $6,757) was payable to Trident Management Services.

Corporate advisory and capital raising services

During the year, Trident Capital Pty Ltd ("Trident Capital"), provided the Company with corporate advisory services. These services provided were based upon normal commercial terms and conditions no more favourable than those available to other parties. Mr Sierakowski is a Director of Trident Capital. The amount incurred for the year ended 31 December 2020 was $nil (2019: USD $24,339). As of 31 December 2020 $nil (2019: USD $ 4,589) was payable to Trident Capital.

Legal fees

During the year, Price Sierakowski Corporate ("Price Sierakowski") provided the Company with legal services. Mr Sierakowski is a Director of Price Sierakowski. The amount incurred for the year ended 31 December 2020 was nil (2019: USD $2,253). As of 31 December 2020, $nil (2019: $nil) was payable to Price Sierakowski.

Supply agreement

DTS Israel had entered into an agreement with Tabasco Holdings Ltd (Tabasco) – the owner of the Pizza Hut Israel chain – with respect to certain Pizza Hut establishments in Israel. Tabasco is a related party of the Company as it is controlled by Yehuda Shamai, who is a Non-Executive Director of the Company. The material terms of the agreement between the Company and Tabasco are as follows:

- For a period of 10 years from the first installation (i.e. February 2014) (10 Year Period), for the first 25 Pizza Hut Israel locations for which Tabasco receives services from the Company, Tabasco is not required to pay any initial set up fees and the Company provides the ongoing services at cost; and
- For the 26th to 100th Pizza Hut Israel locations, for the 10 Year Period, Tabasco pays a reduced initial set up fee (to be determined by the parties at the relevant time), and receives a 75% discount on the monthly fees, based on the Company's price list.

The discounted rates will cease to apply at the end of the 10 Year Period.

The Company notes that it negotiated the terms of the agreement on an arm's length basis and will continue to ensure that all future dealings with Tabasco are similarly entered into and undertaken on an arm's length basis.

For the year-ended 31 December 2020 there was USD $79,309 (2019: USD $12,130) in revenue derived from Tabasco Holdings Ltd.

End of audited Remuneration Report

Voting and comments made at the Company's Annual General Meeting

At the Annual general meeting held on 30 July 2020, the Company received 98% of votes, of those shareholders who exercised their right to vote, in favor of the remuneration report for the 2019 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Proceedings on behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Environmental regulation and performance

The Group's operations are not subject to significant environmental regulations under the law of the Commonwealth or of a State or Territory. The policy is to comply with, or exceed, its environmental obligations in each jurisdiction in which it operates. No known environmental breaches have occurred.

Non-audit services

The total value of non-audit services provided by related practices of BDO Audit (WA) Pty Ltd in respect of tax consulting services was USD $5,736 (2019: USD $6,479).

The board of directors have considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services provided by related practice of the auditor did not compromise the auditor independence requirements under the corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the Board to enquire they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

Auditor's independence declaration

The auditor's independence declaration is included on page 15 of the annual report.

Signed in accordance with a resolution of the directors dated 31st day of March 2021.

Ido Levanon
Managing Director

31st day of March 2021

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

DECLARATION OF INDEPENDENCE BY NEIL SMITH TO THE DIRECTORS OF DRAGONTAIL SYSTEMS LIMITED

As lead auditor of Dragontail Systems Limited for the year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Dragontail Systems Limited and the entities it controlled during the period.

Neil Smith

Director

BDO Audit (WA) Pty Ltd

Perth, 31 March 2021

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated statement of profit or loss and other comprehensive income for the financial year ended 31 December 2020

	Note	Year ended 31 December 2020	Year ended 31 December 2019
		USD	USD
Revenues	5	1,451,325	769,247
Other income	5	600,050	504,879
Total income		2,051,375	1,274,126
Expenses			
Research and development expenses	6	(2,110,020)	(3,475,044)
Selling and marketing expenses	6	(278,328)	(272,188)
Operational expenses	6	(1,878,293)	(1,794,215)
General and administrative expenses	6	(1,604,432)	(1,886,223)
Share based payments	17	(175,508)	(765,906)
Total operating expenses		(6,046,581)	(8,193,576)
Operating loss		(3,995,206)	(6,919,450)
Net finance income/(expenses)	6	103,321	(777,637)
Loss before income tax		(3,891,885)	(7,697,087)
Income tax expense	8	-	-
Loss for the year after income tax		(3,891,885)	(7,697,087)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign currency translation differences		(402,382)	(61,424)
Total items that may be reclassified to profit or loss		(402,382)	(61,424)
Other comprehensive profit / (loss) for the year		(402,382)	(61,424)
Total comprehensive profit / (loss) for the year attributable to the members of Dragontail Systems Limited		**(4,294,267)**	**(7,758,511)**
Loss per share (basic and diluted) (cents)	18	(1.47)	(3.10)

The accompanying notes form an integral part of this consolidated statement of profit or loss and other comprehensive income.

Consolidated statement of financial position as of 31 December 2020

		As of 31 December,	
		2020	**2019**
	Note	**USD**	
Current Assets			
Cash and cash equivalents	19	2,202,877	957,010
Trade receivables	9	128,656	104,509
Inventories	10	30,232	33,636
Other receivables	9	156,575	257,665
Total Current Assets		2,518,340	1,352,820
Non-Current Assets			
Other receivables	9	12,625	11,628
Property, Plant and Equipment	11	63,127	64,463
Total Non-Current Assets		75,752	76,091
Total Assets		2,594,092	1,428,911
Current Liabilities			
Trade payables	12	(426,643)	(205,819)
Other payables	12	(728,448)	(728,655)
Borrowings	13	-	(3,014,852)
Convertible preference shares	14	(4,700,281)	-
Total Current Liabilities		(5,855,372)	(3,949,326)
Net Assets/ (Liabilities)		(3,261,280)	(2,520,415)
Equity			
Issued capital	15	22,136,247	18,688,069
Reserves	16	2,039,732	2,336,890
Retained losses		(27,437,259)	(23,545,374)
Total Equity/ (Deficiency in Equity)		(3,261,280)	(2,520,415)

The accompanying notes form an integral part of this consolidated statement of financial position.

Consolidated statement of changes in equity for the financial year ended 31 December 2020

	Share Capital	Foreign currency translation reserve	Share based payments reserve	Accumulated Losses	Total
	USD	USD	USD	USD	USD
Balance as of 1 January 2020	**18,688,069**	**103,968**	**2,232,922**	**(23,545,374)**	**(2,520,415)**
Comprehensive income					
Loss for the year	-	-	-	(3,891,885)	(3,891,885)
Foreign exchange movements	-	(402,382)	-	-	(402,382)
Total comprehensive loss for the year	-	(402,382)	-	(3,891,885)	(4,294,267)
Transactions with owners, in their capacity as owners, and other transfers					
Issue of share capital	3,448,178	-	(70,284)	-	3,377,894
Share based payment transactions	-	-	175,508	-	175,508
Transactions with owners and other transfers	3,448,178	-	105,224	-	3,553,402
Balance as of 31 December 2020	22,136,247	(298,414)	2,338,146	(27,437,259)	(3,261,280)
Balance as of 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)
Foreign exchange movements	-	(61,424)	-	-	(61,424)
Total comprehensive loss for the year	-	(61,424)	-	(7,697,087)	(7,758,511)
Transactions with owners, in their capacity as owners, and other transfers					
Issue of share capital	339,683	-	(339,683)	-	-
Share based payment transactions	-	-	1,233,117	-	1,233,117
Transactions with owners and other transfers	339,683	-	893,434	-	1,233,117
Balance as of 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.

Consolidated statement of cash flows for the financial year ended 31 December 2020

	Note	2020	2019
		Year ended 31 December	
		USD	
Cash flows from operating activities			
Receipts from customers		1,587,554	1,016,005
Receipt from ATO for R&D incentive		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	19	(3,500,278)	(5,730,612)
Cash flows from investing activities:			
Payments for property, plant and equipment		(41,879)	(10,239)
Net cash used in investing activities		(41,879)	(10,239)
Cash flows from financing activities:			
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	2,806,911
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	19	2,202,877	957,010

The accompanying notes form an integral part of this consolidated statement of cash flows.

1. REPORTING ENTITY

This annual financial report includes the financial statements and notes of Dragontail Systems Limited ("the Company") and its legal subsidiaries ("the Group"). The Company is a for-profit entity and is domiciled in Australia.

2. NEW AND AMENDED STANDARDS FOR APPLICATION IN CURRENT OR FUTURE PERIODS

(a) New standard adopted by the Group

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2020.

New and revised Standards and amendments thereof and Interpretations effective for the financial year that are relevant to the Group include:

AASB 2018-6 Amendments to Australian Accounting Standards - Definition of a Business

This Standard amends AASB 3 Business Combinations. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

AASB 2019-1 Amendments to Australian Accounting Standards - References to the Conceptual Framework

The amendments include consequential amendments to affected Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the Conceptual Framework for Financial Reporting (Conceptual Framework) by the AASB.

AASB 2019-3 Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform

The amendments in AASB 2019-3 modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the ongoing interest rate benchmark reforms.

AASB 2019-5 Amendments to Australian Accounting Standards - Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia

This Standard make amendments to AASB 1054 Additional Australian Disclosures by adding a disclosure requirement for an entity intending to comply with IFRS Standards to disclose information specified in paragraphs 30 and 31 of AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors on the potential effect of an IFRS Standard that has not yet been issued by the AASB.

The adoption of these Amendments has had no significant impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements include the financial statements of Dragontail Systems Limited (the "Company"), and its legal subsidiaries (the "Group"). These general-purpose financial statements 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. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

Except for the cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

These financial statements are presented in United States dollars and the controlling entity, DTS Australia, has a functional currency of 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).

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

a) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The Group considers all highly liquid investments, including unrestricted short-term bank deposits purchased with original maturities of three months or less, to be cash equivalents.

b) Plant and equipment

Plant and equipment assets are measured at cost plus the direct costs of the purchase and less accumulated depreciation.

Depreciation is calculated by the straight-line method at annual rates considered to be sufficient to depreciate the assets over their estimated useful life:

- Computers 3 years
- Furniture 6 to 16 years
- Leasehold improvements 10 years

c) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories comprises costs of purchase and costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale. The Company periodically evaluates the condition and age of inventories and makes provisions for slow moving inventories accordingly.

Cost of inventories is determined as follows:

Raw materials - at cost of purchase using the "first-in, first-out" method.

Work in progress and finished goods - on the basis of average costs including materials, labour and other direct and indirect manufacturing costs based on normal capacity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial instruments

The impairment of financial assets using the expected credit loss model applies now to the Group's trade receivables. For contract assets arising from AASB 15 and trade receivables, the Group applies a simplified model of recognising lifetime expected credit loss as these items do not have a significant financing component.

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled, or expires.

Classification and initial measurement of financial assets

Financial assets are classified according to their business model and the characteristics of their contractual cash flows and are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following four categories:

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss (FVTPL)
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Equity instruments at FVTOCI

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets at amortised cost

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of 'hold to collect' contractual cash flows are accounted for at amortised cost using the effective interest method. The Group's trade and most other receivables fall into this category of financial instruments.

Impairment of financial assets

AASB 9's forward looking impairment model applies to Group's investments at amortised cost and debt instruments at FVTOCI. The application of the impairment model depends on whether there has been a significant increase in credit risk.

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

e) Impairment of other tangible and intangible assets

The Company evaluates the need to record an impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable.

If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

An impairment loss of an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss, as above, shall not be increased above the lower of the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years and its recoverable amount. The reversal of impairment loss of an asset presented at cost is recognized in profit or loss.

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

e) Impairment of other tangible and intangible assets (continued)

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than it is carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount.

An impairment loss is recognized in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

f) Employee benefit liabilities

Short-term employee benefits

Short-term employee benefits are benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services. These benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions, and are recognized as expenses as the services are rendered. A liability in respect of a cash bonus or a profit-sharing plan is recognized when the Company has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

Post-employment benefits

The Company has defined contribution plans pursuant to section 14 to the Severance Pay Law in Israel under which the Company pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods.

Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense when contributed concurrently with performance of the employee's services.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Income Tax

Current or deferred taxes are recognized in profit or loss, except to the extent that they relate to items which are recognized in other comprehensive income or equity.

Current taxes

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date as well as adjustments required in connection with the tax liability in respect of previous years.

Deferred taxes

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes.

Deferred taxes are measured at the tax rate that is expected to apply when the asset is realized or the liability is settled, based on tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is not probable that they will be utilized. Temporary differences for which deferred tax assets had not been recognized are reviewed at each reporting date and a respective deferred tax asset is recognized to the extent that their utilization is probable.

Current tax

Current tax is calculated by reference to the amount of income taxes payable to or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognized as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability, and it is carrying amount in the statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilized. However, deferred tax assets and liabilities are not recognized if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognized in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interest are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realized or settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequence that would follow from the manner in which the company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authorities and the company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognized as an expense or income in the statement of profit or loss and other comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognized directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

h) Intangibles: Research and development costs

Research costs are recognized as an expense in profit or loss when incurred. An intangible asset arising from a development project or from the development phase of an internal project is recognized only when all the following criteria are met:

a) If the Company can demonstrate it is technically feasible to complete the intangible asset so that it will be available for use or sale;

b) The Company intends to complete the intangible asset and use or sell it;

c) There is an ability to use or sell the intangible asset;

d) It can be demonstrated how the intangible asset will generate probable future economic benefits;

e) The availability of adequate technical, financial, and other resources to complete the intangible asset; and

f) The ability to measure reliably the respective expenditure asset during its development.

The asset is measured at cost less any accumulated amortization and any accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. The asset is amortized over its useful life. Testing of impairment is performed annually over the period of the development project.

As of 31 December 2020, the Company's management estimates that the aggregate conditions for capitalizing development costs to intangible asset were not met.

i) Research and Development tax rebate

Companies within the group may be entitled to claim special tax deductions for investments in relation to qualifying expenditure (e.g., the Research and Development Tax Incentive regime in Australia or other investment allowances). The group accounts for such allowances as other income when received,

j) Share-based payments

Equity-settled share-based payments are measured at fair value of the equity instrument at the grant date. Fair value for options is measured by the use of the Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company (market conditions) if applicable.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognized for equity-settled transactions at each balance date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share, refer Note 18.

k) Borrowings

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the year of the loans and borrowings using the effective interest method.

Borrowings are derecognised from the statement of financial position when the obligation specified in the contract has been discharged, cancelled, or expires. The difference between the carrying amount of the borrowing derecognised and the consideration paid is recognised in profit or loss as other income or finance costs.

All borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

l) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognized as a current liability with the amounts normally paid within 30 days of recognition of the liability.

m) Revenue recognition

The Group has applied AASB 15. The details of accounting policies are as stated below.

A. Significant accounting policy

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control over a product or service to a customer. Service revenue was recognized when the fees in respect of services rendered were earned, usually when services had been provided to customers or as per terms and conditions of service contracts.

B. Nature of goods and services

The following is a description of the principal activities from which the Group generates its revenue.

Products and services	**Nature, timing of satisfaction of performance obligations and significant payment terms**
Sale of hardware	Revenue is recognised over time where the customer has legal title to the product, the product being constructed has no alternative uses and the Group is entitled to be reimbursed by the customer for costs incurred to date including a reasonable profit margin to construct the specialised equipment if the customer cancels the contract other than for breach. Consideration is highly probable of being received.
Installation services	Some contracts include multiple deliverables, such as the provision and installation and commission of hardware and software. The Company recognizes revenues from installation of the software after the installation is complete. Customers usually pay according to the agreed invoicing schedule or contract milestones. If the goods and services rendered by the Group exceed the payment, a contract asset is recognized. If the payments exceed the goods and services rendered, a contract liability is recognized.
Software, subscription and servicing	The Group provides software subscription and servicing fees, which represent a separate performance obligation under contractual terms. For these services, which is billed based on monthly basis, the Group recognizes revenue as the services are performed.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Revenue recognition (continued)

C. Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical market, major products/service lines and timing of revenue recognition.

	31 Dec 2020 $	31 Dec 2019 $
Primary geographical markets		
Australia	867,999	436,429
Israel	158,364	46,654
USA	112,610	66,615
Canada	312,352	219,549
TOTAL	**1,451,325**	**769,247**
Major products/service lines		
Sale of hardware	65,213	39,383
Installation and training	109,003	208,241
Software and servicing	1,277,109	521,623
TOTAL	**1,451,325**	**769,247**
Revenue recognition		
At a point in time	109,003	208,241
Over time	1,342,322	561,006
TOTAL	**1,451,325**	**769,247**

n) Earnings/(loss) per share

Earnings per share are calculated by dividing the net income attributable to equity holders of the Company by the weighted number of Ordinary shares outstanding during the period.

Potential Ordinary shares are included in the computation of diluted earnings per share when their conversion decreases earnings per share from continuing operations. Potential Ordinary shares that are converted during the period are included in diluted earnings per share only until the conversion date and from that date in basic earnings per share. The Company's share of earnings of investees is included based on its share of earnings per share of the investees multiplied by the number of shares held by the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o) 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 recognized in the period in which the estimates are revised and future periods if relevant.

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

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.

Convertible Preference Share Liability

A convertible preference share ('CPS') was issued by the Group as part of a funding agreement (refer Note 14), which includes embedded derivatives (option to convert the securities to variable number of shares in the Group when an 'Adjustment Event' occurs. The CPS failed the fixed for fixed criteria of the accounting standards due to the redeemable event and conversion option terms (together referred to as "settlement options") as discussed in Note 14. These CPS are recognised as financial liabilities at fair value through profit or loss. On initial recognition, the fair value of the debt liability and the value of the equity components (right to dividend stream in the event the CPS is redeemed for cash) will equate to the proceeds received and subsequently the liability is remeasured at fair value at each reporting period. The fair value movements are recognised through profit or loss as finance costs/income.

Taxation

Balances disclosed in the financial statements and the notes related to taxation, are based on the best estimates of directors, pending further assessment in the next financial year.

Recovery of deferred tax assets

Deferred tax assets are recognized for deductible temporary differences as management considers that it is probable that sufficient future tax profits will be available to utilize those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits.

Revenue

Sales revenue comprises revenue earned (net of returns, discounts, and allowances) from the sale of goods or provision of services to entities outside the Group. The Group recognizes revenue from contracts with customers in accordance with the recognition of the completion of performance obligations under the contract. Where a contract includes an element of a warranty obligation, the revenue attributable to this warranty obligation is recognized evenly over the period for which the obligation exists.

Interest revenue is recognized using the effective interest method. It includes the amortization of any discount or premium. The revenue is recognized over the time the interest is earned.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Foreign Currency

Functional and presentation currency

Items included in the Financial Statements of each of the Company entities are measured using the currency of the primary economic environment in which the Entity operates ('the functional currency'). The Consolidated Financial Statements are presented in United Stated dollars (USD), which is Dragontail Systems Limited's presentation currency.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the dates when the fair value was determined.

Translation of Foreign Operations

The Statement of Profit or Loss and other Comprehensive Income is translated at the average exchange rates for the year.

The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of the foreign entity, the deferred cumulative amount recognized in equity relating to that foreign operation will be recognized in the Statement of Profit or Loss and Other Comprehensive Income.

q) Going concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realization of assets and the settlement of liabilities in the ordinary course of business. Subsequent to financial year-end, the Group received the final A$7.25M funds from Alceon (A$2M) and Eldridge Industries LLC (A$5.25M) completing the full A$19.25M convertible preference share strategic fund raising. Following this receipt of funds, the Group has sufficient working capital to pay its debts as and when they fall due for at least 12 months from the date of signing the financial report.

4. CONTROLLED ENTITIES

The consolidated financial statements include financial statements of Dragontail Systems Limited and the following subsidiaries:

	Country of	% Equity Interest	
Name	**Incorporation**	**2020**	**2019**
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%

Dragontail Systems Limited is the ultimate Australian parent entity and legal parent of the Group.

5. REVENUE & OTHER INCOME

	2020 USD	2019 USD
Revenue from contracts with customers[1]	1,451,325	769,247
	1,451,325	**769,247**

[1]Refer to Note 3(m) for information relating to the revenue recognised during the year.

Other Income - Research and development refund[2]	600,050	504,879
	600,050	**504,879**

[2]During the year, the Company received USD $600,050 from research and development tax refund from the Australian Tax Office.

6. EXPENSES

	2020 USD	2019 USD
General and administrative expenses		
Payroll and related expenses	745,467	824,660
Subcontractors	43,993	53,182
Professional services	136,207	270,181
Travel abroad	-	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**
Research and development costs		
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**

Notes to the consolidated financial statements

6. EXPENSE (CONTINUED)

	2020 USD	2019 USD
Selling and marketing expenses		
Payroll and related expenses	77,012	-
Travel abroad	32,414	130,781
Advertising and marketing expenses	168,902	141,407
	278,328	**272,188**
Operational expenses		
Payroll and related expenses	1,024,101	987,574
Software and program operating	491,837	434,174
Subcontractors	305,468	147,714
Travel abroad	56,877	224,753
	1,878,293	**1,794,215**
Finance expenses, net		
Bank and other creditor fees	112,786	9,593
Interest expenses	227,701	199,103
Loss/(profit) on foreign exchange differences	52,942	101,730
Finance cost – Alceon loan (Refer Note 13)	-	467,211
Finance cost/(gain) – Convertible Preference Shares (Note 14)	(496,750)	-
	(103,321)	**777,637**

Notes to the consolidated financial statements

7. REMUNERATION OF AUDITORS

	2020 USD	2019 USD
Auditor of the Company – BDO Audit (WA) Pty Ltd		
Audit and review of financial statements	31,976	30,236
Total remuneration for audit and other assurance services	**31,976**	**30,236**
Non-audit services - provided by related practices of Auditor		
Tax consulting services	5,736	6,479
Total remuneration for non-audit services	**5,736**	**6,479**
Amounts paid to non-BDO firms		
Ernst and Young Kost Forer Gabbay & Kasierer Certified Public Accountants (Israel)		
Audit and other assurance services		
Audit and review of financial statements	20,000	23,400
Total remuneration for audit and other assurance services	**20,000**	**23,400**
Non-audit services		
Tax consulting services	-	4,520
Total non-audit services	**-**	**4,520**

8. INCOME TAXES

	2020 USD	2019 USD
(a) Income tax recognised in profit or loss		
Tax expense/(income) comprises:		
Current tax expense/(income)	-	-
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	-	-
Total tax expense/(income)	**-**	**-**
(b) *The prima face income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:*		
Operating loss before income tax	(3,891,885)	(7,697,087)
Prima facie tax payable / (benefit) calculated at 26% (2019:27.5%)	(1,011,890)	(2,116,699)
Tax effect of:		
Tax effect of different tax rate of foreign subsidiary	102,272	141,235
Share based payments	45,632	339,107
Non-taxable / deductible items	238,492	530,437
Non assessable items	(17,987)	-
Utilisation of tax losses previously unrecognised	670	(897)
Tax effect of current year revenue losses for which no deferred tax asset has been recognised	642,803	1,106,817
Income Tax Expense	-	-
(c) Unrecognised deferred tax balances		
The following deferred tax assets have not been brought to account:		
Unrecognised deferred tax asset – tax losses	4,452,860	2,827,947
Unrecognised deferred tax asset – other temporary differences	469,651	627,150
Unrecognised deferred tax liability – capitalised acquisition expenses claimed for tax purposes		-
Unrecognised net deferred tax assets	4,922,511	3,455,097

The net deferred tax assets not brought to account will only be of a benefit to the Company if future assessable income is derived of a nature and amount sufficient to enable the benefits to be realized, the conditions for deductibility imposed by the tax legislation continue to be complied with and the Company is able to meet the continuity of ownership and/or continuity of business tests.

9. TRADE AND OTHER RECEIVABLES

	2020 USD	2019 USD
Trade receivables	128,656	104,509
Other receivables – Current	156,575	257,665
Other receivables – Non-Current	12,625	11,628
Total trade and other receivables	**297,856**	**373,802**

Allowance for expected credit losses

The Group has no impairments to trade and other receivables or have receivables that are part due but not impaired. The consolidated entity has not recognised any loss in profit or loss in respect of the expected credit losses for the year ended 31 December 2020 (31 December 2019: $nil).

The consolidated entity has increased its monitoring of debt recovery as there is an increased probability of customers delaying payment or being unable to pay, due to the Coronavirus (COVID-19) pandemic. As a result, the calculation of expected credit losses has been revised as at 31 December 2020 and rates have increased in each category up to 6 months overdue. Management approach will remain conservative in assessing current and forecast credit conditions and when determining default rates on debtors' balances.

Due to the short-term nature of the current receivables, their carrying amount is assumed to be the same as their fair value. Receivables are generally due for settlement within 30 days and therefore are classified as current.

Refer to Note 20 for details on of the risk exposure and management of the Group’s trade and other receivables.

10. INVENTORY

	2020 USD	2019 USD
Finished Goods	**30,232**	**33,636**

11. PLANT AND EQUIPMENT

	Computers and electronics USD	Office equipment and furniture USD	Leasehold Improvements USD	Total USD
Cost				
Balance as of 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 of 31 December 2020	89,570	45,195	5,183	139,947
Accumulated Depreciation				
Balance as of 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 of 31 December 2020	57,735	17,453	1,632	76,820
Property, Plant and Equipment as of 31 December 2020	**31,834**	**27,742**	**3,551**	**63,127**

	Computers and Electronics USD	Office equipment and Furniture USD	Leasehold Improvements USD	Total USD
Cost				
Balance as of 1 January 2019	141,949	25,453	16,217	183,619
Additions	-	10,239	-	10,239
Disposals	(9,977)	(81)	(1,960)	(12,018)
Balance as of 31 December 2019	131,972	35,611	14,257	181,840
Accumulated Depreciation				
Balance as of 1 January 2019	59,812	8,225	10,259	78,296
Depreciation for the year	34,690	6,787	3,942	45,419
Disposals	(5,875)	-	(463)	(6,338)
Balance as of 31 December 2019	88,627	15,012	13,738	117,377
Property, Plant and Equipment as of 31 December 2019	**43,435**	**20,599**	**519**	**64,463**

Notes to the consolidated financial statements

12. TRADE AND OTHER PAYABLES

	2020 USD	2019 USD
Trade payables	426,643	205,819
Payroll liabilities	430,215	342,106
Provision for annual leave	298,233	190,891
Deferred income	-	80,490
Interest payable	-	115,168
Total trade and other payables	**1,155,091**	**934,474**

Trade and other payables are normally settled within 30 days from receipt of invoice. All amounts recognised as trade and other payables, but not yet invoiced, are expected to settle within 12 months.

The carrying value of the trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

Refer to Note 20 for details of the risk exposure and management of the Group's trade and other payables.

13. BORROWINGS

	2020 USD	2019 USD
Loan – current	-	3,014,852

In July 2019, the Company signed on a loan agreement with Alceon Liquid Strategies Pty Ltd (Alceon), for a total amount of AUD $4,300,000.

The material terms of the loan agreement are as follows:

1. Term: two years from Financial Close.
2. Repayment: in full at maturity in July 2021, or can be repaid early in full, at any time, subject to minimum interest payment of 6 months.
3. Interest rate: for month 1-8: 15.0% per annum, for month 9-24: 17.5% per annum.
4. Options issued as finance cost (refer note 6 for details).

The loan was repaid in full in conjunction with the settlement of the Convertible Preference Share funding (Funding) (see note 14). The Company and Alceon entered into a Set-off Deed under which Alceon's $2,000,000 subscription under Stage 1 of the Funding was offset against the amount owing. The balance was paid out of the proceeds of the Stage 1 Funding.

In January 2020, the Company signed on a Term Sheet with Eldridge Industries to provide funding by way of a subscription for Convertible Preference Shares. Under the Term Sheet Eldridge also agreed to provide the Company with a short-term Bridge Loan of US$2 million to ensure that the Company had sufficient liquidity until the issue of the Convertible Preference Shares was completed.

The material terms of the Bridge Loan were as follows:

1. Term: four months from Drawdown.
2. Repayment: in full at maturity or on completion of the issue of the Convertible Preference Shares.
3. Interest rate: 8% per annum.

The loan was repaid in full in conjunction with the settlement of the Convertible Preference Share funding (Funding) (see note 14). The Company and Eldridge entered into a Set-off Deed under which the US$2,000,000 was off-set against Eldridge's subscription under Stage 1 of the Funding. The balance of Eldridge's stage 1 Funding was received in cash at completion.

Notes to the consolidated financial statements

14. CONVERTIBLE PREFERENCE SHARES

	2020 USD	2019 USD
Convertible preference shares at fair value through profit or loss	4,700,281	-

On March 23, 2020 the Company announced that a binding subscription agreement had 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 capital raising was 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.
- Upon conversion, one CPS will convert into one ordinary share, any deferred amount of interest ceases to accrue and will 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.

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 net finance gain of USD $496,750 was recognized in the profit or loss statement.

15. ISSUED CAPITAL

	2020		2019	
	No.	**USD**	**No.**	**USD**
Ordinary Shares	285,988,462	22,136,247	248,883,418	18,668,069

Fully paid ordinary shares carry one vote per share and carry the right to dividends. Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

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

	2020	
	No	**USD**
Opening balances as of 1 January 2020	248,883,418	18,688,069
Exercise of employee Incentive Option Plan options[1]	566,582	70,284
Conversion of Cumulative preference Shares[2]	36,538,462	3,377,893
	285,988,462	**22,136,246**

Notes:

[1] During the financial year, a total of 566,582 options issued as part of the Group's Employee Incentive Option Plan were converted into ordinary shares which resulted in a transfer from share-based payment reserve to share capital totalling $70,284.

[2] During the financial year, a total of 36,538,462 convertible preference shares were converted into ordinary shares. Refer to Note 14 for further details.

	2019	
	No	**USD**
Opening balances as of 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**

Notes:

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.

16. RESERVES

	2020 USD	2019 USD
Share based payments reserve[1]	2,338,146	2,232,922
Foreign currency translation reserve[2]	(298,414)	103,968
Closing balance	**2,039,732**	**2,336,890**

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.

Nature of purpose of other reserves

Share-based payment reserve

The share-based payment reserve is used to recognize:

- The grant date fair value of options issued to employees but not exercised.
- The grant date fair value of shares issued to employees.
- The grant date fair value of deferred shares granted to employees but not yet vested.

Foreign currency translation

Exchange differences arising on translation of the foreign controlled entities are recognized in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

17. SHARE BASED PAYMENTS

Share based payments reserve

	2020 USD	2019 USD
Opening balance as of 1 January	2,232,922	1,339,488
Expense on prior year issued options	141,064	82,247
New options issued to employees under the Employee Incentive Option Plan[4]	34,444	683,659
Issue of Alceon options (refer to Note 13)[1]	-	467,211
Exercise of options	(70,284)	(339,683)
Closing balance as of 31 December	**2,338,146**	**2,232,922**

Share-based Payments recognised through profit and loss

	31 December 2020 USD	31 December 2019 USD
Expense on prior year issued options	35,538	82,247
New options issued to employees under the Employee Incentive Option Plan[2]	48,819	629,134
Issued to Employees under the Employee incentive Option plan[3]	56,707	54,525
Issued to Employees under the Employee incentive Option plan[4]	34,444	
Total expense recognized as share capital payments expense	175,508	765,906
Issue of Alceon options (refer to Note 6)[1]	-	467,211
Total expense recognized as finance cost	**-**	**467,211**
Total expense recognised through profit and loss	**175,508**	**1,233,117**

17. SHARE BASED PAYMENTS (CONTINUED)

Options

[1] 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

[2] 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

17. SHARE BASED PAYMENTS (CONTINUED)

Options (continued)

[3] 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

[4] 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

18. LOSS PER SHARE

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

	2020 USD	2019 USD
Loss attributable to ordinary equity holders	(3,891,885)	(7,697,087)
Balance as of 1 January	248,312,598	248,000,000
Effect of shares issued during the year	16,411,719	312,598
	264,724,317	**248,312,598**
Basic loss per share calculation (cents) (loss/weighted average number of shares)	(1.47)	(3.10)

19. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash and cash equivalents

For the purpose of the cash flow statement, cash includes cash on hand and in banks and deposits at call, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2020 USD	2019 USD
Cash and cash equivalents	2,202,877	957,010
	2,202,877	**957,010**

Refer to note 20 for details of the risk exposure and management of the Group's cash and cash equivalents.

(b) Reconciliation of loss for the period to net cash flows from operating activities

	2020 USD	2019 USD
Loss after income tax	(3,891,885)	(7,697,087)
Non-cash flows in loss:		
Share based payments	175,508	765,906
Share based payments expense recognized as finance cost	-	467,211
Depreciation	(40,557)	39,081
Net finance expenses/(income)	(103,321)	52,262
Changes in assets and liabilities relating to operating activities		
Decrease in inventory	3,404	273,743
Decrease/(Increase) in trade and other receivables	75,946	203,567
(Decrease)/increase in trade and other payables	280,627	164,705
Net cash flows from operating activities	**(3,500,278)**	(**5,730,612**)

20. FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks and accounts receivable and payable.

	2020 USD	2019 USD
Financial Assets		
Cash and cash equivalents	2,202,877	957,010
Trade receivables	128,656	104,509
Other receivables – current	156,575	257,665
Other receivables – non-current	12,625	11,628
Total financial assets	**2,500,733**	**1,330,812**
Financial liabilities		
Trade payables	(426,643)	(205,819)
Other payables	(728,448)	(728,655)
Loan	-	(3,014,852)
Convertible preference shares	(4,700,281)	-
Total financial liabilities	**(5,855,372)**	**(3,949,326)**

The Group's activities expose it to a variety of financial risks: market risks, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other commodity price risk, such as share price risk and commodity risk. Financial instruments affected by market risk include, among others, loans and borrowings, deposits, available-for-sale investments and derivative financial instruments.

Foreign Currency Risk

The Consolidated Entity is exposed to currency risk on financials assets or liabilities that are denominated in a currency other than the respective functional currencies of the Consolidated Entity's, The Australian Dollar (AUD) for the Parent Entity and Canadian Dollar (CAD), US Dollar (USD), and Israeli New Shekel (ILS) for the subsidiaries of the Consolidated Entity.

The currency risk is that risk that the value of financial instruments will fluctuate due to change in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's function currency. The Consolidated Entity is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar (the functional currency of the subsidiary company), the New Israeli Shekel, the Australian Dollar (functional currency of the parent company).The Consolidated Entity has had no material exposure to non-functional currency amounts during the financial year.

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

Interest Rate Risk

The Group is exposed to movements in market interest rates on short term deposits and loan. The Directors monitor the Group's cash position relative to the expected cash requirements. Where appropriate, surplus funds are placed on deposit earning higher interest. The group does not have any short or long term debt, and therefore this risk is minimal. The Group's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out in the following table:

2020	Floating rates	Fixed interest maturing in			Non-interest bearing	Total
		< 1 year	1 - 5 years	> 5 years		
	USD	USD	USD	USD	USD	USD
Financial assets						
Cash and cash equivalents	2,202,877	-	-	-	-	2,202,877
Trade and other receivables	-	-	-	-	297,856	297,856
	2,202,877	**-**	**-**	**-**	**297,856**	**2,500,733**
Weighted average interest rate	1.0%	-	-	-	-	1.0%
Financial liabilities						
Trade and other payables	-	-	-	-	1,155,091	1,155,091
CPS Liability	-	4,700,281	-	-	-	4,700,281
	-	**4,700,281**	**-**	**-**	**1,155,901**	**5,855,372**
Weighted average interest rate	1.0%	-	-	-	-	1.0%

2019	Floating rates	Fixed interest maturing in			Non-interest bearing	Total
		< 1 year	1 - 5 years	> 5 years		
	USD	USD	USD	USD		USD
Financial assets						
Cash and cash equivalents	957,010	-	-	-	-	957,010
Trade and other receivables	-	-	-	-	373,802	373,802
	957,010	**-**	**-**	**-**	**373,802**	**1,330,812**
Weighted average interest rate	1.0%	-	-	-	-	1.0%
Financial liabilities						
Trade and other payables	-	-	-	-	934,474	934,474
Loan	-	3,014,852	-	-	-	3,014,852
	-	**3,014,852**	**-**	**-**	**934,474**	**3,949,326**
Weighted average interest rate	-	17.5%	-	-	-	13.4%

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

Sensitivity Analysis

The Group does not consider this to be material to the Group and have therefore not undertaken any further analysis.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group closely monitors the activities of its counterparties and controls the access to its intellectual property which enables it to ensure the prompt collection of customers' balances. The group's main financial assets are cash and cash equivalents as well as other receivables and represent the group's maximum exposure to credit risk in connection with its financial assets. Wherever possible and commercially practical the group holds cash with major financial institutions in Israel and Australia.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Financial assets	**Note**	**2020 USD**	**2019 USD**
Cash and cash equivalents	19	2,202,877	957,010
Trade receivables	9	128,656	104,509
Total financial assets		**2,331,533**	**1,061,519**

On that basis, the loss allowance as at 31 December 2020 was determined as follows for trade receivables:

Trade Receivables	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**	**Total**
Expected loss rate	0%	0%	0%	0%	
Gross carrying amount – trade receivables	90%	10%	0%	0%	100%
Loss allowance	-	-	-	-	-

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash balances and access to equity funding.

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

Maturity profile

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

	Note	2020 USD	2019 USD
Financial liabilities due for payment			
Trade payables		426,643	205,819
Other payables		728,448	728,655
Loan		-	3,014,852
Convertible preference shares		4,700,281	-
Total expected outflows		**5,855,372**	**3,949,326**
Financial assets – cash flow realisable			
Cash and cash equivalents	19	2,202,877	957,010
Trade receivables		128,656	104,509
Other receivables – current		156,575	257,665
Other receivables – non-current		12,625	11,628
Total anticipated inflows		**2,500,733**	**1,330,812**
Net (outflow)/inflow on financial instruments		**(3,354,548)**	**(2,618,514)**

Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Company may issue new shares or reduce its capital, subject to the provisions of the Company's constitution. The capital structure of the Company consists of equity attributed to equity holders of the company, comprising contributed equity, reserves and accumulated losses. By monitoring undiscounted cash flow forecasts and actual cash flows provided to the board by the Company's management the board monitors the need to raise additional equity from equity markets.

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analyses.

The directors consider that the carrying amounts of financial assets and financial liabilities which are all recorded at amortised cost less accumulated impairment charges in these financial statements, approximate their fair values.

21. RELATED PARTY TRANSACTIONS

Transactions with key management personnel

i. Key management personnel compensation

The aggregate compensation made to key management personnel of the company and the Company is set out below:

	2020 USD	2019 USD
Short term employee benefits	328,458	266,371
Post-employment benefits	2,194	-
Termination benefits	-	-
Other benefits	-	-
Share-based payments	-	-
	330,652	**266,371**

ii. Transactions with key management personnel and related parties

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favorable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

Company secretarial and accounting services

During the year, Trident Management Services Pty Ltd ("Trident Management Services"), provided the Company with accounting and company secretarial services. These services provided were based upon normal commercial terms and conditions no more favourable than those available to other parties. Mr Sierakowski is a Director of Trident Management Services. The amount incurred for the year ended 31 December 2020 was USD $74,991 (2019: USD $86,206). As of 31 December 2020 USD, $6,040 (2019: USD $6,757) was payable to Trident.

Management Services

Corporate advisory and capital raising services

During the year, Trident Capital Pty Ltd ("Trident Capital"), provided the Company with corporate advisory services. These services provided were based upon normal commercial terms and conditions no more favourable than those available to other parties. Mr Sierakowski is a Director of Trident Capital. The amount incurred for the year ended 31 December 2020 was USD $nil (2019: USD $24,339). As of 31 December 2020 USD, $nil (2019: USD $ 4,589) was payable to Trident Capital.

Legal fees

During the year, Price Sierakowski Corporate ("Price Sierakowski") provided the Company with legal services. Mr Sierakowski is a Director of Price Sierakowski. The amount incurred for the year ended 31 December 2020 was $nil (2019: USD $2,253). As of 31 December 2020, $nil (2019: $nil) was payable to Price Sierakowski.

21. RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with key management personnel (continued)

Supply agreement

DTS Israel had entered into an agreement with Tabasco Holdings Ltd (Tabasco) – the owner of the Pizza Hut Israel chain – with respect to certain Pizza Hut establishments in Israel. Tabasco is a related party of the Company as it is controlled by Yehuda Shamai, who is a Non-Executive Director of the Company. The material terms of the agreement between the Company and Tabasco are as follows:

- for a period of 10 years from the first installation (i.e., February 2014) (10 Year Period), for the first 25 Pizza Hut Israel locations for which Tabasco receives services from the Company, Tabasco is not required to pay any initial set up fees and the Company provides the ongoing services at cost: and
- for the 26th to 100th Pizza Hut Israel locations, for the 10 Year Period, Tabasco pays a reduced initial set up fee (to be determined by the parties at the relevant time), and receives a 75% discount on the monthly fees, based on the Company's price list.
- The discounted rates will cease to apply at the end of the 10 Year Period.
- The Company notes that it negotiated the terms of the agreement on an arm's length basis and will continue to ensure that all future dealings with Tabasco are similarly entered into and undertaken on an arm's length basis.
- For the year-ended 31 December 2020 there was USD $79,309 (2019: USD $12,130) in revenue derived from Tabasco Holdings Ltd

22. CONTINGENT LIABILITIES

The Directors of the Group are not aware of any contingent liabilities which require disclosure in the financial year ended 31 December 2020 (31 December 2019: nil).

23. COMMITMENTS

	2020 USD	2019 USD
Office representation commitments		
Not later than 1 year	-	62,191
Later than 1 year but not later than 5 years	-	-
Total operating lease commitments	**-**	**62,191**
Company secretary commitments		
Not later than 1 year	36,778	33,379
Total Company secretary commitments	**36,778**	**33,379**

24. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On February 3rd, 2021 and on March 17th, 2021 the Company's shareholders have approved stage two of a binding subscription agreement, for A$19.25 million Convertible Preference Shares ("CPS"), that was announced on March 23, 2020.

Stage 1 was completed successfully with A$12 million raised during June 2020.

Stage 2 includes an additional subscription of A$5.25 million for 40,384,616 CPS with a share price of A$0.13 from Eldridge Industries (together with its affiliates, "Eldridge") and A$2 million for 15,384,616 CPS with a share price of A$0.13 from Alceon Liquid Strategies Pty Ltd as trustee of the Alceon High Conviction Absolute Return Fund ("Alceon").

On February 9, 2021 and on March 24, 2021, following receipt of funds, the Stage 2 CPS were issued to Eldridge and Alceon, respectively.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and not practicable to estimate the potential impact, positive or negative, after the reporting fate. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

There were no other material subsequent events after the reporting period other than the above.

25. SEGMENT NOTE

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 USD	**2019 USD**	**2020 USD**	**2019 USD**
Sale of software in 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)	-	-	103,321	(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)
	2,051,375	**1,274,126**	**(5,943,260)**	**(8,971,213)**

Geographic information

Revenues and other income 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:

	2020 USD	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 USD	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**

Notes to the consolidated financial statements

26. PARENT ENTITY INFORMATION

The following detailed information is related to the legal parent entity, Dragontail Systems Limited as of 31 December 2020.

	2020 USD	2019 USD
Current assets	1,225,647	558,374
Total assets	1,236,927	575,944
Current liabilities	5,934,251	3,899,114
Total liabilities	5,934,251	3,899,114
Contributed equity	17,906,999	15,092,110
Reserves	2,185,140	2,336,890
Accumulated Losses	(24,789,463)	(20,752,170)
Total equity/ (deficiency in equity)	(4,697,324)	(3,323,170)
Loss for the year	(5,505,342)	(8,441,160)

There were no continent liabilities or commitments at 31 December 2020 for the parent entity (31 December 2019: nil).

Directors' declaration

The Directors of the Group declare that:

1. In the Directors' opinion, the financial statements and accompanying notes set out on pages 16 to 52 are in accordance with the Corporations Act 2001 and:
   (a) comply with Accounting Standards and the Corporations Regulations 2001; and
   (b) give a true and fair view of the Group's financial position as of 31 December 2020 and of its performance for the year ended on that date;
2. note 3 confirms that the financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
3. in the Directors' opinion, there are reasonable grounds to believe that the group will be able to pay its debts as and when they become due and payable;
4. the remuneration disclosures included in pages 9 to 13 of the directors' report (as part of the audited Remuneration Report), for the year ended 31 December 2020, comply with section 300A of the Corporations Act 2001; and
5. the Directors have been given the declarations required by section 295(5)(a) of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Ido Levanon

Managing Director

31st day of March 2021

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Dragontail Systems Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Dragontail Systems Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Accounting for Convertible Preferences Shares

Key audit matter	*How the matter was addressed in our audit*
During the year Dragontail Systems Limited ("the Company") entered into a convertible preference share subscription agreement with investors whereby the investors could subscribe for shares in the Company in two tranches up to AUD $19.25M. Refer Note 14 and Note 3(o) in the financial report for further details. We have identified the accounting and the valuation of the convertible preference shares as a key audit matter due to complexity and judgements involved in determining the various conversion features which can have a significant effect on the appropriate classification of the components of this instrument and subsequent measurement of the identified components.	Our audit procedures in this area included, but were not limited to: • Reviewing the subscription agreement to understand the key terms and conditions of the arrangement; • Assessing whether management's assessment of the classification of the components contained within the instrument was in accordance with accounting standards; • Reviewing management's valuation of the instrument, including assessing the methodology used for the valuation; and • Assessing the adequacy of the related disclosures at Note 14 and Note 3(o) in the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2020, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 13 of the directors' report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of Dragontail Systems Limited, for the year ended 31 December 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO

Neil Smith

Director

Perth, 31 March 2021

Corporate Governance Statement

The Board is responsible for establishing the Company's corporate governance framework, the key features of which are set out below. In establishing its corporate governance framework, the Board has referred to the 4th edition of the ASX Corporate Governance Councils' Corporate Governance Principles and Recommendations.

The corporate governance statement discloses the extent to which the Company follows the recommendations. The Company will follow each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices will follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices will not follow a recommendation, the Board has explained its reasons for not following the recommendation and disclosed what, if any, alternative practices the Company will adopt instead of those in the recommendation.

The following governance-related documents can be found on the Company's website at www.dragontailsystems.com, under the section marked "Corporate Governance":

(a) Board Charter;
(b) Board Performance Evaluation Policy;
(c) Code of Conduct;
(d) Audit and Risk Management Committee Charter;
(e) Remuneration and Nomination Committee Charter;
(f) Security Trading Policy;
(g) Continuous Disclosure Policy;
(h) Shareholder Communication and Investor Relations Policy;
(i) Risk Management Policy;
(j) Diversity Policy; and
(k) Whistleblower policy.
(l) Anti Bribery and Corruption Policy

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1

The Company has established the respective roles and responsibilities of its Board and management, and those matters expressly reserved to the Board and those delegated to management and has documented this in its Board Charter.

The responsibilities of the Board include but are not limited to:

(a) setting and reviewing strategic direction and planning;
(b) reviewing financial and operational performance;
(c) identifying principal risks and reviewing risk management strategies; and
(d) considering and reviewing significant capital investments and material transactions.

In exercising its responsibilities, the Board recognizes that there are many stakeholders in the operations of the Company, including employees, shareholders, co-ventures, the government and the community.

The Board has delegated responsibility for the business operations of the Company to the Managing Director and the management team. The management team led by the Managing Director is accountable to the Board.

Recommendation 1.2

The Company undertakes appropriate checks before appointing a person or putting forward to shareholders a candidate for election as a director and provides shareholders with all material information in its possession relevant to a decision on whether or not to elect a director.

The checks which are undertaken, and the information provided to shareholders, are set out in the Company's Remuneration and Nomination Committee Charter.

Recommendation 1.3

The Company has a written agreement with each of the Directors setting out the terms of their appointment. The material terms of any employment, service or consultancy agreement the Company, or any of its child entities, has entered into with its Chief Executive Officer (or equivalent), any of its directors, and any other person or entity who is a related party of the Chief Executive Officer (or equivalent) or any of its directors will be disclosed in accordance with ASX Listing Rule 3.16.4 (taking into consideration the exclusions from disclosure outlined in that rule).

Recommendation 1.4

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. The Company Secretary is responsible for the application of best practice in corporate governance and also supports the effectiveness of the Board by:

(a) ensuring a good flow of information between the Board, its committees, and Directors;
(b) monitoring policies and procedures of the Board;
(c) advising the Board through the Chairman of corporate governance policies; and
(d) conducting and reporting matters of the Board, including the despatch of Board agendas, briefing papers and minutes.

Recommendation 1.5

The Company has a Diversity Policy, the purpose of which is:

(a) to outline the Company's commitment to creating a corporate culture that embraces diversity and, in particular, focuses on the composition of its Board and senior management; and
(b) to provide a process for the Board to determine measurable objectives and procedures which the Company will implement and report against to achieve its diversity goals.

As at 31 December 2020 there are 2 women in senior executive positions in the Company, and 10 women employees across the Company, representing 25% of the whole organization. There are no women on the Board at this time. The Board maintains full transparency of board processes, reviews and appointments and encourages gender diversity.

Given the Company's size the Board does not consider it appropriate to set quantitative objectives regarding gender diversity at this time. As the operations grow, the Board will give consideration to the setting of such objectives and their achievement through the appointment of appropriate candidates to the Board and senior executive positions as they become available.

Recommendation 1.6

The Chair will be responsible for evaluating the performance of the Board, Board committees and individual directors in accordance with the process disclosed in the Company's Board performance evaluation policy.

This policy is to ensure:

(a) individual Directors and the Board as a whole work efficiently and effectively in achieving their functions;
(b) the executive Directors and key executives execute the Company's strategy through the efficient and effective implementation of the business objectives; and
(c) committees to which the Board has delegated responsibilities are performing efficiently and effectively in accordance with the duties and responsibilities set out in the board charter.

This policy will be reviewed annually. The Company will report on whether an evaluation of the Board, its committees and individual directors has taken place in the relevant reporting period, and whether the process was in accordance with the process disclosed, in each of its corporate governance statements. An evaluation has not been conducted during the reporting period and will be performed during the current financial year.

Recommendation 1.7

The Board will be responsible for evaluating the performance of the Company's senior executives in accordance with the process disclosed in the Company's Process for Performance Evaluations, which is currently being developed by the Board.

The Chair will be responsible for evaluating the performance of the Company's Chief Executive Officer (or equivalent) in accordance with the process disclosed in the Company's Process for Performance Evaluations, which is currently being developed by the Board. A general performance evaluation was not conducted during the reporting period and will be performed during the current financial year.

Principle 2: Structure the board to add value
Recommendation 2.1

Due to the size of the Board, the Company does not have a separate nomination committee. The roles and responsibilities of a nomination committee are currently undertaken by the Board.

The duties of the full Board in its capacity as a nomination committee are set out in the Company's Remuneration and Nomination Committee Charter which is available on the Company's website.

When the Board meets as a remuneration and nomination committee it carries out those functions which are delegated to it in the Company's Remuneration and Nomination Committee Charter. Items that are usually required to be discussed by a Remuneration and Nomination Committee are marked as separate agenda items at Board meetings when required.

The Board has adopted a Remuneration and Nomination Committee Charter which describes the role, composition, functions and responsibilities of a Nomination Committee and is disclosed on the Company's website.

Recommendation 2.2

The mix of skills and diversity which the Board is looking to achieve in its composition is:

(a) a broad range of business experience; and
(b) technical expertise and skills required to discharge duties.

Recommendation 2.3

The Board considers the independence of directors having regard to the relationships listed in Box 2.3 of the Principles and Recommendations.

During the year ended 31 December 2020, the Board was structured as follows:

(a) Mr Yehuda Shamai (Non-executive Chairman, appointed 14 September 2016);
(b) Mr Ido Levanon (Managing Director, appointed 14 September 2016);
(c) Mr Ron Zuckerman (Non-executive Director, appointed 14 September 2016);
(d) Mr Adam Sierakowski (Non-executive Director, appointed 14 September 2016);
(e) Mr Henry Shiner (Non-executive Director, appointed 13 May 2020);

Mr Levanon is an executive director of the Company and is therefore a non-independent director.

Mr Shamai controls Tabasco Holdings Limited which has an agreement with the Company's subsidiary and is therefore a non-independent director.

Mr Zuckerman is an independent, non-executive director.

Mr Sierakowski is a director of Trident Capital Pty Ltd, which is a shareholder of the Company and a provider of material professional services and is therefore a non-independent director.

Mr Shiner is an independent, non-executive director.

Subsequent to the end of the financial year the following appointments were made:

(a) Mr Jon Weber (Non-executive Director, appointed 4 January 2021);
(b) Mr Jeff Wilbur (Non-executive Director, appointed 4 January 2021)

Mr Weber is a nominee of. Eldridge DTS Funding, LLC and is therefore a non-independent director

Mr Wilbur is a nominee of Eldridge DTS Funding, LLC and is therefore a non-independent director

Recommendation 2.4

Currently, the Board considers that membership weighted towards technical expertise is appropriate at this stage of the Company's operations. A majority of the Board is not independent.

Recommendation 2.5

Mr Shamai is not an independent Chairman of the Board. However, Mr Shamai is considered to be most appropriate person to Chair the Board because of his expertise and skills.

Recommendation 2.6

It is a policy of the Company, that new Directors undergo an induction process in which they are given a full briefing on the Company. Where possible this includes meetings with key executives, tours of the premises, an induction package and presentations. In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. Specifically, Directors are provided with the resources and training to address skills gaps where they are identified.

Principle 3: Act ethically and responsibly
Recommendation 3.1

The Company has adopted a Statement of Values which sets out the following core values and fundamental principles of the Company:

a) to act fairly and ethically;

b) to comply with the law at a times and act accordingly;

c) to respect others, both inside and outside of our workplace;

d) to promote diversity; and

e) to be honest and transparent in our dealings.

Recommendation 3.2

The Company is committed to promoting good corporate conduct grounded by strong ethics and responsibility. The Company has established a Code of Conduct (Code), which addresses matters relevant to the Company's legal and ethical obligations to its stakeholders. It may be amended from time to time by the Board and is disclosed on the Company's website.

The Code applies to all Directors, employees, contractors and officers of the Company. The Code will be formally reviewed by the Board each year. The Board was not informed of any material breach of the Code during the year.

Recommendation 3.3

The Company adopted a Whistleblower Policy which sets out:

a) who is entitled to protection as a Whistleblower;

b) the protections available to Whistleblowers; and

c) how the Group will handle disclosures made by Whistleblowers.

Recommendation 3.4

The Company adopted an Anti-Bribery & Corruption Policy which sets out that the Company will:

a) not engage in corrupt business practices;

b) implement measures to prevent bribery and corruption by all Personnel;

c) at a minimum, endeavour to comply with all applicable laws, regulations and standards, including Anti-Bribery and Corruption Laws; and

d) when dealing with third parties, undertake reasonable due diligence to ensure that such parties are suitable for the Company to associate with and will not make bribes or perform corrupt acts on the Company's behalf or for which the Company may be or become responsible or liable..

Principle 4: Safeguard integrity in corporate reporting
Recommendation 4.1

Due to the size of the Board, the Company does not have a separate Audit Committee. The roles and responsibilities of an audit committee are undertaken by the Board. The full Board in its capacity as the audit committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors. The duties of the full Board in its capacity as the audit committee are set out in the Company's Audit Committee Charter which is available on the Company's website.

When the Board meets as an audit committee it carries out those functions which are delegated to it in the Company's Audit Committee Charter. Items that are usually required to be discussed by an Audit Committee are marked as separate agenda items at Board meetings when required.

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.

The Board has adopted an Audit Committee Charter which describes the role, composition, functions and responsibilities of the Audit Committee and is disclosed on the Company's website.

Recommendation 4.2

Before the Board approves the Company financial statements for each financial period it will receive from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) a declaration that, in their opinion, the financial records of the Company for the relevant financial period have been properly maintained and that the financial statements for the relevant financial period comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and the consolidated entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Recommendation 4.3

The Company has an effective system of internal control, review and approval which it applies to public documents that are not reviewed or audited by its external auditor.

Principle 5: Make timely and balanced disclosure
Recommendation 5.1

The Company is committed to:

(a) ensuring that shareholders and the market are provided with full and timely information about its activities;
(b) complying with the continuous disclosure obligations contained in the Listing Rules and the applicable sections of the Corporations Act; and
(c) providing equal opportunity for all stakeholders to receive externally available information issued by the Company in a timely manner.

The Company has adopted a Disclosure Policy, which is disclosed on the Company's website. The Disclosure Policy sets out policies and procedures for the Company's compliance with its continuous disclosure obligations under the ASX Listing Rules, and addresses financial markets communication, media contact and continuous disclosure issues. It forms part of the Company's corporate policies and procedures and is available to all staff.

The Company Secretary manages the policy. The policy will develop over time as best practice and regulations change and the Company Secretary will be responsible for communicating any amendments. This policy will be reviewed by the Board annually.

Recommendation 5.2

The Company ensures that Directors are provided with a copy of all material market releases promptly after lodgement.

Recommendation 5.3

The Company ensures that for any new and substantive investor or analyst presentation, it shall release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.

Principle 6: Respect the rights of security holders
Recommendation 6.1

The Company provides information about itself and its governance to investors via its website at www.dragontailsystems.com. The Company is committed to maintaining a Company website with general information about the Company and its operations and information specifically targeted at keeping the Company's shareholders informed about the Company. In particular, where appropriate, after confirmation of receipt by ASX, the following will be posted to the Company website:

(a) relevant announcements made to the market via ASX;
(b) media releases;
(c) investment updates;
(d) Company presentations and media briefings;
(e) copies of press releases and announcements for the preceding three years; and
(f) copies of annual and half yearly reports including financial statements for the preceding three years.

Recommendation 6.2

The Company has a Shareholder Communication and Investor Relations Policy which aims to ensure that Shareholders are informed of all major developments of the Company. The policy is disclosed on the Company's website.

Information is communicated to Shareholders via:

(a) reports to Shareholders;
(b) ASX announcements;
(c) annual general meetings; and
(d) the Company website.

This Shareholder Communication and Investor Relations policy will be formally reviewed by the Board each year. While the Company aims to provide sufficient information to Shareholders about the Company and its activities, it understands that Shareholders may have specific questions and require additional information. To ensure that Shareholders can obtain all relevant information to assist them in exercising their rights as Shareholders, the Company has made available a telephone number and relevant contact details (via the website) for Shareholders to make their enquiries.

Recommendation 6.3

The Board encourages full participation of Shareholders at meetings to ensure a high level of accountability and identification with the Company's strategies and goals. However, due to the size and nature of the Company, the Board does not consider a policy outlining the policies and processes that it has in place to facilitate and encourage participating at meetings of shareholders to be appropriate at this stage.

Recommendation 6.4

In order to ascertain the true will of the Company's security holders attending and voting at any of its General meetings including the Annual General Meeting, whether they attend in person, electronically or by proxy or other representative, in most situations where this can be achieved the Company will conduct the voting procedure by a poll.

Recommendation 6.5

Shareholders are given the option to receive communications from, and send communication to, the Company and its share registry electronically. To ensure that shareholders can obtain all relevant information to assist them in exercising their rights as shareholders, the Company has made available a telephone number and relevant contact details (via the website) for shareholders to make their enquiries.

Principle 7: Recognise and manage risk
Recommendation 7.1

Due to the size of the Board, the Company does not have a separate Risk Committee. The Board is responsible for the oversight of the Company's risk management and control framework.

When the Board meets as a risk committee it carries out those functions which are delegated to it in the Company's Risk Committee Charter. Items that are usually required to be discussed by a Risk Committee are marked as separate agenda items at Board meetings when required.

The Board has adopted a Risk Committee Charter which describes the role, composition, functions and responsibilities of the Risk Committee and is disclosed on the Company's website.

The Board has adopted a Risk Management Policy, which is disclosed on the Company's website. Under the policy, responsibility and control of risk management is delegated to the appropriate level of management within the Company with the Chief Executive Officer having ultimate responsibility to the Board for the risk management and control framework.

The risk management system covers:

(a) operational risk;
(b) financial reporting;
(c) compliance / regulations; and
(d) system / IT process risk.

A risk management model is to be developed and will provide a framework for systematically understanding and identifying the types of business risks threatening the Company as a whole, or specific business activities within the Company.

Recommendation 7.2

The Board will review the Company's risk management framework annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the Company faces and to ensure that the Company is operating within the risk appetite set by the Board.

Arrangements put in place by the Board to monitor risk management include, but are not limited to:

(a) quarterly reporting to the Board in respect of operations and the financial position of the Company; and
(b) quarterly rolling forecasts prepared;

Recommendation 7.3

The Company does not have, and does not intend to establish, an internal audit function. To evaluate and continually improve the effectiveness of the Company's risk management and internal control processes, the Board relies on ongoing reporting and discussion of the management of material business risks as outlined in the Company's Risk Management Policy.

Recommendation 7.4

Given the speculative nature of the Company's business, it is subject to general risks and certain specific risks.

The Company will identify and monitor those economic, environmental and/or social sustainability risks to which it has a material exposure, and disclose how it intends to manage those risks if any.

Principle 8: Remunerate fairly and responsibly
Recommendation 8.1

Due to the size of the Board, the Company does not have a separate remuneration committee. The roles and responsibilities of a remuneration committee are currently undertaken by the Board.

The duties of the full board in its capacity as a remuneration committee are set out in the Company's Remuneration and Nomination Committee Charter which is available on the Company's website.

When the Board meets as a remuneration committee is carries out those functions which are delegated to it in the Company's Remuneration and Nomination Committee Charter. Items that are usually required to be discussed by a Remuneration Committee are marked as separate agenda items at Board meetings when required.

Corporate Governance Statement

The Board has adopted a Remuneration and Nomination Committee Charter which describes the role, composition, functions and responsibilities of the Remuneration Committee and is disclosed on the Company's website.

Recommendation 8.2

Details of the Company's policies on remuneration will be set out in the Company's "Remuneration Report" in each Annual Report published by the Company. This disclosure will include and is not limited to material terms of Executive remuneration, Non-Executive remuneration, performance-based remuneration and equity-based remuneration (if applicable).

Recommendation 8.3

The Company's Security Trading Policy includes a statement on the Company's policy on prohibiting participants in the Company's Employee Incentive Plan entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the Employee Incentive Plan.

Security Trading Policy

In accordance with ASX Listing Rule 12.9, the Company has adopted a trading policy which sets out the following information:

(a) closed periods in which directors, employees and contractors of the Company must not deal in the Company's securities;
(b) trading in the Company's securities which is not subject to the Company's trading policy; and
(c) the procedures for obtaining written clearance for trading in exceptional circumstances.

The Company's Security Trading Policy is available on the Company's website.

ASX Additional Information

Pursuant to the Listing Rules of the Australian Securities Exchange, the shareholder information set out below was applicable as of 11 March 2021.

A. Distribution of Equity Securities

Analysis of numbers of shareholders by size of holding:

Distribution	Number of Holders	Number of Shares	%
1 to 1,000	37	6,461	0.00%
1,001 to 5,000	209	736,606	0.26%
5,001 to 10,000	217	1,769,162	0.62%
10,001 to 100,000	514	20,075,734	7.02%
100,001 and Over	181	263,400,499	92.10%
	1,158	**285,988,462**	**100.00%**

There were 114 shareholders holding less than a marketable parcel of ordinary shares.

B. Substantial Shareholders

An extract of the Company's Register of Substantial Shareholders (who hold 5% or more of the issued capital) is set out below:

	Issued Ordinary Shares	
Substantial Holder Name	**Number**	**%[1]**
EXHIBITION LP	39,943,588	13.97%
YEHUDA SHAMAI	35,051,763	12.26%
IDO LEVANON	22,975,830	8.03%

[1] Percentages are as per the most recent substantial shareholder notice lodged by the substantial holder.

C. Twenty Largest Shareholders

The names of the twenty largest holders of quoted shares are listed below:

		Issued Ordinary Shares	
	Shareholder Name	**Number**	**% of total share capital**
1	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	42,122,043	14.73%
2	IBI TRUST MANAGEMENT <YEHUDA SHAMAI A/C>	32,691,295	11.43%
3	IBI TRUST MANAGEMENT <IDO LEVANON A/C>	22,450,830	7.85%
4	CITICORP NOMINEES PTY LIMITED	21,543,157	7.53%
5	EXHIBITION LP	14,940,000	5.22%
6	IBI TRUST MANAGEMENT <GUY BRANDWIN A/C>	14,162,810	4.95%
7	EXHIBITION LP	9,497,508	3.32%
8	IBI TRUST MANAGEMENT <BONALE FOUNDATION A/C>	8,433,020	2.95%
9	IBI TRUST MANAGEMENT <BAUMANNS LTD A/C>	3,253,013	1.14%
10	TRIDENT CAPITAL PTY LTD	3,150,000	1.10%
11	IBI TRUST MANAGEMENT <MARCELO FABIN ROITMAN A/C>	3,001,610	1.05%
12	TWO TOPS PTY LTD	3,000,000	1.05%
13	SAMLISA NOMINEES PTY LTD	3,000,000	1.05%
14	3RD WAVE INVESTORS PTY LTD	2,950,000	1.03%
15	IBI CAPITAL MANAGEMENT <MORDEHAI & MEIRA BARAM A/C>	2,777,021	0.97%
16	IBI TRUST MANAGEMENT <TABASCO HOLDINGS LTD A/C>	2,360,468	0.83%
17	CBC CO PTY LIMITED <CANNON-BROOKES H/T A/C>	2,272,728	0.79%
18	CAMBRIAN HOLDINGS PTY LTD	2,213,659	0.77%
19	IBI CAPITAL MANAGEMENT <SAROL LTD A/C>	2,179,962	0.76%
20	PRAHA NOMINEES PTY LTD <JAG UNIT A/C>	2,121,831	0.74%
	Total	**198,120,955**	**69.28%**

D. Listed Options

As at the date of this report there were nil listed options on issue in the Company.

E. Voting Rights

In accordance with the Company's Constitution, voting rights in respect of ordinary shares are on a show of hands whereby each member present in person or by proxy shall have one vote and upon a poll, each share will have one vote.

F. Unquoted Securities

Preference Shares	
Number of Preference Shares	96,153,848
Number of Holders	2
Holders with more than 20%	Eldridge DTS Funding LLC – 80,769,232 Alceon Liquid Strategies Pty Ltd – 15,384,616

Unlisted Options - $0.40; 20 June 2021	
Number of Unlisted Options	1,500,000
Number of Holders	1
Holders with more than 20%	Trident Capital Pty Ltd – 100%

Unlisted Options - $0.22; 16 July 2021	
Number of Unlisted Options	1 (exercisable into 5,000,000 Ordinary Shares)
Number of Holders	1
Holders with more than 20%	Alceon Liquid Strategies Pty Limited <Alceon High Conviction Absolute Return Fund A/C>– 100%

Unlisted Options - $0.25; 16 July 2021	
Number of Unlisted Options	1 (exercisable into 5,000,000 Ordinary Shares)
Number of Holders	1
Holders with more than 20%	Alceon Liquid Strategies Pty Limited <Alceon High Conviction Absolute Return Fund A/C>– 100%

Employee Options - $0.22; 12 April 2025	
Number of Unlisted Options	3,025,000[1]
Number of Holders	10

Employee Options - $0.15; 15 November 2025	
Number of Unlisted Options	1,375,000[1]
Number of Holders	13

Employee Options - $0.15; 21 November 2026	
Number of Unlisted Options	925,000
Number of Holders	13

[1] The number of options on issue has reduced since the grant date owing to options lapsing following staff resignations and options being exercised.

G. On Market Buy-Back

There is no current on market buy-back for any of the Company's securities.

H. Restricted Securities

The Company has no restricted securities.