

30 October 2020

## SEPTEMBER 2020 QUARTERLY REPORT

*Dotz's most successful quarter on record, secured significant commercial contracts*

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 September 2020 (Q3 FY20).

### SALES & BUSINESS DEVELOPMENT

Dotz has had its most successful quarter since listing on the ASX, securing three personal protective equipment ("PPE") authentication agreements with a total potential value of approximately US\$27 million, provided minimum exclusivity sales benchmarks and contingent orders are met. While Dotz is continuously improving its technology to maximise the value of these long-term agreements, the Company continues to focus on building sustainable sales activity to reach profitability with its end-to-end authentication solutions.

#### **Three-year agreement with Breathe Medical in US and Canada for between US\$13 and \$US24.6 million**

During the quarter, Dotz entered into a three-year purchase agreement of between US\$13 million and US\$24.6 million, dependent on minimum exclusivity sales benchmarks, with Canadian PPE manufacturer Breathe Medical Manufacturing ("**Breathe Medical**"). The agreement is for the supply of the 'Secured by Dotz' authentication solution for respiratory face masks in the USA and Canadian markets.

Under the agreement, an initial purchase order of US\$1 million is expected in Q1 2021 with minimum purchase orders of US\$1.25 million outlined for Q2 2021 and the subsequent 10 quarters. The agreement includes a 90 days' notice termination option for both parties.

The agreement also grants Breathe Medical exclusivity rights in the USA and Canadian markets, provided minimum quarterly purchase orders of US\$2.5 million are met, leading to a total agreement value of up to US\$24.6 million.

Breathe Medical manufactures high-quality surgical face masks for the North American medical, chemical manufacturing and beverage processing industries as well as the Canadian Government. Its main manufacturing facility in British Columbia can produce 60 million surgical masks and 30 million N95 and KN95 masks a month.

Dotz will add its 'Secured by Dotz' authentication solution to Breathe Medical's face mask polybags, boxes and cases to enable verification throughout the supply chain and differentiate Breathe Medical's 'Made in Canada' face masks. Dotz's taggants may also be inserted directly into the face mask fabric.

Dotz Interim CEO Bernie Brookes said, "Our commercial agreement with Breathe Medical is our most significant to date and provides the company with secure, long-term recurring revenue. It also enables



us to increase our presence within the USA and Canadian markets, where PPE counterfeiting has significantly increased since the start of the pandemic.

“We are currently scaling up our production capabilities to ensure we are able to meet Breathe Medical’s ongoing authentication requirements.”

#### **US\$1.6 million PPE authentication and distribution agreement with TT Medical**

In August, Dotz secured a US\$1.6 million commercial agreement with TT Medical Group in Turkey, which will see Dotz provide its anti-counterfeiting and tracing capabilities for face masks and other PPE equipment in eight countries across Europe and Africa.

The three-year, three-tranche agreement outlines an initial US\$250,000 order of Dotz’s ‘Secured by Dotz’ authentication solution, due for delivery in Q4 2020, and a US\$450,000 follow-up order to be delivered in Q1 2021. Timing for the third tranche is subject to customer demand.

Under the agreement, TT Medical Group will become the sole distributor of the ‘Secured by Dotz’ authentication solution for face masks in the Turkey, Italy, Cyprus and Ghana PPE markets for three years, provided agreed annual sales targets are met.

Dotz has also signed a three-year distribution agreement with TT Medical UAE to become the sole distributor of Dotz’s PPE authentication solution in the UAE, Egypt, Qatar and Saudi Arabia, provided annual sales targets are met.

#### **A\$528,000 agreement with Australian distributor V2Tech**

During the quarter, Dotz signed a A\$528,000 agreement with local wholesale distributor V2Tech to authenticate an initial order of 30 million face masks for the Australian health sector, government and retailers.

As part of the agreement, V2Tech will become the sole distributor of Dotz’s end-to-end authentication solution for the Australian PPE market for two years.

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

As Dotz’s end-to-end authentication technology is suitable for multiple industries and applications, potential customers in new market segments often require a customised solution and proof of concept to demonstrate the effectiveness of the technology.

During the quarter, Dotz commenced first-stage clinical trials of its portable and real-time virus detection technology on COVID-19 saliva samples. Second stage pilot trials with Sheba Hospital are currently underway. A successful pilot with Sheba Hospital would be a major step towards enabling detection of viruses in real-time and on-site. Dotz will update the market as this pilot clinical trials progresses.

Dotz’s surface sanitisation pilot with Zohar-Dalia Cooperative Agricultural Association is also ongoing. Dotz is inserting its ValiDotz markers into 1,000 litres of disinfectant materials to verify in real-time the proper spread of disinfectant on surfaces, including in hospital and aviation facilities .

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

## LEADERSHIP CHANGES

In September, Uzi Breier resigned from his position as Dotz CEO and Executive Director due to personal reasons. In addition to his role as Chairman, Bernie Brookes AM was appointed Interim-CEO and current Company Secretary Ian Pamensky was appointed as an Interim Director, effective immediately.

The Board has commenced the search for a replacement CEO with a strong background in sales and marketing and proven experience in building a scalable global technology business.

The Board wishes to thank Uzi for his significant contribution to Dotz over the past two and a half years, during which time he commercialised the company's industry-leading track-and-trace technology and established processes to increase sales within the anti-counterfeiting, product liability and oil and gas markets.

## FINANCIALS

During the reporting period, Dotz's largest shareholder, Southern Israel Bridging Fund ("SIBF"), committed to the exercise of its options in the Company in two tranches. Tranche 1 involved the immediate exercise of 9.55 million options for A\$859,500 with payment received in October 2020, while Tranche 2 will see SIBF exercise its remaining 9.89 million options for A\$890,500 in March 2021. SIBF currently holds 18.12% of the Company.

Dotz also received the second tranche of A\$500,000 of the previously announced A\$1 million Deferred Share Placement with the SIBF.

Cash available as at 30 September 2020 was US\$604k. Other notable operating cash flow items included: US\$270k receipts from customers, US\$143k product manufacturing and operating costs, US\$153k on research and development, US\$97k on advertising and marketing, US\$144k on staff costs and US\$125k on administration and corporate costs.

Payments to related parties over Q3 FY20 were US\$119k and included CEO and Executive remuneration, non-executive director fees and corporate advisory fee paid to an entity related to Director Doron Eldar. This also included a payment to former director Mr S Bajic for outstanding fees for the period October 2018 to January 2019. The amount was accrued in the relevant periods.

Dotz continues to carefully manage its operational expenses as it scales its production capacity to fulfil orders.

## POST-REPORTING PERIOD EVENTS

### ***Dotz secures ~A\$7.1 million***

On 19 October 2020, Dotz announced it had secured A\$7.067 million via a strongly supported share Placement to new and existing sophisticated and institutional investors. This included a A\$2.217 million commitment from Dotz's largest shareholder, the Southern Israel Bridge Fund (SIBF), its associates and Dotz Chairman, Bernie Brookes.

The successful capital raising enables Dotz to fulfil its four existing PPE authentication contracts, and establish new distribution networks for Dotz's products to accelerate growth.



Under the Placement, Dotz issued 25.068 million fully paid ordinary shares at a price of A\$0.25 (25 cents) per share. A further 3.2 million fully paid ordinary shares to be issued to SIBF and Bernie Brookes, totalling \$800,000, will require shareholder approval. The Placement was at a 13.8% discount to the last closing share price and a 3.8% discount to the 30-day volume weighted average price.

#### ***Medical gown authentication order from UEG***

Dotz has broadened its initial commercial agreement with Hong Kong-based distributor Universal Exports Group ("**UEG**"), receiving a new PPE purchase order for medical gown authentication.

Dotz will use its 'Secured by Dotz' authentication solution to mark protective medical gowns with an initial purchase order of US\$255,000 due for delivery in Q1 2021. The agreement also outlines authentication for further medical gowns and other PPE products for up to US\$765,000, subject to customer demand.

This expanded agreement is Dotz's first PPE authentication sales order beyond face masks and builds on its US\$1 million face mask commercial agreement with UEG in May 2020.

#### **OUTLOOK**

Dotz remains focused on building momentum and increasing sales activity within the personal protective equipment sector, where there is an immediate global need for its industry leading end-to-end authentication technology. In parallel, Dotz is also targeting opportunities within the broader anti-counterfeiting, product liability and oil and gas markets with its track-and-trace technology.

Dotz Interim CEO Bernie Brookes said, "Our success over the past two quarters provides important market validation for our end-to-end authentication technology. It enables us to leverage these sales and our authentication expertise to increase our presence within the global anti-counterfeiting domain.

"Negotiations with several potential customers are well advanced and we expect to secure more long-term recurring sales before the end of the year. As we continue to execute our growth strategy, we are also progressing the commercialisation of our surface sanitisation and real-time virus detection solutions."

*This announcement has been authorised for release by the Board of Dotz Nano.*

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 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 SEPTEMBER 2020**

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (9 months) \$US'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	270	350
1.2 Payments for		
(a) research and development	(153)	(504)
(b) product manufacturing and operating costs	(143)	(201)
(c) advertising and marketing	(97)	(337)
(d) leased assets	-	(2)
(e) staff costs	(144)	(437)
(f) administration and corporate costs	(125)	(464)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(3)	(11)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other – Input VAT and other	(25)	(13)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(420)</b>	<b>(1,619)</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	(4)	(13)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (9 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>(4)</b>	<b>(13)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	691	1,025
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)	(39)	(111)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>652</b>	<b>914</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	228	1,371
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(420)	(1,619)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4)	(13)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	652	914

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (9 months) \$US'000
4.5	Effect of movement in exchange rates on cash held	(5)	(49)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>604</b>	<b>604</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	604	381
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>604</b>	<b>381</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	(119)*
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

\* Payment for managing director and non-executive director fees. The payments include a corporate advisory fee paid to an entity related to Director Doron Eldar. The payment include a payment to former director Mr S Bajic for the period October 2018 to January 2019. The amount was accrued in the relevant periods.

7.	Financing facilities <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>	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	<b>-</b>	<b>-</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.	Estimated cash available for future operating activities	\$US'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(420)
8.2	Cash and cash equivalents at quarter end (item 4.6)	604
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	604
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	1.44
<p><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></p>		
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>The Company's is expecting an increase in business activity in future months, including increased cash inflow from customers. On 19 October 2020, the Company announced a share placement of ~A\$7.1m to accelerate the Company's growth. The share placement was completed on 28 October 2020. (Refer ASX Announcement – 19 October 2020 and 28 October 2020).</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>Since the end of the quarter, the Company announced that it had completed a capital raise of ~ A\$7.1m (from said amount A\$0.8 million is subject to shareholders' approval) and had received A\$859,500 from the exercise of options by Dotz's largest shareholder SIBF (Refer ASX Announcement 15 September 2020 and 28 October 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?	
	<p>Answer:</p> <p>The Entity does expect that it will be able to fund its operation based on receipts from customers and investors (as detailed in 8.6.2 above).</p>	
<p><i>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.</i></p>		

### 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: .....**30 October 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.