



ASX and MEDIA RELEASE

31 January 2022

DECEMBER 2021 QUARTERLY ACTIVITY REPORT

New distributors, completed clinical trials & pilots

Dotz Nano Limited (**ASX: DTZ**, “**Dotz**” or “**Company**”), an advanced technology company developing, manufacturing and commercialising advanced materials for tagging, tracing and verification solutions and diagnostics solutions, is pleased to provide its Quarterly Activity Report and Appendix 4C for the period ending 31 December 2021 (Q4 FY21).

SALES & BUSINESS DEVELOPMENT

Dotz’s end-to-end advanced materials technology has a large addressable market, targeting the global authentication and diagnostics markets. The Company’s technology is most mature within the authentication and diagnostic domains, where it has continued to fulfil existing contracts, grow its sales pipeline, and scale manufacturing capability.

During the quarter, Dotz completed product testing pilots with several potential authentication customers. Based on negotiations with these potential customers, Dotz is hopeful that a number of these will result in customer agreements and generate future sales (however there is no certainty that this will occur).

In the diagnostic domain, Dotz is continuing business development activities and clinical trials to, among other things, support local regulatory approval applications and assist with potentially opening new jurisdictions for the possible sale of its SARS-CoV-2 virus detection technology (the **Dotz Test Kits**).

Virus detection technology

During the quarter, Dotz secured two new distribution partners in Southeast Asia for the Dotz Test Kits. The Company now has four distributors globally covering Thailand, Malaysia, Paraguay, UAE and Sudan.

In December 2021, Dotz entered into a three-year distribution agreement for Malaysia with ScienceVision Sdn Bhd (**ScienceVision**)¹. Under the agreement, ScienceVision can promote, sell and distribute the Dotz Test Kits in Malaysia with conditional exclusivity subject to minimum first year purchase orders of US\$600,000. ScienceVision is one of Malaysia’s leading providers of end-to-end scientific solutions and is currently the exclusive distributor for brands Illumina and Genefix. ScienceVision provides Dotz with cost-effective access to its extensive network across private organisations and academic institutes.

In Thailand, Dotz granted World Siam Company Limited (**WSG**) the right to promote, sell and distribute its Dotz Test Kits for three years with conditional exclusivity subject to minimum first year purchase

Refer to the Company’s announcement to ASX on 3 December 2021 for further details. ¹



orders of US\$250,000². WSG is a well-known medical and diagnostic distributor in the region with more than 20 years' experience. WSG is currently in the process of obtaining the necessary additional regulatory approvals and authorisations required to sell the Dotz Test Kits to the private and public sector in Thailand.

Dotz requires regulatory approval to sell its Dotz Test Kits in most new markets. The nasopharyngeal swab and saliva-based Dotz Test Kits have already obtained the CE Mark, clearing the product for sale in the European Union³.

The Company is continuing to progress with regards to the US FDA Emergency Use Authorisation application it made for the distribution and/or use of its Dotz Test Kits in respect of both nasopharyngeal swab and saliva samples, after filing its initial application in April 2021.⁴ Dotz is not able at this time to provide with any certainty an estimated timeline for receipt of its US FDA Emergency Use Authorisation for the Dotz Test Kits. There is also no certainty that the FDA will provide Dotz with the Emergency Use Authorisation, whether for the nasopharyngeal swab Dotz Test Kits and/or the saliva-based Dotz Test Kits.

Dotz CEO Gideon Shmuel said, "Fast and effective detection of SARS-CoV-2 at scale, remains a challenge for governments and medical providers globally. As rising case numbers put pressure on existing testing systems, we are working hard to quickly move to full scale manufacturing and complete all the required quality assurance tests. Over the coming quarters, we intend to commence clinical trials in a number of countries including Italy.

"Reputable distribution partners enable us to cost-effectively promote, sell and distribute our Dotz Test Kits globally. We are leveraging the local expertise and networks of our four distribution partners to secure new sales of our end-to-end diagnostic technology which has broad applicability across healthcare, airports and education facilities."

OPERATIONAL PROGRESS

In Q4 FY21, Dotz didn't fulfill existing Dotz Test Kit purchase orders, in relation to the customers and purchase order amounts outlined below, due to the continued work of modifying the Test Kits for mass market production. This work includes some customisation by customers, plus ensuring as orders grow, Dotz can meet the expected demand. The Company is in the final stages of the quality assurance processes and is planning to fulfill its committed Dotz Test Kits to Hygiene Links as part of its US\$2.1 million purchase order for the UAE, Egypt and Sudan. Dotz expects to complete the US\$2.1 million purchase order once the final Test Kit quality assurance is completed and Dotz is satisfied as to the quality and applicability of the product. Once complete, Dotz intends to satisfy the US\$220,000 purchase order of El Alamo in Paraguay.

Refer to the Company's announcement on 8 December 2021 for further details. ²

Although some countries in the European Union have additional import regulatory requirements that Dotz ³ will need to comply with if it intends to sell the Dotz Test Kits in those countries.

Refer to the Company's announcement on 7 April 2021 for further details of the Company's filing of the ⁴ application.



The Company continues to engage with its 'Secured by Dotz' authentication customers and distributors in respect of the following outstanding orders:

- US\$450,000 from TT Medical, which was due in Q1 2021 (noting TT Medical made an advance payment of US\$35,000 in 2020 and paid an additional US\$215,000 in July 2021);
- US\$255,000 from UEG in connection with the second agreement with UEG, which was due in Q1 2021 (noting UEG paid its commitment under its first agreement in the amount of US\$300,000 in 2020); and
- A\$502,000 from V2 Tech, which was due in Q4 2020 (noting AUD\$26,000 was received from V2 Tech in 2020).

Dotz understands that the original timeline obligations for these orders have not been met by such customers due to a number of COVID related factors impacting them, however the Company still currently believes that the agreements will be substantively honoured based on discussions with those customers.

In respect of the Company's purchase agreement with Canadian PPE manufacturer Breathe Medical Manufacturing Ltd (**Breathe Medical**) (initially announced to the ASX on 8 September 2020), following advice from the Company's professional advisers and in light of, among other things, Breathe Medical's financial status, Dotz's has terminated the binding arbitration against Breathe Medical (announced on 5 August 2021) for failure to satisfy its obligations under the agreement, while still keeping the option of litigating them for failing to meet the contracted purchase agreement. Accordingly, the Company has reserved the right to pursue a claim against Breathe Medical for failing to meet their obligations under the purchase agreement. The Company cautions that there is no certainty that it will be able to achieve a satisfactory outcome of this matter. The Company will keep shareholders apprised of any material developments regarding this matter.

Product development & customer testing

Customisation and product testing are often required for advanced materials sales. As Dotz's authentication markers can be embedded into or onto a product without affecting the appearance or properties of the product, potential authentication customers often want to test the marking and detection capability on their actual products and supply chain.

During the quarter, Dotz completed several large-scale product testing pilots in the textile, construction, and packaging industries. These pilots validated the capability of Dotz's end-to-end marking and verification technology. Based on negotiations with these potential customers, Dotz is hopeful that a number of these will result in customer agreements and generate future sales (however there is no certainty that this will occur).

FINANCIALS

As of 31 December 2021, Dotz had a cash and equivalents balance of US\$4.1 million. Notable operating cash flow items during the quarter included: Customer receipts of US\$32K, research and development costs of US\$271K, advertising and marketing expenses of US\$151K, staff payroll (excluding R&D, sales and marketing) of US\$271K and US\$280K on administration and corporate costs.



Payments to related parties over Q4 FY21 were US\$205K 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

Dotz remains focused on securing new sales and distributors for its diagnostic and authentication solutions. The Company has a growing sales pipeline and is in negotiations with several potential customers following several product pilots in this area, which are progressing well.

Dotz CEO Gideon Shmuel said, "Within our two key markets, Dotz's end-to-end technology platform provides a solution to global real-world challenges such as anti-counterfeiting, supply chain management, and effective virus detection at scale. While our diagnostic technology provides us with a significant short-mid-term opportunity, longer-term we believe the broader product authenticity, traceability and reliability sector has the potential to account for a significant part of our sales. Our authentication technology has several significant competitive advantages, including on-site detection, non-toxic, impossible to reverse engineer or remove, and its unique ability to be inserted directly into products without altering the product, with the ability to connect the physical product to the digital Dotz Cloud system. Authentication sales are typically long-term contracts, generating recurring revenue."

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")

31 DECEMBER 2021

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12 months) \$US'000
1. Cash flows from operating activities			
1.1 Receipts from customers		32	292
1.2 Payments for			
(a) research and development		(271)	(1,349)
(b) product manufacturing and operating costs		(40)	(286)
(c) advertising and marketing		(151)	(473)
(d) leased assets		(7)	(18)
(e) staff costs		(271)	(1,022)
(f) administration and corporate costs		(280)	(1,524)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		(2)	7
1.5 Interest and other costs of finance paid		(35)	(108)
1.6 Income taxes paid		-	-
1.7 Government grants and tax incentives		-	-
1.8 Other – Input VAT and other		101	325
1.9 Net cash from / (used in) operating activities		(924)	(4,158)
2. Cash flows from investing activities			
2.1 Payments to acquire or for:			
(a) entities		-	-
(b) businesses		-	-
(c) property, plant and equipment		(86)	(166)
(d) investments		-	-
(e) intellectual property		-	-
(f) other non-current assets		-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12 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	(86)	(137)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	591
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	826	3,088
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)	(53)	(221)
3.10	Net cash from / (used in) financing activities	773	3,458
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,322	5,259
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(924)	(4,158)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(86)	(137)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	773	3,458

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12 months) \$US'000
4.5	Effect of movement in exchange rates on cash held	52	(287)
4.6	Cash and cash equivalents at end of period	4,137	4,137

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	4,137	4,322
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)	4,137	4,322

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	(205)
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)	(924)
8.2	Cash and cash equivalents at quarter end (item 4.6)	4,137
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	4,137
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	4.48
<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:**31 January 2022**.....

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.