

## ASX and MEDIA RELEASE

29 January 2021

### DECEMBER 2020 QUARTERLY REPORT

*Commenced delivery of commercial contracts; advanced discussions with potential customers*

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 31 December 2020 (Q4 FY20).

Dotz’s securities remain suspended as the Company progresses discussions with the ASX in relation to an upcoming announcement involving its real-time virus detection technology on SARS-CoV-2 samples. Dotz hopes to resolve all outstanding matters to the ASX’s satisfaction as soon as possible.

#### SALES & BUSINESS DEVELOPMENT

While Dotz has been suspended from trading since 20 November 2020, its operations and business development activities have been unaffected. Negotiations with several potential customers and partners are advanced, and the Company hopes to finalise and announce new contracts in the coming months.

#### Medical gown authentication order from UEG

During the quarter, Dotz expanded 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 FY21. The initial contracted payment of US\$64,000, due in Q4 2020, will now be incorporated into the combined Q1 FY21 order. The agreement also outlines authentication for further medical gowns and other PPE products for up to US\$765,000, subject to customer demand.

#### OPERATIONAL PROGRESS

During the reporting period, Dotz commenced production and delivery of its ‘Secured by Dotz’ authentication solution to fulfil existing orders with TT Medical, UEG and V2Tech. Preparation for delivery of Breathe Medical’s initial US\$1 million order is also underway. The successful capital raise that occurred during the quarter (refer below) ensures Dotz is well-funded to deliver its existing PPE contracts, while also preparing for new contracts in other sectors.



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

In October 2020, Dotz secured A\$7.067 million via a strongly supported share Placement to new and existing sophisticated and institutional investors. This included a A\$650,000 commitment from Dotz's largest shareholder, the Southern Israel Bridge Fund (SIBF), as well as a A\$150,000 commitment from 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 2.6 million fully paid ordinary shares to be issued to SIBF (totalling A\$650,000) and 600,000 fully paid ordinary shares to be issued to the Dotz Chairman, Bernie Brookes totalling A\$150,000), will require shareholder approval at an extraordinary general meeting at a date to be advised.

### **TT Medical progress**

During the quarter, Dotz delivered an initial US\$24,000 quantity of its 'Secured by Dotz' authentication solution for face masks and medical gloves to TT Medical Group and delivered the remaining US\$226,000 quantity in January. Dotz has also received the US\$35,000 downpayment.

Dotz is currently in discussion with TT Medical Group to amend the contract to deliver a broader range of PPE related products, not less than the value originally contracted from Q1 FY21.

### **Breathe Medical update**

During the quarter, Dotz commenced preparation for delivery of an initial US\$1 million quantity of its 'Secured by Dotz' authentication solution for Canadian PPE manufacturer Breathe Medical.

Due to a CEO change and manufacturing issues at Breathe Medical, Dotz's three-year purchase agreement valued between US\$13 million and US\$24.6 million with Canadian PPE manufacturer Breathe Medical has been delayed by a quarter and now is expected to commence in Q2 FY21.

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.

The agreement grants Breathe Medical exclusivity rights in the USA and Canadian markets, provided minimum quarterly purchase orders of US\$2.5 million are met.

### **V2Tech**

V2Tech are establishing the Australian distribution operation for Dotz's PPE authentication products. During Q4 FY20, Dotz received partial payment of A\$26,000 from V2Tech for the initial order that was delivered.



## ONGOING PRODUCT TESTING WITH POTENTIAL PARTNERS

As a provider of advanced materials with multiple applications across industries, Dotz's end-to-end technology often requires product customisation and pilot testing with potential customers in new market segments.

During the quarter, Dotz completed a successful surface sanitisation pilot with Zohar-Dalia Cooperative Agricultural Association. As part of the pilot, Dotz inserted its ValiDotz™ markers into 1,000 litres of disinfectant materials to verify in real-time the proper spread of disinfectant on surfaces within hospitals and aviation facilities in Israel. Dotz is now in advanced discussions with Zohar-Dalia in relation to a commercial agreement and will continue to update the market on its progress in this domain.

## LEADERSHIP

During the quarter, Dotz increased the technology expertise of its Board with the appointment of technology entrepreneur James Cotton as a Non-Executive Director.

Mr Cotton has extensive experience establishing and operating technology companies, including more than a decade as the founder and CEO of globally renowned governance, risk and compliance software company CMO Software.

His expertise commercialising and globally scaling technology start-ups will be valuable as Dotz continues to execute its international growth strategy.

## FINANCIALS

During the quarter, Dotz received gross proceeds of US\$4.46 million from its successful share Placement. A further \$US0.6 million (A\$0.8 million) in funding committed under the share Placement requires shareholder approval as detailed above. An additional US\$990,000 was received through the exercising of listed options by SIBF and other option holders.

Cash available as at 31 December 2020 was US\$5,259,000. Other notable operating cash flow items included: US\$44,000 receipts from customers, US\$42,000 product manufacturing and operating costs, US\$297,000 on research and development, US\$97,000 on advertising and marketing, US\$201,000 on staff costs and US\$271,000 on administration and corporate costs.

Payments to related parties over Q4 FY20 were US\$128,000 and included CEO and Executive remuneration, non-executive director fees, corporate advisory fees paid to an entity related to Director Doron Eldar and amounts relating to company secretarial fees for Mr Ian Pamensky.

## OUTLOOK

Dotz remains focused on its increasing its commercialisation activities - fulfilling existing PPE contracts and securing new contracts within both the PPE market and new industry sectors.



Dotz Chairman and Interim CEO Bernie Brookes said, “Dotz continues to execute our global growth strategy, increasing sales activity in markets and sectors where our unique end-to-end technology addresses an immediate and widespread need. While our success within the PPE sector provides short-term revenues for the business, our industry leading verification technology has multiple applications and we see significant long-term growth opportunities within the surface sanitisation and diagnostic markets.

“While we understand the frustrations of our shareholders due to the Company’s suspension, we look forward to resolving all outstanding matters with the ASX as soon as possible and updating shareholders on Dotz’s operational progress involving its real-time virus detection technology on SARS-CoV-2 samples.”

*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")**
**31 DECEMBER 2020**

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$US'000</b>	<b>Year to date (12 months) \$US'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	44	394
1.2 Payments for		
(a) research and development	(297)	(801)
(b) product manufacturing and operating costs	(42)	(243)
(c) advertising and marketing	(97)	(434)
(d) leased assets	-	(2)
(e) staff costs	(201)	(639)
(f) administration and corporate costs	(271)	(735)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(3)	(14)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other – Input VAT and other	38	26
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(829)</b>	<b>(2,448)</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	(7)	(20)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12 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>(7)</b>	<b>(20)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	4,466	5,161
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	990	1,320
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(326)	(326)
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)	(34)	(145)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>5,096</b>	<b>6,010</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	604	1,371
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(829)	(2,448)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(7)	(20)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,096	6,010

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12 months) \$US'000
4.5	Effect of movement in exchange rates on cash held	395	346
4.6	<b>Cash and cash equivalents at end of period</b>	<b>5,259</b>	<b>5,259</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	5,259	604
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>5,259</b>	<b>604</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	(128)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p>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.</p> <p>Also includes US\$17k relating to company secretarial fees for Mr Ian Pamensky.</p>		

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	<p>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.</p>		

8.	Estimated cash available for future operating activities	\$US'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(829)
8.2	Cash and cash equivalents at quarter end (item 4.6)	5,259
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	5,259
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	6.35
<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>N/A</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>N/A</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>N/A</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: .....**29 January 2021**.....

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.