

30 July 2021

JUNE 2021 QUARTERLY ACTIVITY REPORT

Commercialising virus detection and surface sanitisation solutions, advanced negotiations 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 30 June 2021 (Q2 FY21).

SALES & BUSINESS DEVELOPMENT

During the quarter, Dotz continued to execute its growth strategy, fulfilling existing PPE authentication orders and progressing commercialisation of its diagnostic and surface sanitisation solutions. The company has a healthy potential sales pipeline and is in advanced negotiations and product testing with potential customers in all three domains.

Virus detection technology

In July, Dotz received an initial US\$2.1 million (A\$2.8 million) purchase order for its SARS-CoV-2 virus detection technology (the Dotz Test Kits) and entered into a multi-country distribution agreement with UAE-based Hygiene Links International General Trading. Under the purchase order, Dotz will supply Hygiene Links with its saliva-based and nasopharyngeal swab Dotz Test Kits for the next six months. Commencing in August, Dotz will ship its Test Kits monthly with 50 percent of each monthly shipment fee paid upfront and the remaining 50 percent on delivery.

The two-year distribution agreement provides Hygiene Links with the exclusive right to sell the Dotz Test Kits in the UAE, Egypt and Sudan, subject to minimum purchase orders of 50,000 units per month for each country being met.

Based in Dubai, Hygiene Links is a leading chemical, plastics and consumables manufacturer and distributor across the Middle East with a large customer base within the healthcare sector. The Dotz Test Kits form part of Hygiene Links’ new product offering for its healthcare customers, which includes PPE.

The Dotz Test Kits enable simultaneous testing of up to hundreds of virus samples with test results available within 15-17 minutes (when using two heating blocks), evidenced by the reagents changing colour in the test tube.

The purchase order and distribution agreement follows a successful blind clinical trial on 73 subjects in the United States, using nasopharyngeal swab samples. The clinical trial showed Dotz’s Test Kits were 96.77 percent accurate in identifying patients with SARS-CoV-2 and 100 percent accurate in identifying negative patients with demonstrated 100 percent specificity. Please refer to ASX announcement on 7 April 2021 for further information.



Both the nasopharyngeal swab and saliva-based Dotz Test Kits have obtained authorisation to use the CE Mark, which clears the product for sale in most European countries. Dotz is currently awaiting FDA Emergency Use Authorisation for both nasopharyngeal swab and saliva-based Test Kits, following its submission in April.

To fulfil the Hygiene Links purchase order, Dotz entered into a five-year non-exclusive manufacturing agreement with US-based Systaaq Diagnostic Products. Under the agreement, Systaaq will export the Dotz Test Kits to Hygiene Links on behalf of Dotz and is required to have capacity to manufacture at least three million Dotz Test Kits in the first 12 months.

OPERATIONAL PROGRESS

During the quarter, Dotz progressed the development and manufacturing of its virus detection and surface sanitisation solutions.

TT Medical progress

Dotz expects to receive the outstanding \$450,000 order, under the existing agreement, during H1 FY22.

In July 2021, US\$215,000 was received from TT Medical relating to the first order.

UEG update

During the quarter, Dotz and UEG progressed product customisation of the 'Secured by Dotz' authentication solution for medical face masks, gowns and gloves as part of a large-scale government tender. As part of this tender process, Dotz expects to receive the initial US\$255,000 order from UEG in H1 FY22.

Breathe Medical

Dotz refers to its three-year purchase agreement with Breathe Medical Manufacturing Ltd (**Breathe Medical**) (**Breathe Medical Agreement**), as originally announced to the ASX on 8 September 2020. As disclosed by Dotz in its March 2021 Quarterly Report and in its cleansing prospectus dated 5 May 2021, Breathe Medical has been unable to satisfy its obligations under the Breathe Medical Agreement as a result of various personnel, manufacturing and other issues at Breathe Medical, and Dotz has reserved its rights under the contract and is attempting to find an amicable solution. As at 30 June 2021, Dotz has no further update on the status of the Breathe Medical Agreement other than Breathe Medical has still not fulfilled its first quarter obligations and Dotz has not been able to agree an amended arrangement with Breathe Medical or find an amicable solution. If no solution can be agreed with Breathe Medical in a timely manner, Dotz will likely need to consider its legal options and will keep the market updated in accordance with its continuous disclosure obligations.

PRODUCT DEVELOPMENT & TESTING WITH POTENTIAL CUSTOMERS

Pilots and proof of concepts are commonplace within the advanced materials sector, particularly as Dotz's end-to-end tracing and authentication technology has multiple applications across a large number of industries. During the quarter, Dotz carried out customisation and product testing with several potential authentication customers. As Dotz continues to commercialise its industry-leading

anti-counterfeiting technology, the company anticipates fewer pilots will be required for existing solutions.

Dotz continues to refine its virus detection technology to increase efficiency and ease of use for potential customers. The Dotz diagnostic platform now enables fully automated simultaneous testing of the SARS-CoV-2 virus for up to 96 samples per device. The device is performing both the extraction and the RT-LAMP reaction autonomously, with results available on-site within 30 minutes, evidenced by the reagents changing colour.

Within the diagnostic domain, clinical trials and regulatory approval are essential for new applications and markets. Dotz has already been granted CE Mark authorisation for its virus detection technology and is awaiting FDA Emergency Use Authorisation, enabling Dotz to sell its Test Kits within Europe and the USA respectively. As Governments are a potential customer in this sector, Dotz's is currently involved in lengthy tender processes.

During the quarter, Dotz and Zohar Dalia continued to progress the commercialisation of the verifiable surface sanitisation solution, Active V-SRD, with proof of concepts with potential customers commencing in Q4. Active V-SRD is a slow-release anti-viral disinfectant that was developed and is owned by Zohar Dalia and utilises Dotz's security markers to verify proper surface sanitation in real-time.

LEADERSHIP

During the quarter, Dotz added to the Board's business and distribution capability with the appointment of highly experienced business executive Garry Browne AM as an Independent Director. Mr Browne brings more than four decades' senior management and governance experience to Dotz and was previously the CEO of FMCG company Stuart Alexander & Co and is the current Chair of hospitality platform Barcats and the UNSW International House Residential College.

He replaces Non-Executive Director James Cotton, who stepped down from the Board due to competing priorities. Mr Cotton remains with Dotz in a consulting role, sourcing distributors for the company in Australia, the USA and Europe.

FINANCIALS

As at 30 June 2021, Dotz had a cash and equivalents balance of US\$5 million. Notable operating cash flow items during the quarter included: Receipts from customers of US\$16,000, Research and development of US\$383,000, advertising and marketing of US\$94,000, staff payroll (non R&D and S&M) of US\$265,000 and US\$404,000 on administration and corporate costs.

Payments to related parties over Q2 FY21 were US\$144,000 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

Over the coming quarter, Dotz expects to finalise sales contracts within the anti-counterfeiting, diagnostics and commercial cleaning sectors. Negotiations with multiple potential customers are well-advanced, with some nearing the end of lengthy tender processes while others are awaiting regulatory approval



Dotz Chairman and Interim CEO Bernie Brookes said, “We remain confident that our growth strategy provides us with the quickest path to profitability, targeting recurring sales in large addressable markets. While our end-to-end technology is the most mature within the anti-counterfeiting domain, and our differentiated diagnostic solution, enable potential governments and healthcare facilities customers to effectively address real world challenges brought about by the COVID-19 pandemic. We have demonstrated the efficacy of our virus detection technology in a successful blind clinical trial and have applied for FDA regulatory approval. As with all new diagnostic applications, obtaining regulatory approval in multiple markets is often a lengthy process and we hope to receive FDA approval in the coming quarter. We continue to build our pipeline and are in discussions with potential customers in all three sectors, ensuring we are well-placed to secure new sales in the coming quarter.”

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.

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

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 2021

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (6 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	16	18
1.2 Payments for		
(a) research and development	(383)	(670)
(b) product manufacturing and operating costs	(50)	(119)
(c) advertising and marketing	(94)	(210)
(d) leased assets	-	-
(e) staff costs	(265)	(507)
(f) administration and corporate costs	(404)	(786)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	7
1.5 Interest and other costs of finance paid	(33)	(49)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other – Input VAT and other	100	161
1.9 Net cash from / (used in) operating activities	(1,110)	(2,155)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(24)	(78)
(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	29	29
	(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)	-	-
2.6	Net cash from / (used in) investing activities	5	(49)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options*	1,877	2,237
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)	(58)	(105)
3.10	Net cash from / (used in) financing activities	1,819	2,132

* As of 30 July 2021 the company have not yet issued all the shares

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,406	5,259
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,110)	(2,155)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	5	(49)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,819	2,132

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 months) \$US'000
4.5	Effect of movement in exchange rates on cash held	(78)	(145)
4.6	Cash and cash equivalents at end of period	5,042	5,042

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	5,042	4,406
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,042	4,406

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	(144)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
Payments for managing director, non-executive director fees and former CEO. Also includes US\$14k relating to company secretarial fees for Mr Ian Pamensky.		

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	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		
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)	(1,110)
8.2	Cash and cash equivalents at quarter end (item 4.6)	5,042
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	5,042
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	4.54
<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?	
	Answer: N/A	
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?	
	Answer: N/A	
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: N/A	
<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>		

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 July 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.