

8 September 2020

Dotz signs landmark face mask authentication agreement granting Breathe Medical exclusivity in USA and Canada

Key highlights

- Three-year agreement, automatically renewed for additional one year periods, with new Canada-based PPE manufacturer Breathe Medical Manufacturing Ltd, to supply Dotz's advanced "Secured by Dotz" authentication solution for respiratory face masks and other PPE equipment
- Exclusivity granted to Breathe Medical to sell the 'Secured by Dotz' solution for face masks in the USA and Canada, subject to minimum annual sales targets being met
- Initial order of US\$1 million due in Q1 2021 (January – March 2021)
- Q2 2021 and for the 10 subsequent quarters, minimum quarterly purchase orders of US\$1.25 million, and minimum quarterly purchase orders of US\$2.5 million to maintain exclusivity
- For the initial three-year period of the agreement, the total minimum order amount is US\$13 million, and to maintain exclusivity a total minimum amount of US\$24.6 million
- This agreement is the fourth PPE authentication agreement Dotz has secured in as many months, following distribution agreements with UEG in Hong Kong, V2Tech in Australia, and TT Medical Group across eight countries in Europe, Africa and the Middle East

Dotz Nano Limited (ASX:DTZ) ("Dotz" or "The Company"), an advanced technology company developing, manufacturing and commercialising marking, tracing and verification solutions, is pleased to announce that it has entered into a landmark three-year purchase agreement with Breathe Medical Manufacturing Ltd ("**Breathe Medical**"), a new specialist Canadian manufacturer of high-quality surgical face masks and personal protective equipment ("**PPE**").

Under the agreement, Dotz will supply its 'Secured by Dotz' authentication solution for face masks in the USA and Canadian markets, and enable the implementation of its authentication solution at Breathe Medical's manufacturing facilities.

An initial purchase order of US\$1 million (A\$1.35 million at time of signing¹) is scheduled for delivery in Q1 2021. The agreement outlines a minimum purchase order of US\$1.25 million (A\$1.69 million at time of signing) for Q2 2021 and subsequent 10 quarters, with Dotz to issue invoices for the quarterly minimum which must be paid by Breathe Medical regardless of actual orders received. Minimum quarterly purchase orders of US\$2.5 million (A\$3.37 million at time of signing) per quarter are required for Breathe Medical to maintain its exclusivity. The total contract value range of this agreement is between US\$13 million and US\$24.6 million over the initial three-year term.

(1) The contract is stated in USD, as of signing date US\$1 ~ AU\$1.35



If at the end of an annual period Breathe Medical has failed to purchase the minimum order quantity to maintain exclusivity, then Breathe Medical must place an order for the shortfall. If Breathe Medical fails to place a shortfall order, Breathe Medical may lose its exclusivity or Dotz may terminate the agreement. Breathe Medical has also agreed to provide Dotz with a letter of credit from an agreed bank to guarantee its minimum order each quarter.

Following the initial three-year term, the agreement automatically renews for successive one year terms if not terminated by one of the parties. Either party can terminate the agreement with 90 days' written notice. Dotz will keep the market informed as to the agreement's progress via its quarterly activities reports.

Canada-based Breathe Medical was established in March 2020 and services the North American medical, chemical manufacturing and food and beverage processing industries with its high-quality surgical face masks to ASTM (American Society of Testing and Materials) Levels 1, 2 and 3 standards. Its main manufacturing facility in British Columbia has capacity for monthly production of 60 million surgical masks and 30 million N95 and KN95 masks.

While there is risk in Dotz dealing with a newly established PPE manufacturer (Dotz confirmed Breathe Medical was properly registered in Canada in March 2020), the letters of credit to be provided by Breathe Medical, together with the background of its founders and the Canadian Government on [7 April 2020 announcing that it had ordered masks from Breathe Medical](#)² (and other suppliers) to protect health care workers, provide Dotz comfort that Breathe Medical is able to comply with its minimum order and payment obligations under the agreement.

The “Secured by Dotz” authentication solution, which includes ValiDotz™ security taggants, Inspec™ readers and smart trackable QR codes, provides Breathe Medical with verification capabilities throughout the supply chain and differentiates its ‘Made in Canada’ face masks. The taggants will be added to face mask polybags, boxes and cases and can also be inserted directly into the face mask fabric.

As part of the agreement, Breathe Medical will become the sole distributor of the “Secured by Dotz” authentication solution for face masks in the USA and Canada for a three-year period with an auto renewal for additional one year periods, subject to the minimum annual sales targets described above being met.

In response to recent interest in Dotz's authentication solutions, and the growing pipeline of new business opportunities, Dotz has upscaled its production capacity to meet its obligations under the agreement and service new and existing clients.

Commenting on the landmark agreement with Breathe Medical, Dotz Chairman Bernie Brookes AM said: “This landmark agreement is Dotz’s fourth international commercial agreement in as many months, demonstrating the quality of our unique end-to-end technology in improving supply chain management within the PPE industry. The Breathe Medical agreement aligns with Dotz’s long-term global commercialisation strategy of partnering with key manufacturers and distributors in specific markets.”

(2) See <https://pm.gc.ca/en/news/news-releases/2020/04/07/prime-minister-announces-production-more-medical-supplies-and>



Dotz CEO Uzi Breier said: “We are proud and delighted to be partnering with Breathe Medical. High-quality surgical face masks are essential to preventing the spread of COVID-19. Our agreement will ensure that frontline and other essential workers in Canada and the USA will be able to authenticate the quality of their masks on-site and in real-time, as well as the general public. We are scaling up to deliver on this landmark order to ensure on-time and smooth delivery to fulfill Breathe Medical’s requirements.”

Breathe Medical CFO, Robert Balazs, said: “Demand for high-quality surgical face masks has increased substantially due to the pandemic with inferior and counterfeit PPE unable to provide the necessary protection for North America’s frontline and essential workers. Country of origin manufacturing is increasingly important, and our agreement with Dotz provides further quality assurance to our North American consumers that they are purchasing high-quality and locally-made Breathe Medical surgical masks. This agreement coincides with our increased manufacturing capability to 90 million units a month, and introduction of new product lines for use in hospitals, dental offices and other manufacturing facilities.”

This announcement has been authorised for release by the Board of Dotz Nano Limited.

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About Dotz Nano Limited

Dotz 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, Japan, China and Australia 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, polymers tagging and bio imaging.

Recently the company has harnessed its technology to mark personal protective gear including face masks.

To learn more about Dotz, please visit www.dotz.tech

About Breathe Medical Manufacturing

Breathe Medical Manufacturing is a Canadian company founded in March 2020 and located in Kelowna, British Columbia. Breathe Medical service the medical, chemical manufacturing, food & beverage processing plant industries by manufacturing and supplying disposable face masks.



Manufacturing is conducted to North American quality control standards. This includes sourcing quality raw materials, consistent production processes and utilisation of a sterile clean ISO 8 environment and employee cleanliness.

Breathe Medical has been issued a Medical Device Establishment Licence from the Medical Devices Compliance and Licencing Unit of Health Canada (Licence Number: 11618).

Breathe Medical was established as part of a Canadian initiative to bring production of essential medical equipment in-country. The Canadian Government announced on 7 April 2020 that it had ordered masks from Breathe Medical (and other companies) to protect health care workers. Breathe Medical will deliver surgical masks and N95 masks to the Canadian and USA markets, and potentially expand to other markets.

To learn more about Breathe Medical, please visit www.breathemedical.ca