

29 October 2021

SEPTEMBER 2021 QUARTERLY ACTIVITY REPORT

Secured new virus detection sales, fulfilling existing contracts, commercialising tech

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 2021 (Q3 FY21).

SALES & BUSINESS DEVELOPMENT

Dotz remains focused on securing new sales and fulfilling existing orders within the authentication and diagnostics sectors. The Company has a growing sales pipeline and the manufacturing flexibility in these domains to rapidly scale production as required.

Virus detection technology

During the quarter, Dotz secured two purchase orders for its SARS-CoV-2 virus detection technology (the Dotz Test Kits) and entered into distribution agreements covering the UAE, Egypt, Sudan and Paraguay. Manufacturing of the Dotz Test Kits commenced during the quarter, enabling the first shipments to fulfill these orders.

In September, Dotz received an initial US\$220,000 purchase order and entered into a distribution agreement for Paraguay with leading medical solutions supplier El Alamo S.A. The two-year distribution agreement enables El Alamo to exclusively promote, sell and distribute the Dotz Test Kits in Paraguay subject to minimum annual purchase orders of approximately US\$200,000 in 2021 and at least US\$420,000 in each of 2022 and 2023 being met.

El Alamo has more than 20 years’ experience importing, packaging and distributing international medical products in Paraguay and is the exclusive distributor of medical brands Radiometer, Ortho and Spinreact. Dotz will ship its first order to El Alamo in Q4 FY21.

The agreement with El Alamo followed a US\$2.1 million purchase order and multi-country distribution agreement with UAE-based Hygiene Links International General Trading LLC in July. 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.

The US\$2.1 million purchase order is for a six-month supply of the Dotz Test Kits. In order to ensure the Test Kits are of the highest quality, Dotz delayed the initial delivery with the first Test Kits now being shipped during October and November 2021. the purchase order is now expected to be delivered over the next 12 months. 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.

Dotz's nasopharyngeal swab and saliva-based Test Kits have received CE Mark authorisation, which clears the product for sale in most European countries, and Certificate of Free Sale for Paraguay. In April 2021, the Company applied for FDA Emergency Use Authorisation for its nasopharyngeal swab Test Kits and in May 2021 updated the existing application to also cover Dotz's saliva-based Test Kits. Dotz is currently in the process of supplying further information to the FDA to comply with changes in the EUA updates.

Dotz CEO Gideon Shmuel said, "Our end-to-end diagnostic technology is a highly accurate, cost-effective and timely SARS-CoV-2 virus testing solution suitable for use in the field and the lab. This capability provides us with a large, global addressable market spanning everything from healthcare operators, airports, travel providers, educators, event facilities and other similar organisations. We have commenced manufacturing and fulfilling initial orders and are in active discussions with potential customers in other markets.

"Dotz has successfully developed and commercialised a SARS-CoV-2 virus detection technology within a year. It demonstrates the versatility of our technology and provides a significant long-term growth opportunity for the business. We remain focused on securing new orders and scaling production in this domain alongside our progress in the authentication and traceability solutions."

OPERATIONAL PROGRESS

In Q3 FY21, Dotz commenced manufacturing of its virus detection technology and continued the refinement and production of its authentication and active surface sanitisation solutions. The Company continues to engage with its 'Secured by Dotz' authentication customers and distributors, including TT Medical, UEG and V2 Tech, and expects to receive the remaining orders under these existing contracts in H1 FY22.

In August, Dotz engaged New York based lawyers to commence binding arbitration against Canadian PPE manufacturer Breathe Medical for failing to meet their obligations under a three-year purchase agreement between the two parties. The binding arbitration is expected to occur in New York and take approximately 9-12 months. Dotz cannot ensure Breathe Medical will co-operate with the arbitration process. Dotz's Board is continuously evaluating the best method of action to protect shareholder interests.

Product development & customer testing

Alongside Dotz's development of an end-to-end diagnostic solution, its advanced materials for authentication and traceability often require product testing and customisation. In this domain, Dotz is working with several potential customers to conduct product testing and commercialisation of in-product solutions. These solutions are being incorporated in applications across several industries, including textiles, high-value bulk materials and documents - all utilising the same end-to-end tagging, tracing and verification technology. Dotz's non-toxic security markers are an ideal anti-counterfeiting measure as they can be safely inserted into products during manufacturing without affecting the properties or appearance of products. They are invisible to the naked eye and can withstand high temperatures and harsh environments. These markers create a unique digital fingerprint, connecting the physical world to the digital world using Dotz's portable detectors and cloud-based services.

Dotz is also progressing commercialisation of Zohar Dalia's active surface sanitisation solution with both companies working to fine tuning the liquid formulation of Active V-SRD to increase customer useability. The Active V-SRD surface sanitisation wipes are already meeting commercial specifications and Dotz is building its sales pipeline for both solutions. Product testing with potential customers is expected to commence in Q4 FY21. Active V-SRD is a slow-release anti-viral disinfectant that utilises Dotz's security markers to verify proper surface sanitation in real-time.

LEADERSHIP

In September, Dotz appointed highly experienced senior executive Gideon Shmuel as Executive Director and Chief Executive Officer to lead the Company through its next growth phase. Mr Shmuel has hands-on experience scaling innovative tech companies globally and is the former CEO of AI computer vision company Cipia and aerospace digital e-commerce platform ePlane. His appointment follows a comprehensive executive search and selection process by the Board. Interim CEO Bernie Brookes has now returned to the role of Independent Non-Executive Chairman.

Dotz further enhanced its Board capability with the appointment of Mrs Kerry Harpaz as a Non-Executive Director. Mrs Harpaz, LLB, brings more than 17 years' senior management and leadership experience to Dotz and specialises in building large teams.

Chairman Bernie Brookes said, "These key appointments ensure Dotz is well-positioned to commercialise and scale its end-to-end diagnostic, verification and tracing technology. Dotz has a large, global addressable market within these three domains with technology solutions that are truly industry leading. Gideon's previous experience scaling early-stage technology businesses will be invaluable in transitioning Dotz to profitability."

FINANCIALS

As at 30 September 2021, Dotz had a cash and equivalents balance of US\$4.3 million. Notable operating cash flow items during the quarter included: Customer receipts of US\$241K, research and development costs of US\$408K, advertising and marketing expenses of US\$112K, staff payroll (excluding R&D, sales and marketing) of US\$244K and US\$458K on administration and corporate costs.

Payments to related parties over Q3 FY21 were US\$196K 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

In Q4 FY21, Dotz will continue to focus on converting its strong pipeline of opportunities to sales. Negotiations with potential customers are well advanced within the diagnostic and authentication sectors while ongoing product and customisation testing provides longer-term revenue opportunities.

Dotz CEO Gideon Shmuel said, "While we are continuing discussions with organisations and governments in several jurisdictions for our diagnostic technology, we are not neglecting the broader authentication and traceability sector where we have a unique end-to-end product offering and large market opportunity. Product authentication is quickly moving from a nice-to-have to a must-have for manufacturers, particularly as industries look to protect their brand and improve the traceability and sustainability of their supply chains as part of their ESG commitments. We have numerous



authentication projects underway and remain confident that many of these will convert to long-term contracts.”

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 SEPTEMBER 2021

| Consolidated statement of cash flows | Current quarter \$US'000 | Year to date (9 months) \$US'000 |
|---|---|---|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 241 | 259 |
| 1.2 Payments for | | |
| (a) research and development | (408) | (1,079) |
| (b) product manufacturing and operating costs | (127) | (246) |
| (c) advertising and marketing | (112) | (322) |
| (d) leased assets | (11) | (11) |
| (e) staff costs | (244) | (751) |
| (f) administration and corporate costs | (458) | (1,242) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 2 | 9 |
| 1.5 Interest and other costs of finance paid | (24) | (74) |
| 1.6 Income taxes paid | - | - |
| 1.7 Government grants and tax incentives | - | - |
| 1.8 Other – Input VAT and other | 63 | 224 |
| 1.9 Net cash from / (used in) operating activities | (1,078) | (3,233) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire or for: | | |
| (a) entities | - | - |
| (b) businesses | - | - |
| (c) property, plant and equipment | (2) | (80) |
| (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 | - | 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 | (2) | (51) |

| | | | |
|-----------|--|------------|--------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | 591 | 591 |
| 3.2 | Proceeds from issue of convertible debt securities | - | - |
| 3.3 | Proceeds from exercise of options | 24 | 2,262 |
| 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) | (62) | (168) |
| 3.10 | Net cash from / (used in) financing activities | 553 | 2,685 |

| | | | |
|-----------|--|---------|---------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 5,042 | 5,259 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (1,078) | (3,233) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (2) | (51) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 553 | 2,685 |

| 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 | (193) | (338) |
| 4.6 | Cash and cash equivalents at end of period | 4,322 | 4,322 |

| 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 | 4,322 | 5,042 |
| 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) | 4,322 | 5,042 |

| 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 | (196) |
| 6.2 | Aggregate amount of payments to related parties and their associates included in item 2 | - |
| Payments for managing director and non-executive director fees. Also includes US\$13k 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) | (1,078) |
| 8.2 | Cash and cash equivalents at quarter end (item 4.6) | 4,322 |
| 8.3 | Unused finance facilities available at quarter end (item 7.5) | - |
| 8.4 | Total available funding (item 8.2 + item 8.3) | 4,322 |
| 8.5 | Estimated quarters of funding available (item 8.4 divided by item 8.1) | 4.01 |
| <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:**29 October 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.