

## ASX and MEDIA RELEASE

31 July 2020

### JUNE 2020 QUARTERLY REPORT

Dotz Nano Limited (**ASX: DTZ, “Dotz” or “Company”**), an advanced technology company developing, manufacturing and commercialising tagging, tracing and verification solutions, is pleased to provide its Quarterly Activity Report and Appendix 4C for the period ending 30 June 2020 (Q2 FY20).

Dear Shareholders,

#### **SALES & BUSINESS DEVELOPMENT**

Despite challenging global trading conditions, Dotz remains focused on increasing sales activity, converting successful pilots to long-term contracts and reaching profitability with its end-to-end anti-counterfeiting, brand protection and product liability technology.

#### **A\$1.5 million commercial agreement signed with Universal Exports Group**

During the quarter, Dotz entered into a US\$1.0 million commercial agreement with Hong Kong-based Universal Exports Group (UEG) to mark up to 100 million face masks for government stockpiles and The National Health Service (“NHS”). Phase One of the agreement, which saw Dotz insert its ValiDotz™ security markers into encrypted QR codes for 30 million face masks, has already been completed. Post reporting period, Dotz received US\$300,000 from UEG for this initial order. The remaining 70 million masks will be marked with ValiDotz™ under Phase Two of the agreement, subject to customer demand.

We have seen Government directives to control the spread of COVID-19 pandemic, including mandating face masks in public, significantly increase demand for personal protective equipment. As a result, it has been reported that inferior counterfeit versions of these products are now flooding the market and putting the health and safety of consumers at risk.

This agreement demonstrates the versatility of our end-to-end anti-counterfeiting technology, which can be added or inserted into a range of materials including fabric, plastics and lubricants, and identified throughout the supply chain.

I’m proud that our team has been able to harness our technology to authenticate masks and other protective equipment in a relatively short period of time.

#### **Letters of Intent signed for clinical trials for real-time COVID-19 virus detection**

In June 2020, Dotz signed Letters of Intent with Sheba Medical Centre, ranked ninth best hospital in the world by Newsweek, and Brazilian genetic and analytics company FullDNA, to commence in-hospital clinical trials of its portable and real-time virus detection technology on confirmed COVID-19 patients. The fluorescent-tagged ACE2 receptor attracts and binds COVID-19 cells and, if successful, is a major step towards enabling detection of viruses in real-time and on-site.

This is another example of harnessing our on-site detection capabilities towards a new application, in this case one that can potentially change the way viruses are detected on-site.

### **Commenced pilot for tracing disinfectant materials**

During the quarter, Dotz commenced a pilot with Zohar-Dalia Cooperative Agricultural Association, inserting its Validotz™ markers into 1,000 litres of disinfectant materials. Zohar-Dalia, Israel's largest, most advanced manufacturer, supplier and developer of detergent intermediates and cleaning products, will use Dotz's molecular markers and InSpec™ detectors to verify the proper spread of disinfectant on surfaces, including hospital floors, in real-time. The pilot agreement grants Zohar-Dalia exclusivity in the Israeli market for this solution for a five-year period, subject to a definitive agreement.

Our newly developed ability to trace these materials and identify sanitation blind spots has the potential to serve many customers during and after the COVID-19 era.

### **ONGOING PRODUCT TESTING WITH POTENTIAL PARTNERS**

Global COVID-19 restrictions have temporarily paused Dotz's contract negotiations with a leading European transportation and logistics company, which would see Dotz insert its Validotz™ markers into hundreds of thousands of railroad-related units throughout the customer's transport network. These negotiations were at an advanced stage and followed a successful paid pilot.

Dotz's authentication technology can be implemented 'off-the-shelf', however more sophisticated solutions often require customisation and a pilot to demonstrate the effectiveness of the technology on the prospective customer's product. Within the oil and gas sector, it is common for this customisation testing to be more than a year in duration.

Dotz is currently involved in customisation work and product testing for several potential customers in the plastics, logistics, sports equipment and the oil and gas sectors.

### **FINANCIALS**

During the quarter, Dotz received the A\$500,000 Tranche One of the previously announced A\$1 million Deferred Share Placement with the SIBF. Tranche Two of A\$500,000 is expected to be received on 1 August 2020.

In total, during Q2 and post 30 June 2020, Dotz has received US\$300,000 from UEG for Phase One of the contract.

Cash available as at 30 June 2020 was US\$381K. Other notable operating cash flow items included: US\$163K on research & development, US\$114K on advertising and marketing, US\$152K on staff costs and US\$132K on administration and corporate costs.

Payments to related parties over Q2 FY20 were US\$124K and included CEO and Executive Director remuneration, non-executive director fees and corporate advisory fee paid to an entity related to Director Doron Eldar.

To minimise the ongoing impact of COVID-19 on the business, Dotz implemented several temporary cost reduction measures at the start of the June 2020 quarter. These included pausing all non-essential operational expenses and the reduction of fees/remuneration payable to the Board, senior management and staff.

As part of the COVID-19 cost reduction measure and company new incentive plan, the Company has agreed post the end of the quarter to issue unquoted options to various employees, consultants and Directors ("Plan Options").



Details of the Plan Options to be issued are included in **Appendix A**. An Appendix 3B in respect of these Plan Options will be separately lodged. The Plan Options to be issued to Directors will require shareholder approval at the next shareholder meeting. An Options Prospectus ("**ESOP Prospectus**") will be lodged shortly.

Dotz is currently considering various other sources of funding, which could include a capital raising in the short term, reflecting the company's forward cash flow requirements to fulfil orders and undertake additional growth initiatives.

## OUTLOOK

While Dotz has pivoted its focus to address the immediate need to authenticate personal protective equipment and verify surface sanitisation, it continues to target the broader anti-counterfeiting, product liability and the oil and gas markets with its industry-leading end-to-end track-and-trace technology.

As COVID-19 restrictions ease in some of our key markets, advanced negotiations with potential customers have recommenced. We are confident that these negotiations will lead to substantial long-term recurring sales.

Our Chairman, Bernie Brookes' recent investment in the Company is an important vote of confidence in our technology and growth strategy, as was the recent commercial agreement with UEG. We continue to engage with potential customers in our target markets and are well prepared for the next stage of commercialisation.

I'd like to use this opportunity to thank you for your patience and loyalty to Dotz.

Sincerely

**Uzi Breier**  
**CEO and Managing Director**

This announcement has been authorised for release by the Board.

Further information:

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## About Dotz Nano Limited

Dotz Nano Limited (ASX: DTZ) is a technology leader in research, production and marketing of anti-counterfeiting, authentication and tracing solutions. Dotz has strong, established distributors in North America, Europe and Japan as well as scientific collaborations and partnerships with leading academic institutes.

Its unique products ValiDotz, BioDotz, Fluorensic and InSpec are exceptional solutions for numerous applications, such as: anti-counterfeiting, brand & reputation protection, oil & gas industry, liquids tagging, lubricants and DEF authentication, polymers tagging and bio-imaging.

To learn more about Dotz, please visit the website and corporate video via the following link [www.dotz.tech](http://www.dotz.tech)

## APPENDIX A – PLAN OPTIONS

### Israeli Based Options

<b>TRANCHE 1</b>	<b>Number</b>	<b>Exercise Price A\$</b>	<b>Expiry date</b>	<b>Vesting date**</b>
Employees and Consultants	6,650,000	Nil	31/12/2022	30/06/2021
Directors*	2,500,000	Nil	31/12/2022	30/06/2021
<b>TOTAL</b>	<b>9,150,000</b>			
<b>TRANCHE 2</b>				
Employees and Consultants	5,650,000	Nil	31/12/2022	31/12/2021
Directors*	2,500,000	Nil	31/12/2022	31/12/2021
<b>TOTAL</b>	<b>8,150,000</b>			
<b>TRANCHE 3</b>				
Employees and Consultants	5,650,000	0.20	31/12/2023	31/12/2022
Directors*	2,500,000	0.20	31/12/2023	31/12/2022
<b>TOTAL</b>	<b>8,150,000</b>			

\* Shareholder Approval required.

\*\* The Options will vest provided that the Option holder is an employee or consultant of the Company at all times during the period ending on the Vesting Date.

### Australian Based Options

<b>TRANCHE 1</b>	<b>Number</b>	<b>Exercise Price A\$</b>	<b>Expiry date</b>	<b>Vesting date**</b>
Consultants	205,000	0.07	31/12/2022	N/A
Directors*	880,000	0.07	31/12/2022	N/A
<b>TOTAL</b>	<b>1,085,000</b>			
<b>TRANCHE 2</b>				
Consultants	250,000	0.12	31/12/2022	30/06/2021
Directors*	1,000,000	0.12	31/12/2022	30/06/2021
<b>TOTAL</b>	<b>1,250,000</b>			
<b>TRANCHE 3</b>				
Consultants	250,000	0.12	31/12/2022	30/06/2021
Directors*	1,000,000	0.12	31/12/2022	30/06/2021
<b>TOTAL</b>	<b>1,250,000</b>			
<b>TRANCHE 4</b>				
Consultants	250,000	0.20	31/12/2023	31/12/2022
Directors*	1,000,000	0.20	31/12/2023	31/12/2022
<b>TOTAL</b>	<b>1,250,000</b>			

\* Shareholder Approval required.

\*\* The Options will vest provided that the Option holder is an employee or consultant of the Company at all times during the period ending on the Vesting Date.

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## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

DOTZ NANO LIMITED

ABN

71 125 264 575

Quarter ended ("current quarter")

30 JUNE 2020

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (6 months) \$US'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	69	81
1.2 Payments for		
(a) research and development	(163)	(351)
(b) product manufacturing and operating costs	(47)	(58)
(c) advertising and marketing	(114)	(240)
(d) leased assets	-	(2)
(e) staff costs	(152)	(293)
(f) administration and corporate costs	(132)	(341)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(2)	(8)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other – Input VAT and other	11	13
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(530)</b>	<b>(1,199)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(9)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 months) \$US'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>(9)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	334	334
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (principal element of lease payments)	(36)	(72)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>298</b>	<b>262</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	578	1,371
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(530)	(1,199)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(9)

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 months) \$US'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	298	262
4.5	Effect of movement in exchange rates on cash held	35	(44)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>381</b>	<b>381</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1	Bank balances	381	578
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>381</b>	<b>578</b>

6.	Payments to related parties of the entity and their associates	Current quarter \$US'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(124)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7.	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$US'000</b>	<b>Amount drawn at quarter end \$US'000</b>
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	-	-
7.5	<b>Unused financing facilities available at quarter end</b>		
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8.	<b>Estimated cash available for future operating activities</b>	<b>\$US'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(530)
8.2	Cash and cash equivalents at quarter end (item 4.6)	381
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	381
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	0.72
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
<p>Answer:</p> <p>To minimise the ongoing impact of COVID-19 on the business, Dotz implemented several temporary cost reduction measures at the start of the June 2020 quarter. These included pausing all non-essential operational expenses and the reduction of fees/remuneration payable to the Board, senior management and staff.</p>		
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
<p>Answer:</p> <p>Dotz is currently considering various other sources of funding, which could include a capital raising in the short term, reflecting the company's forward cash flow requirements to fulfil orders and undertake additional growth initiatives.</p> <p>During the quarter, Dotz received the A\$500,000 Tranche One of the previously announced A\$1 million Deferred Share Placement with the SIBF. Tranche Two of A\$500,000 is expected to be received on 1 August 2020.</p>		



8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

The Entity does expect that it will be able to fund its operation based on receipts from customers\*, investor commitments (as detailed in 8.6.2 above) and managements negotiations with various funders & investors.

*\* In total during Q2 and post 30 June 2020, Dotz received US\$300,000 from UEG for Phase One of the contract announced during the June 2020 quarter.*

*Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.*

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: .....**31 July 2020**.....

Authorised by: ..... **Board of Directors**.....  
(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.