

Appendix 4D

Half Year Report to the Australian Securities Exchange

Part 1 - Details of reporting period

Name of Entity	DOTZ NANO LIMITED
ABN	71 125 264 575
Half Year Ended	30 June 2018
Previous Corresponding Reporting Period	30 June 2017

Part 2 – Results for Announcement to the Market

Key information	30 June 2018 US\$	30 June 2017 US\$	Increase/ (decrease) %	Amount change US\$
Revenue from continuing operations ¹	5,220	7,398	(29%)	(2,178)
Profit/(Loss) from ordinary activities after tax attributable to members ¹	(3,221,988)*	(1,782,725)	81%	(1,439,263)
Net Profit/ (Loss) for the period attributable to members ¹	(3,221,988)*	(1,782,725)	81%	(1,439,263)
Net tangible asset \$ per share	0.006	0.011	(47%)	(0.005)

* The loss includes a non-cash adjustment for share based compensation of US\$1,004,824.

Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Record date for determining entitlements to the dividends (if any)	Not Applicable	

Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

Refer to the Review of Activities contained in the Directors' Report which forms part of the attached Interim Financial Report for details.

Part 3 – Contents of ASX Appendix 4D

Section	Contents
Part 1	Details of entity, reporting period
Part 2	Results for announcement to the market
Part 3	Contents of ASX Appendix 4D
Part 4	Commentary on results
Part 5	Details relating to dividends
Part 6	Net tangible assets per security
Part 7	Details of entities over which control has been gained or lost
Part 8	Details of associates and joint venture entities
Part 9	Information on audit or review

Part 4 – Commentary on Results

Refer to the Review of Activities contained in the Directors' Report which forms part of the attached Interim Financial Report for details.

Part 5 – Details Relating to Dividends

Date the dividend is payable	N/A
Record date to determine entitlement to the dividend	N/A
Amount per security	N/A
Total dividend	N/A
Amount per security of foreign sourced dividend or distribution	N/A
Details of any dividend reinvestment plans in operation	N/A
The last date for receipt of an election notice for participation in any dividend reinvestment plans	N/A

Part 6 – Net Tangible Assets per Security

	2018	2017
	US\$	US\$
Net tangible asset (deficiency) backing per ordinary security	0.006	0.011

Part 7 – Details of Entities Over Which Control has been Gained or Lost

Not applicable.

Part 8 – Details of Associates and Joint Venture Entities

Name of associate and joint venture entities	Ownership Interest		Contribution to net profit/(loss)	
	2018 %	2017 %	2018 US\$	2017 US\$
Associates	NA	NA	-	-
Joint Venture Entities	NA	NA	-	-


Part 9 – Audit/Review Status

This report is based on accounts to which one of the following applies: (Tick one)			
The accounts have been audited	<input type="checkbox"/>	The accounts have been subject to review	<input checked="" type="checkbox"/>
The accounts are in the process of being audited or subject to review	<input type="checkbox"/>	The accounts have not yet been audited or reviewed	<input type="checkbox"/>

<p>If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification:</p> <p>N/A</p>
<p>If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification:</p> <p>Refer to Half Year Financial Report for the half-year ended 30 June 2018.</p>

Attachments Forming Part of Appendix 4D

Attachment #	Details
1	Interim Financial Report

<p>Signed By Company Secretary</p> 	
Ian Pamensky	
Date 29 August 2018	



DOTZ NANO LIMITED

ABN 71 125 264 575

**INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 30 JUNE 2018**

DOTZ NANO LIMITED
ABN 71 125 264 575
INTERIM FINANCIAL REPORT 30 JUNE 2018

CORPORATE DIRECTORY

Directors

Volker Mirgel – Non-Executive Chairman
Uzi Breier – CEO, Executive Director
Steve Bajic – Non-Executive Director
John Bullwinkel – Non-Executive Director
Ashley Krongold – Non-Executive Director

Company Secretary

Ian Pamensky

Registered Office

Level 14
330 Collins Street
Melbourne VIC 3000

Auditor

BDO Audit (WA) Pty Ltd
38 Station Street
PO Box 700
Subiaco WA 6008

Share Registry

Automic Registry Services
Level 29, 201 Elizabeth Street
SYDNEY NSW 2000

Securities Exchange Listing

ASX Limited
Level 4
North Tower, Rialto
525 Collins Street
Melbourne VIC 3000

ASX Code – DTZ

DOTZ NANO LIMITED
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DOTZ NANO LIMITED
ABN 71 125 264 575
INTERIM FINANCIAL REPORT 30 JUNE 2018

DIRECTORS' REPORT

The Directors of Dotz Nano Limited (the **Company** or **Dotz**) and controlled entities (the **Group** or **Consolidated Entity**) submit the following report for the half year ended 30 June 2018 (**Financial Period**).

DIRECTORS

The names and the particulars of the Directors of the Company during the half year and to the date of this report are:

Name	Status	Appointed	Resigned
Volker Mirgel	Non-Executive Chairman	Appointed 3 April 2018	-
Faldi Ismail	Non-Executive Chairman	Appointed 31 October 2016	Resigned 1 February 2018
Uzi Breier	CEO and Executive Director	Appointed 18 May 2018	-
Moti Gross	CEO and Executive Director	Appointed 31 October 2016	Resigned 18 May 2018
Steve Bajic	Non-Executive Director	Appointed 31 October 2016	-
Menashe Baruch	Non-Executive Director	Appointed 31 October 2016	Resigned 21 March 2018
John Bullwinkle	Non-Executive Director	Appointed 21 March 2018	-
Antony Sormann	Non-Executive Director	Appointed 7 February 2018	Resigned 21 March 2018
Ashley Krongold	Non-Executive Director	Appointed 31 October 2016	-

COMPANY SECRETARY

Mr Ian Pamensky – appointed 7 February 2018

Mr Peter Webse – resigned 7 February 2018

REVIEW AND RESULTS OF OPERATIONS

The net loss of the Group after income tax for the half year ended 30 June 2018 amounted to (US\$3,221,988) (30 June 2017: (US\$1,782,725) net loss).

REVIEW OF ACTIVITIES

During the half year ended 30 June 2018, the following activities were undertaken.

- On 8 January 2018 the Company executed an agreement for distribution and sale of GQDs in China valued at \$15 million. The distribution and sales agreement signed with China Israel (hengqin) Science Technology Innovation Centre Ltd. ("CisticPoly"). Sale minimums are conditional on CisticPoly's or third-party approval of product specifications.
- On 11 January 2018 the Company was awarded AUD\$750,000 grant from SIIRD foundation for the development of new GQDs based on lithium ion battery cathode. The Singapore Israel R&D Foundation (SIIRD) aims to facilitate R&D between Singapore and Israeli companies.
- On 18 January 2018 the Company executed a Memorandum of Understanding (MoU) with Recochem Inc. of Australia for the appointment of Recochem as an Exclusive Distributor of GQDs for Australia and New Zealand.
- On 1 February 2018 the Non-Executive Chairman Mr Faldi Ismail resigned and Mr Ashley Krongold was appointed the interim Non-Executive Chairman. The Company appointed Mr Antony Sormann as an interim Non-Executive Director of the Company.
- On 5 February 2018 the Company issued 2,777,778 ordinary shares, 500,000 Lead Manager shares and 6,000,000 unlisted Lead Manager options with exercise price of \$0.30 expiring 5 February 2020 as a result of the placement shares issued 28 November 2017.
- On 7 February 2018 the Company announced the appointment of Mr Ian Pamensky as the Company's new Company Secretary, replacing Mr Peter Webse.
- On 21 March 2018, the Company announced the appointment of Mr John Bullwinkel and Mr Uzi Breier as Non-Executive Directors to the Board of the Company, replacing Mr Menashe Baruch (Non-Executive Director) and Mr Antony Sormann (Interim Non-Executive Director).

DOTZ NANO LIMITED
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INTERIM FINANCIAL REPORT 30 JUNE 2018

DIRECTORS' REPORT (CONTINUED)

REVIEW OF ACTIVITIES

- On 3 April 2018, the Company announced the appointment of Dr Volker Mirgel as the Non-Executive Chairman. Mr Ashley Krongold will remain as a Non-Executive Director. On 1 May 2018, the Company announced the sale of Validotz to US Industrial Sector. The order call for the supply of 10kg of violet and blue Validotz. The materials are to be supplied to various industrialised consumers through the distribution channel of Pflaumer Bros in the USA.
- On 14 May 2018, the Company announced the issue of 5,748,108 ordinary shares and 3,425,000 unlisted options to consultants, employees and advisors in lieu of cash payments.
- On 18 May 2018, the Company announced the resignation of Dr Moti Gross as the CEO and Executive Director and the appointment of Mr Uzi Breier as the new CEO and Executive Director.
- On 26 June 2016, the Company announced that in field trials the Dotz Fluorensic proved as an effective tracking solution at a customer fracking site.
- 28 June 2018, the Company announced a collaboration agreement signed with Monash University, Australia. As part of the agreement, Dotz and Monash will collaborate to develop and commercialise advanced multi-purpose carbon-based materials as next-generation bio-imagining agents for various research and preclinical uses such as cancer tracings.
- On 29 June 2018, the Company issued 775,000 ordinary shares in lieu of cash payment to the former CEO Dr Moti Gross.

SUBSEQUENT EVENTS

Subsequent to the half year end the following events occurred:

- On 11 July 2018, the Company announced that Dotz's security markers had passed a successful industrial trial-run for the tobacco industry in China
- On 23 July 2018, the Company announced the completion of the Placement of 27,777,778 ordinary shares at \$0.09 per share to raise \$2.5 million.
- On 23 July 2018, it was also announced that Gleneagle Securitas acted as the Lead Manager to the Placement. For its role as Lead Manager and on-going engagement as Corporate Advisor, Gleneagle will receive a 6% fee, 4 million unlisted options with an exercise price of AUD \$0.20 each to be issued subject to VWAP milestones, 2 million options with an exercise price of AUD \$0.40 each to be issued subject to VWAP milestones and up to 3 million unlisted options with an exercise price of AUD \$0.20 each, and an expiry date 2 years from the date of issue.
- On 10 August 2018, the Company announced the terms of the agreement with the Chairman. The terms of the agreement include a fixed annual fee of US\$100,000 (inclusive of superannuation), sign-on and ongoing options. The sign-on options which are subject to shareholder approval include the issue of 1,000,000 unlisted options with an exercise price of AU\$0.13, expiring 5 years from issue. Further options may be granted per success milestones as will be determined by the Board of Directors at the end of each financial year and subject to shareholder approval.
- On 14 August 2018, the Company announced the terms of the agreement with the CEO. The agreement is for a period of 3 years commencing on 7 May 2018 and includes a fixed remuneration of US\$240,000 per annum and a company car. The fixed remuneration will be reviewed annually. Other terms of the agreement include incentive bonuses which are at the discretion of the Board and subject to shareholder approval (if applicable) and sign-on securities.

An incentive bonus will be payable if the following milestones are achieved by Dotz Nano Ltd (Israeli subsidiary) ("Dotz"):

- if Dotz signs a binding sales agreement(s) valued at a total of US\$500,000 prior to 31 December 2018, a bonus cash amount equal to 25% of the base compensation (i.e. US\$60,000) will be payable;
- upon Dotz EBITDA reaching US\$500,000 or more for the financial year ending 31 December 2019 then:
 - a cash bonus amount equal to 20% of the actual EBITDA (i.e. minimum US\$100,000) will be payable; and
 - 500,000 unquoted options will be issued, exercisable at AU\$0.10 each expiring 5 years from issue; and
- Upon Dotz EBITDA reaching US\$1,000,000 or more (in accordance with annual audited financial statements) in the financial year ending 31 December 2020, then a cash bonus amount equal to 15% of the actual EBITDA (i.e. minimum US\$150,000) will be payable.

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DIRECTORS' REPORT (CONTINUED)

SUBSEQUENT EVENTS

The sign on securities are subject to prior shareholder approval, and include the following to be issued to the CEO (or his nominees)

- 1,000,000 shares on 31 December 2019 as a retention bonus provided that the CEO is still engaged by the Company at the time;
- 1,500,000 shares subject to a 12 month holding lock from the date of the issue; and
- 2,000,000 unquoted options exercisable at AU\$0.13 and expiring 5 years from issue.
- On 15 August 2018, the Company announced the issue of 100 shares at AU\$0.09 through a cleansing prospectus prepared for the purpose of complying with Section 708A(11) of the Corporations Act to remove any trading restrictions on shares issued prior to the closing date.

There have been no other matters or circumstances that have arisen since 30 June 2018.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration to the Directors of the Consolidated Entity on page 18 forms part of the Directors' Report for the half year ended 30 June 2018.

This report is signed in accordance with a resolution of the Board of Directors.



Volker Mirgel
Non-Executive Chairman

29 August 2018

DOTZ NANO LIMITED
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INTERIM FINANCIAL REPORT 30 JUNE 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 JUNE 2018

	Note	30-Jun-18 US\$	30-Jun-17 US\$
Revenue		5,220	7,398
Cost of Sales		(1,826)	-
Other income		1,309	2,440
Administrative expenses		(83,084)	(77,982)
Consulting fees		(68,172)	(55,181)
Depreciation		(34,718)	(26,728)
Directors fees		(130,335)	(113,774)
Executive remuneration		(253,107)	(246,935)
Administrative remuneration		(141,818)	(90,075)
Finance expenses		(25,568)	(11,338)
Insurance		(60,520)	(12,908)
Interest expense		(104)	(85)
Legal and professional fees		(53,736)	(95,376)
Finance and accounting expenses		(173,754)	(182,034)
Motor vehicle expense		(116,500)	(68,300)
Occupancy costs		(67,604)	(66,620)
Marketing and Investor relations		(299,119)	(234,757)
Research and development		(447,833)	(202,037)
Share based compensation		(1,004,824)	-
SRA and patent expense		(57,581)	(114,505)
Travel and accommodation		(208,314)	(193,928)
Profit/(Loss) before income tax		(3,221,988)	(1,782,725)
Income tax expense		-	-
Profit/(Loss) for the year		(3,221,988)	(1,782,725)
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		(58,969)	120,899
Other comprehensive loss for the year, net of tax			
Total comprehensive income/(loss) for the year		(3,280,957)	(1,661,826)
Basic earnings/(loss) per share (cents per share)	7	(2.26)	(1.51)
Diluted earnings/(loss) per share (cents per share)	7	(2.26)	(1.51)

The accompanying notes form part of these financial statements.

DOTZ NANO LIMITED
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INTERIM FINANCIAL REPORT 30 JUNE 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	30 June 2018 US\$	31 December 2017 US\$
CURRENT ASSETS			
Cash and cash equivalents		551,936	2,835,485
Trade and other receivables		237,637	177,497
Other assets		113,778	98,880
TOTAL CURRENT ASSETS		903,351	3,111,862
NON-CURRENT ASSETS			
Trade and other receivables		88,219	92,653
Property, plant and equipment		335,749	244,743
Investments		4,773	4,773
Intangible assets		175,000	245,000
TOTAL NON-CURRENT ASSETS		603,741	587,169
TOTAL ASSETS		1,507,092	3,699,031
CURRENT LIABILITIES			
Trade and other payables		315,641	655,148
Provisions		15,660	10,790
TOTAL CURRENT LIABILITIES		331,301	665,938
NON-CURRENT LIABILITIES			
Borrowings	3	79,718	79,718
TOTAL NON-CURRENT LIABILITIES		79,718	79,718
TOTAL LIABILITIES		411,019	745,656
NET ASSETS		1,096,073	2,953,375
SHAREHOLDERS' EQUITY			
Issued capital	4	16,866,496	15,900,912
Reserves	5	1,354,450	955,348
Accumulated losses		(17,124,873)	(13,902,885)
SHAREHOLDERS' EQUITY		1,096,073	2,953,375

The accompanying notes form part of these financial statements.

DOTZ NANO LIMITED
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INTERIM FINANCIAL REPORT 30 JUNE 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 JUNE 2018

	Issued Capital US\$	Option Reserve US\$	Foreign Currency Reserve US\$	Accumulated Losses US\$	Total US\$
Balance at 1 January 2017	12,456,472	418,625	(268,858)	(9,170,987)	3,435,252
Loss for the year	-	-	-	(1,782,725)	(1,782,725)
Other comprehensive income	-	-	120,899	-	120,899
Total comprehensive loss for the year	-	-	120,899	(1,782,725)	(1,661,826)
Transactions with owners, recognised directly in equity					
Issue of shares	-	-	-	-	-
Issue of options	-	-	-	-	-
Balance at 30 June 2017	12,456,472	418,625	(147,959)	(10,953,712)	1,773,426
Balance at 1 January 2018	15,900,912	856,065	99,283	(13,902,885)	2,953,375
Loss for the year	-	-	-	(3,221,988)	(3,221,988)
Other comprehensive income	-	-	(58,969)	-	(58,969)
Total comprehensive loss for the year	-	-	(58,969)	(3,221,988)	(3,280,957)
Transactions with owners, recognised directly in equity					
Issue of shares under placement	366,655	-	-	-	366,655
Issue of shares to consultants, employees and lead manager	598,929	-	-	-	598,929
Issue of options to consultants and lead manager	-	458,071	-	-	458,071
Balance at 30 June 2018	16,866,496	1,314,136	40,314	(17,124,873)	1,096,073

The accompanying notes form part of these financial statements.

DOTZ NANO LIMITED
ABN 71 125 264 575
INTERIM FINANCIAL REPORT 30 JUNE 2018

CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE HALF YEAR ENDED 30 JUNE 2018

	Note	30-Jun-18 US\$	30-Jun-17 US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		-	7,398
Payments to suppliers and employees		(2,476,332)	(1,600,869)
Interest received		1,309	2,440
Net cash used in operating activities		<u>(2,475,023)</u>	<u>(1,591,031)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(69,825)	(135,281)
Deposits		(11,781)	(58,558)
Net cash used in investing activities		<u>(81,606)</u>	<u>(193,839)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Grant from BIRD Foundation		-	79,718
Proceeds from issue of shares		372,252	-
Payment to lenders		(31,729)	-
Net cash from financing activities		<u>340,523</u>	<u>79,718</u>
Net increase/ (decrease) in cash and cash equivalents		(2,216,106)	(1,705,152)
Cash and cash equivalents at the beginning of the period		2,835,485	2,843,980
Foreign exchange		(67,443)	57,010
Cash and cash equivalents at the end of the financial period		<u>551,936</u>	<u>1,195,838</u>

The accompanying notes form part of these financial statements.

DOTZ NANO LIMITED
ABN 71 125 264 575
INTERIM FINANCIAL REPORT 30 JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2018

NOTE 1: REPORTING ENTITY

The interim financial report (**Report**) of Dotz Nano Limited (the **Company**) and its controlled entities (the **Group** or **Consolidated Entity**) for the half year ended 30 June 2018 was authorised for issue in accordance with a resolution of the Directors on 28 August 2018.

Dotz Nano Limited is a listed public company, trading on the Australia Securities Exchange, limited by shares, incorporated and domiciled in Australia.

The Group's principal place of business is 18 Reines Street Tel Aviv 61999, Israel and the registered office is located at Level 14, 330 Collins Street, Melbourne 3000, Australia.

NOTE 2: BASIS OF PREPARATION

This Report for the half-year ended 30 June 2018 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This Report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2017 and any public announcements made by Dotz Nano Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The Report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The Report does not include full disclosures of the type normally included in an annual financial report. For the purposes of preparing the interim financial statements, the half-year has been treated as a discrete reporting period.

The same accounting policies and methods have been consistently applied by the Consolidated Entity in these interim financial statements as compared with the most recent annual financial statements, except as follows:

a) Adoption of new and revised accounting standards

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of the adoption of the following standards:

- AASB 9 *Financial Instruments*; and
- AASB 15 *Revenue from Contracts with Customers*.

The impact of the adoption of these standards and the new accounting policies are disclosed in below. The impact of these standards, and the other new and amended standards adopted by the Group, has not had a material impact on the amounts presented in the Group's financial statements.

Changes in accounting policies

This note explains the impact of the adoption of AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* on the group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

AASB 9 Financial Instruments – Impact of Adoption

Impairment of financial assets

The Group's financial assets subject to AASB 9's new expected credit loss model are cash and trade receivables, which arise from the provision of services and sale of goods.

The impact of the impairment requirements of AASB 9 on cash and cash equivalents has not resulted in a material impact to the financial statements.

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INTERIM FINANCIAL REPORT 30 JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2018

NOTE 2: BASIS OF PREPARATION (CONTINUED)

Under AASB 9, the Group was required to revise the impairment methodology used in the calculation of its provision for doubtful debts to the expected credit loss model. This change in methodology has not had a material impact on the financial statements. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure or a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

AASB 9 Financial Instruments – Accounting Policies Applied from 1 January 2018

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on how the Group manages the financial assets and the contractual terms of the cash flows. At half year end, all of the Group's financial assets have been classified as those to be measured at amortised cost.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Impairment

From 1 January 2018, the Group assesses expected credit losses associated on a forward looking basis. For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

AASB 15 Revenue from Contracts with Customers – Impact of Adoption

The Group has adopted AASB 15 *Revenue from Contracts with Customers* from 1 January 2018 which resulted in changes to accounting policies but no adjustments to the amounts recognised in the financial statements.

AASB 15 Revenue from Contracts with Customers – Accounting policies

Group revenues consist of the following elements:

- physical products which are sent to the customer, where revenue is recognised upon shipment or arrival of goods, dependent on the terms that have been agreed with the customer;

The Group has no material contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

b) Interest income

Interest revenue is brought to account on an accruals basis using the effective interest rate method and, if not received at the end of the reporting period, is reflected in the statement of financial position as a receivable

c) Going concern

The interim financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business. The Group incurred a loss for the half year ended 30 June 2018 of \$3,221,988 (2017: \$1,782,725) and net cash outflows from operating activities of \$2,475,023 (2017: \$1,591,031).

DOTZ NANO LIMITED
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INTERIM FINANCIAL REPORT 30 JUNE 2018
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2018

NOTE 2: BASIS OF PREPARATION (CONTINUED)

Going concern (continued)

The ability of the Group to continue as a going concern is dependent on securing additional funding through either equity, debt or receipts, or a combination of all, to continue to fund its operational and technology development activities. These conditions indicate a material uncertainty that may cast a doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors believe that there are sufficient funds available to continue to meet the Group's working capital requirements as at the date of this report. The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity, the realisation of assets, settlement of liabilities through the normal course of business including the presumption that sufficient funds will be available to finance the operations of the Group for the following reasons:

- The Directors of Dotz Nano Limited have assessed the likely cash flow for a period to December 2019 and its impact on the Group and believe there will be sufficient funds to meet the Group's working capital requirements as at the date of this report.
- The Group has historically demonstrated its ability to raise funds to satisfy its immediate cash requirements, including raising AU\$2,500,000 subsequent to the half year ended 30 June 2018.
- The Directors of Dotz Nano have reason to believe that in addition to the cash flow currently available, additional funds from receipts are expected through the commercialisation of the Group's products.

Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements or raise additional capital through equity or debts raisings and that the interim financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Group not continue as a going concern and meet its debts as and when they become due and payable.

NOTE 3: BORROWINGS

The borrowings at 30 June 2018 relate to a Grant the Group received from the BIRD Foundation. The Grant is repayable upon the Group commencing product commercialisation and generating revenue from sales of the product. The repayments are based on a rate of 5% of each reported dollar of revenue. At 30 June 2018, the carrying value of the borrowings was \$79,718.

DOTZ NANO LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2018

NOTE 4: ISSUED CAPITAL	30 June 2018 US\$	31 December 2017 US\$
(a) Share Capital		
150,618,659 (31 December 2017: 140,817,773) fully paid ordinary shares	16,866,496	15,900,912
	No.	US\$
(b) Movements in fully paid Ordinary Capital		
Opening balance at 1 January 2017	109,984,440	12,456,472
Shares issued under Public Offer on 8 August 2017	12,500,000	1,130,474
Shares issued under Public Offer on 5 December 2017	18,333,333	2,313,967
Closing balance 31 December 2017	140,817,773	15,900,912
Opening balance at 1 January 2018	140,817,773	15,900,912
Shares issued under Placement on 5 February 2018	2,777,778	396,050
Shares issued to Lead Manager on 5 February 2018	500,000	71,289
Shares issued under Placement on 10 May 2018	363,108	49,312
Shares issued to consultants, employees and lead manager	5,385,000	423,956
Shares issued to Moti Gross	775,000	54,372
Capital raising costs	-	(29,395)
Closing balance at 30 June 2018	150,618,659	16,866,496

NOTE 5: RESERVES	30 June 2018 US\$	31 December 2017 US\$
a) Reserves		
Option Reserve 29,925,000 (31 December 2017: 20,500,000) options on issue	1,314,136	856,065
Foreign currency translation reserve	40,314	99,283
	1,354,450	955,348
b) Options Reserve	No.	US\$
Opening balance at 1 January 2017	10,500,000	418,625
Options issued to Lead Manager	10,000,000	437,440
Closing balance at 31 December 2017	20,500,000	856,065
Opening balance at 1 January 2018		
Options issued to Joint Lead Manager	6,000,000	289,873
Options issued to Talsbar Consulting Ltd	1,000,000	78,729
Options issued to Talsbar Consulting Ltd	1,000,000	51,983
Options issued to Changing the World Technologies Ltd	500,000	12,943
Options issued to Kanayama Corporation Ltd	425,000	11,600
Options issued to Corey Patten	500,000	12,943
Closing balance at 30 June 2018	29,925,000	1,314,136

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2018

NOTE 5: RESERVES	30 June 2018	31 December 2017
c) Foreign currency translation reserve	US\$	US\$
Opening balance	99,283	(268,858)
Difference arising on translation	(58,969)	368,141
Balance at the end of the year	<u>40,314</u>	<u>99,283</u>

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

NOTE 6: DIVIDENDS

The Company did not pay or propose any dividends in the half year to 30 June 2018.

NOTE 7: LOSS PER SHARE

The following reflects income and share data used in the calculation of basic and diluted loss per share.

	30 June 2018	30 June 2017
Total loss for the period (US\$)	(3,221,988)	(1,782,725)
Weighted average number of ordinary shares in calculating basic and diluted loss per share (No.)	145,067,532	109,984,440

NOTE 8: CONTINGENT ASSET AND LIABILITIES

Under the resignation and general release agreement the Company has agreed to pay the former CEO monthly payments of US\$20,000 per month from 1 June 2018 until 30 November 2018. The monthly payment of the fee is dependent on the timely assistance of the former CEO with the Officers of the Company. As at 30 June 2018 a remaining amount of US\$100,000 for resignation and general release payments, contingent on the assistance of the former CEO.

The Group has no other known contingent liabilities as at 30 June 2018.

NOTE 9: SUBSEQUENT EVENTS

Subsequent to the half year end the following events occurred:

- On 11 July 2018, the Company announced that Dotz's security markers had passed a successful industrial trial-run for the tobacco industry in China
- On 23 July 2018, the Company announced the completion of the Placement of 27,777,778 ordinary shares at \$0.09 per share to raise \$2.5 million.
- On 23 July 2018, it was also announced that Gleneagle Securitas acted as the Lead Manager to the Placement. For its role as Lead Manager and on-going engagement as Corporate Advisor, Gleneagle will receive a 6% fee, 4 million unlisted options with an exercise price of AUD \$0.20 each to be issued subject to VWAP milestones, 2 million options with an exercise price of AUD \$0.40 each to be issued subject to VWAP milestones and up to 3 million unlisted options with an exercise price of AUD \$0.20 each, and an expiry date 2 years from the date of issue.
- On 10 August 2018, the Company announced the terms of the agreement with the Chairman. The terms of the agreement include a fixed annual fee of US\$100,000 (inclusive of superannuation), sign-on and ongoing options. The sign-on options which are subject to shareholder approval include the issue of 1,000,000 unlisted options with an exercise price of AU\$0.13, expiring 5 years from issue. Further options may be granted per success milestones as will be determined by the Board of Directors at the end of each financial year and subject to shareholder approval.

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NOTE 9: SUBSEQUENT EVENTS (CONTINUED)

- On 14 August 2018, the Company announced the terms of the agreement with the CEO. The agreement is for a period of 3 years commencing on 7 May 2018 and includes a fixed remuneration of US\$240,000 per annum and a company car. The fixed remuneration will be reviewed annually. Other terms of the agreement include incentive bonuses which are at the discretion of the Board and subject to shareholder approval (if applicable) and sign on securities.

An incentive bonus will be payable if the following milestones are achieved by Dotz Nano Ltd (Israeli subsidiary) ("Dotz"):

- if Dotz signs a binding sales agreement(s) valued at a total of US\$500,000 prior to 31 December 2018, a bonus cash amount equal to 25% of the base compensation (i.e. US\$60,000) will be payable;
- upon Dotz EBITDA reaching US\$500,000 or more for the financial year ending 31 December 2019 then:
 - a cash bonus amount equal to 20% of the actual EBITDA (i.e. minimum US\$100,000) will be payable; and
 - 500,000 unquoted options will be issued, exercisable at AU\$0.10 each expiring 5 years from issue; and
- Upon Dotz EBITDA reaching US\$1,000,000 or more (in accordance with annual audited financial statements) in the financial year ending 31 December 2020, then a cash bonus amount equal to 15% of the actual EBITDA (i.e. minimum US\$150,000) will be payable.

The sign on securities are subject to prior shareholder approval, and include the following to be issued to the CEO (or his nominees)

- 1,000,000 shares on 31 December 2019 as a retention bonus provided that the CEO is still engaged by the Company at the time;
 - 1,500,000 shares subject to a 12 month holding lock from the date of the issue; and
 - 2,000,000 unquoted options exercisable at AU\$0.13 and expiring 5 years from issue.
- On 15 August 2018, the Company announced the issue of 100 shares at AU\$0.09 through a cleansing prospectus prepared for the purpose of complying with Section 708A(11) of the Corporations Act to remove any trading restrictions on shares issued prior to the closing date.

There have been no other matters or circumstances that have arisen since 30 June 2018.

NOTE 10: RELATED PARTY TRANSACTIONS

During the half year ended 30 June 2018, the following related party transactions have occurred:

- The amounts relating to directors fees for the half year ended 30 June 2018 totalled to US\$103,200 (2017: US\$78,983).
- The remuneration relating to the role of the CEO of the Group during half year ended 30 June 2018 totalled to US\$162,706 (2017: US\$140,424).
- The management fee to Otsana Capital, a related entity of Mr Faldi Ismail totalled to US\$3,086 (2017: US\$30,160)
- The rent expense to Adamantium Holdings Pty Ltd, an entity related to Mr Faldi Ismail totalled to US\$23,143 (2017: US\$9,802)
- The value of shares issued to the former CEO Moti Gross for the half year ended 30 June 2018 was US\$54,372.
- The value of shares issued to KMP during the half year was US\$423,956 and the value of unlisted options issued to KMP during the half year was US\$143,655.
- The termination payout for the former CEO includes monthly payments of US\$20,000 for a period of 6 months to 31 December 2018, the use of a company car for a period of six months and the issue of 775,000 ordinary shares.

At 30 June 2018, the total payables and accruals relating to directors and related parties totalled to US\$88,114 (2017: US\$62,500)

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NOTE 11: SEGMENT INFORMATION

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The Group's sole operating segment is consistent with the presentation of these consolidated financial statements.

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DIRECTORS' DECLARATION

The Directors of Dotz Nano Limited declare that:

1. The financial statements and notes, as set out on pages 5 to 16 are in accordance with the Corporations Act 2001 and:
 - a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - b) give a true and fair view of the Consolidated Entity's financial position as at 30 June 2018 and of its performance for the period ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.


Volker Mirgel
Non-Executive Chairman
29 August 2018

DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF DOTZ NANO LIMITED

As lead auditor for the review of Dotz Nano Limited for the half-year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Dotz Nano Limited and the entities it controlled during the period.



Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 29 August 2018

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Dotz Nano Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Dotz Nano Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 2 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Dean Just', written over a faint, larger 'BDO' logo.

Dean Just

Director

Perth, 29 August 2018