



ASX and MEDIA RELEASE

31 October 2019

SEPTEMBER 2019 QUARTERLY REPORT

Mr Uzi Breier, the CEO of **Dotz Nano Limited (ASX: DTZ) (“Dotz” or “the Company”)**, an advanced technology company developing, manufacturing and commercialising tagging, tracing and verification solutions, is pleased to provide a business update for the quarter ending 30 September 2019 (Q3 2019), along with the attached Appendix 4C.

Dear Shareholders,

Dotz continues to focus on executing its commercialisation strategy, securing a ValiDotz™ sale from an anti-counterfeiting customer and partnering with a private equity firm to progress development of its authentication technology for the cannabis market.

During the quarter, Dotz received a conditional recurring order from a leading Eastern European transportation and logistics company, with the agreement expected to generate ValiDotz™ sales of A\$500,000 in its first year. Under the agreement, Dotz will insert its markers into hundreds of thousands of railroad-related units throughout the customer’s transport network.

While the order is subject to testing, in order to determine the appropriate resin and compound solution for the customer’s specific needs, initial results with the customer have been promising and, subject to further confirmation of those results, commercial implementation of this agreement is on track to commence in January 2020.

This order has been facilitated by a technological breakthrough, where Dotz was able to embed its ValiDotz™ security markers into highly pigmented polymer systems, such as black, dark blue and dark red. This breakthrough, confirmed by an independent laboratory, opens up significant commercial opportunities for Dotz, as Dotz is not aware of any other anti-counterfeiting solutions which have been able to successfully embed markers into black materials without being visible to the naked eye.

In August, Dotz partnered with Canadian private equity firm ‘Slalom Capital Inc.’ to expedite the development of its non-toxic BioDotz™ markers for the cannabis sector. Under the licensing agreement, Slalom committed a one-off fee of A\$296,000 to finalise development of BioDotz™ technology in exchange for exclusive sales rights to sell the technology to Canada’s cannabis market, subject to annual wholesale targets being met. The first annual wholesale target is A\$370,000 income for Dotz.

Dotz has since extended the payment terms for the initial one-off fee of A\$296,000 from an initial 60-days to 31 December 2019, in order to allow Slalom to finalise its current capital raising.

During the quarter, Dotz also made substantial progress in the development of its BioDotz™ technology, after a successful, world-first, authentication pilot on cannabis plants with licensed Israeli medicinal cannabis producer, Seàch Medical Group. Dotz’s BioDotz™ markers were used to create unique in-plant identifiers, which were detected in cannabis leaves and dried inflorescence



days after being added to growing plants. Dotz's in-plant markers were identified on-site and in real time using the company's InSpec™ readers.

Dotz's field testing with Seàch provides important market validation and enables Dotz to progress commercialisation of its in-plant track-and-trace solution for the cannabis sector. Unlike existing security measures for cannabis, Dotz's end-to-end authentication technology can't be removed or forged and Dotz believes that, subject to further testing and results, this technology is capable of allowing producers to track their cannabis products throughout the supply chain. In this regard, Dotz and Seàch are conducting additional field tests to further explore potential use-cases for the technology.

In the Oil & Gas sector, Dotz has finalised customisation testing of its Fluorensic™ tracers for a prospective end-customer and is now in advanced negotiations. These successful customisation results support earlier field tests and we are confident that this will eventuate in a sale with this significant industry player.

Customisation testing and product validations are an essential part of the sales process in the advanced materials domain, which can lead to significant lead times in establishing customer revenues. Notwithstanding, once customer relationships and revenues are established, Dotz believes sales of our markers and tracers will generally be recurring in nature. In addition, as we continue to establish market validation of Dotz's technologies, we anticipate that the necessity to undertake pilots to drive sales will diminish, and lead times will reduce accordingly.

During the reporting period, Dotz restructured its Sales and Marketing capability to improve lead-generation and support our transition from a primarily R&D focussed company into a profitable business.

Thank you to our valued shareholders for your patience and support as we continue on our path to commercialisation and profitability. Our tagging, tracing and verification technology has a unique point of difference in our key markets of anti-counterfeiting, oil and gas and product liability and we are optimistic of finalising new sales to end-customers in the coming quarter.

Sincerely,

Uzi Breier

**CEO & Executive Director
Dotz Nano Limited**

Further information:

Investor Enquiries:

Ian Pamensky

Company Secretary

E: ian@cfo2grow.com.au

P: +61 414 864 746

Media Enquiries:

Tristan Everett

Market Eye

E: tristan.everett@marketeye.com.au

P: +61 403 789 096



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

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

DOTZ NANO LIMITED

ABN

71 125 264 575

Quarter ended ("current quarter")

30 September 2019

| 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 | 7 | 20 |
| 1.2 Payments for | | |
| (a) research and development | (177) | (652) |
| (b) product manufacturing and operating costs | (8) | (8) |
| (c) advertising and marketing | (133) | (426) |
| (d) leased assets | - | - |
| (e) staff costs and board remuneration | (158) | (468) |
| (f) administration and corporate costs | (167) | (563) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 1 | 1 |
| 1.5 Interest and other costs of finance paid | (5) | (8) |
| 1.6 Income taxes paid | - | - |
| 1.7 Government grants and tax incentives (Bird grant) | 9 | 9 |
| 1.8 Other – Input VAT and other | 58 | 98 |
| 1.9 Net cash from / (used in) operating activities | (573) | (1,997) |

| | | |
|--|-----|-----|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | (1) | (1) |
| (b) businesses (see item 10) | - | - |
| (c) investments | (1) | 25 |

| Consolidated statement of cash flows | Current quarter \$US'000 | Year to date (9 months) \$US'000 |
|---|-------------------------------------|---|
| (d) intellectual property | - | (15) |
| (e) other non-current assets | - | - |
| 2.2 Proceeds from disposal of: | - | - |
| (a) property, plant and equipment | | |
| (b) businesses (see item 10) | - | - |
| (c) investments | - | - |
| (d) intellectual property | - | - |
| (e) 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) | 9 |

| | | |
|---|------------|--------------|
| 3. Cash flows from financing activities | | |
| 3.1 Proceeds from issues of shares | 695 | 1,688 |
| 3.2 Proceeds from issue of convertible notes (i) | - | 608 |
| 3.3 Proceeds from exercise of share options | - | - |
| 3.4 Transaction costs related to issues of shares, convertible notes or options | (42) | (42) |
| 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 - lease payments (ii) | (33) | (120) |
| 3.10 Net cash from / (used in) financing activities | 620 | 2,134 |

(i) The convertible notes were settled through the issue of equity.

(ii) The Group has adopted new accounting standard AASB 16 *Leases* with effect from 1 January 2019. In accordance with the requirements of AASB 16 cash payments for the principal portion of the Group's lease liabilities are presented within financing activities.

| | | |
|---|-------|---------|
| 4. Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 Cash and cash equivalents at beginning of quarter/year to date | 616 | 509 |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above) | (573) | (1,997) |
| 4.3 Net cash from / (used in) investing activities (item 2.6 above) | (2) | 9 |

| Consolidated statement of cash flows | | Current quarter \$US'000 | Year to date (9 months) \$US'000 |
|---|--|-------------------------------------|---|
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 620 | 2,134 |
| 4.5 | Effect of movement in exchange rates on cash held | (10) | (4) |
| 4.6 | Cash and cash equivalents at end of quarter | 651 | 651 |

| 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 | 651 | 430 |
| 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) | 651 | 430 |

| 6. Payments to directors of the entity and their associates | Current quarter \$US'000 |
|--|-------------------------------------|
| 6.1 Aggregate amount of payments to these parties included in item 1.2 | (108) |
| 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3 | - |
| 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2 | |

The amounts included at 6.1 relate to payments for the CEO remuneration and payments for directors' fees.

| 7. Payments to related entities of the entity and their associates | Current quarter \$US'000 |
|--|-------------------------------------|
| 7.1 Aggregate amount of payments to these parties included in item 1.2 | - |
| 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3 | - |
| 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2 | |

| 8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i> | Total facility amount at quarter end \$US'000 | Amount drawn at quarter end \$US'000 |
|--|---|--|
| 8.1 Loan facilities | - | - |
| 8.2 Credit standby arrangements | - | - |
| 8.3 Other (please specify) | - | - |
| 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well. | | |

None


| 9. Estimated cash outflows for next quarter | \$US'000 |
|--|--------------|
| 9.1 Research and development | (232) |
| 9.2 Product manufacturing and operating costs | (10) |
| 9.3 Advertising and marketing | (135) |
| 9.4 Leased assets** | - |
| 9.5 Staff costs and board remuneration | (186) |
| 9.6 Administration and corporate costs | (175) |
| 9.7 Other (fundraising costs) | - |
| 9.8 Total estimated cash outflows | (738) |

** Allocated to section 9.6 due to IFRS 16

| 10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above) | Acquisitions | Disposals |
|--|--------------|-----------|
| 10.1 Name of entity | - | - |
| 10.2 Place of incorporation or registration | - | - |
| 10.3 Consideration for acquisition or disposal | - | - |
| 10.4 Total net assets | - | - |
| 10.5 Nature of business | - | - |

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.

Sign here:  Date:31 October 2019.....
(Director/Company secretary)

Print name: ..Ian Pamensky.....

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.