

29 July 2022

JUNE 2022 QUARTERLY ACTIVITY REPORT

New \$5m collaboration agreement, successful completed trials

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 30 June 2022 (Q2 FY22).

SALES & BUSINESS DEVELOPMENT

Dotz’ end-to-end solutions have many competitive advantages in their ability to embed non-toxic security taggants (GCD, or ‘Graphene Quantum Dotz’) directly into certain materials without affecting their structure while withstanding extreme conditions and temperatures. This has led to progress during the quarter in several lab pilots, field trials and commercial discussions with customers in fields as diverse as gene therapy, oil & gas, art security, fuels, and security inks.

Companies in various sectors can utilise Dotz technology to perform a range of functions. Some are seeking more effective ways to authenticate and track their products through their complete supply chain operations, to prevent loss of revenue through counterfeiting and parallel markets. Others are examining ways to implement in-field testing of parameters that are currently tested in faraway labs, by that saving on costs and enable real time test results.

Gene therapy applications

One series of discussions and tests that has led to a commercial agreement is with Theracell Labs Ltd (**Theracell Labs**), a subsidiary of NASDAQ-listed biotech company Orgenesis Inc. Theracell Labs is a developer of cell and gene therapy devices, treatments and processing systems.

On 12 April, Dotz entered into a collaboration agreement for co-development, supply and licensing where Theracell Labs committed to a minimum purchase order of US\$5 million in the first year for the supply of Dotz-tagged disposable bioprocessing consumables.

Under the agreement, Dotz’s end-to-end authentication technology will be used to mark disposable bioprocessing consumables, using on and in-product tagging techniques. Dotz’s non-toxic taggants will be embedded directly in these products during manufacturing without impacting the appearance or properties of the products.

As part of the licensing arrangements in the agreement, Dotz and Theracell Labs will collaborate on the joint development of technology solutions to create an identification standard to tag patient-derived cells, facilitating real-time authentication of the patient’s cells. Subject to the performance of the collaboration (including satisfaction of any agreed KPIs), the parties intend that the joint development will extend to include the ability to trace therapeutic cells in-vitro to determine treatment efficacy.

While we envisage an agreement is imminent there is no guarantee that a final position will be reached by both parties.

Virus detection technology

Dotz currently has agreements with five distribution partners for its SARS-CoV-2 virus detection technology (**Dotz Test Kits**) that enable Dotz to target, acquire and service customers in Thailand, Malaysia, Paraguay, UAE, Egypt and Sudan using their partners' expertise in liaising with their local healthcare systems and networks for sales.

Different jurisdictions continue to manage their own responses to evolving SARS-CoV-2 conditions. Evolving strains in different jurisdictions are also slowing down coordinated response decisions and the possible take-up of current validation tests. As a result, there continues to be no certainty that these negotiations will result in any binding agreements or generate future sales for these particular Dotz Test Kits, even though the nasopharyngeal swab and saliva-based Dotz Test Kits have already obtained the CE Mark, clearing the product for sale in the European Union.

In April 2021¹ Dotz filed its initial application to obtain US FDA Emergency Use Authorisation for both the distribution and/or use of its Dotz Test Kits in respect of both nasopharyngeal swab and saliva samples.

Due to reduced priority from Covid regulatory bodies there have been delays in the authorisation process Dotz cannot currently provide an estimated timeline for approval, nor 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.

However, Dotz is exploring possible new applications for its virus detection technology with other viral infections where nasopharyngeal swab and saliva test kits would assist in the coordinated management of those conditions.

OPERATIONAL PROGRESS

Dotz continues to engage with its 'Secured by Dotz' authentication customers and distributors for purchase orders previously announced. However, due to the evolving SARS-CoV-factors mentioned in the previous section the original timeline obligations for the orders below remain outstanding:

- the outstanding US\$255,000 order 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 the outstanding \$502,000 from V2 Tech, which was due in Q4 2020 (noting AUD\$26,000 was received from V2 Tech in 2020);
 - Due to changes in the COVID-19 related markets, Dotz believes that these commitments will not be fulfilled as is, and is engaging these customers to amend commitments so that both companies will market Dotz solutions to other non-COVID-19 markets.

¹ Dotz ASX announcement 7 April 2021

- Dotz currently believes that the future amended orders will be substantively honoured, although there is no certainty that these amendments will be fulfilled or timing.
- the outstanding US\$450,000 order from TT Medical, which was due in Q1 2021 (noting TT Medical had made advance payments in total of US\$250,000 up to July 2021).

Due to a significant decrease in demand for COVID-related testing products, Dotz believes that the chances for this order to be fulfilled and the possibility of income to be generated from this commitment are low.

Product development & customer testing

During the quarter several tests have occurred with prospective customers within the oil & gas, art security, and security inks sectors where Dotz successfully proved and validated Dotz's capability in marking, detection and verification on the prospective customer products and supply chain.

Dotz is in negotiations with potential customers, pursuing customer or distribution agreements. However, there is no certainty that these negotiations will result in any customer agreements or generate future sales.

Patent granted, with resulting commercial discussions after successful pilot

Dotz has been granted a new patent for bulk liquid tagging, identifying and authentication in the United States (US). The patent (Patent No US 11,391,674 B2) called "Bulk liquid tagging, identifying and authentication" granted by the US Patent and Trademark Office uses a new approach to allow in-field, real-time and simple detection and quantification solution of materials and chemicals utilised in the oil & gas sector and other industries.

The patent provides for the use of photoluminescent carbon nanostructures (PCNs), including carbon and graphene quantum dots (GQDs), which are invisible to the naked eye and do not react with or affect the qualities of the liquid, to tag or 'mark' petrol-derived hydro-carbon materials, such as crude oil, petroleum fuels, kerosene, and lubricating oils; aqueous bulk liquids such as adBlue; and edible liquids, such as wines, olive oils and honey.

The tagged sample is then identified using a handheld fluorescence detector which compares in-field samples in close-to-real time to a self-developed calibration solution to determine quantity of the chemical in the sampled liquids.

As a result of the successful pilot conducted with a leading company in the oil & gas sector (refer to ASX Announcement 30 January 2019), commercial discussions have commenced with the company to start broader deployment of the patented solution through its operations. Please note that there is no guarantee that these discussions will result in revenue.

CORPORATE

New COO

In May 2022, Dotz appointed Mr Zohar Birman as Chief Operating Officer. Mr Birman brings more than 20 years' experience to the role with over 20 years of strategic and hands-on management experience in start-ups and global multi-sites companies.

His managerial experience in operations and supply chain management has demonstrated a proven record of team building, M&A, and post merge integration in a changing global environment. He Holds a B.Sc. in industrial engineering and management and has vast experience in operations and supply chain management.

New CEO update

As previously disclosed, Mr Gideon Shmuel has vacated his role as CEO and Executive Director of the Company. While the recruitment process for a new CEO that possesses a proven track record scaling technology businesses to profitability continues, the Board of Dotz is assisting CFO Mr Guy Khavia and COO Zohar Birman in managing the business in the interim.

FINANCIALS

As of 30 June 2022, Dotz had a cash and equivalents balance of US\$1.825 million (31 March 2022: US\$2.785 million). Notable operating cash flow items during the quarter included: Customer receipts of US\$19K, research and development costs of US\$345K, advertising and marketing expenses of US\$131K, staff payroll (excluding R&D, sales and marketing) of US\$439K and administration and corporate costs of US\$380K.

Payments to related parties over Q2 FY22 were US\$277K and included CEO and Executive remuneration, non-executive director fees, corporate advisory fees paid to an entity related to Director Doron Eldar, additional allowance payments made to Director Garry Browne for additional responsibilities & travel to Israel for the period January to May 2022 and amounts relating to company secretarial fees for Mr Ian Pamensky.

OUTLOOK

The ability to use Dotz's end-to-end authentication technology in a wide range of operations has led to an extensive agreement to create a system to mark disposable bioprocessing consumables, using on and in-product tagging techniques.

In addition, Dotz capability has been verified in ongoing testing pilots and Dotz is in negotiations to secure new sales and distributors for its diagnostic and authentication solutions.

Dotz Chairman Bernie Brookes said, "We are excited by the potential our technology can provide the bio-processing industry. Our new project with Theracell, a subsidiary of Orgenesis, has the potential to change the industry should it be successful.



“Brands are increasing their efforts to address counterfeiting, and seeking authentication solutions that can also provide traceability, tracking and detect alterations, and we believe our Graphene Quantum Dotz technology and related platform that provides an end-to-end solution are ideal for these complex but inter-related needs. In addition, to accelerate growth for the company we are examining additional technologies based on Graphene Quantum Dots (GQDs) that could be added to expand our portfolio and that will enable us to develop high-demand solutions in other areas.

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 (ASX: DTZ)

ABN

71 125 264 575

Quarter ended ("current quarter")

30 JUNE 2022

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 months) \$US'000
1. Cash flows from operating activities			
1.1 Receipts from customers		19	28
1.2 Payments for			
(a) research and development		(345)	(759)
(b) product manufacturing and operating costs		(5)	(41)
(c) advertising and marketing		(131)	(287)
(d) leased assets		(11)	(18)
(e) staff costs		(439)	(772)
(f) administration and corporate costs		(380)	(810)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		6	7
1.5 Interest and other costs of finance paid		(29)	(37)
1.6 Income taxes paid		-	-
1.7 Government grants and tax incentives		-	-
1.8 Other – Input VAT and other		52	79
1.9 Net cash from / (used in) operating activities		(1,263)	(2,610)
2. Cash flows from investing activities			
2.1 Payments to acquire or for:			
(a) entities		-	-
(b) businesses		-	-
(c) property, plant and equipment		(1)	(2)
(d) investments		-	-
(e) intellectual property		-	-
(f) other non-current assets		-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 months) \$US'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	15
	(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	(1)	13

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	316	316
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	218	218
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (principal element of lease payments)	(45)	(131)
3.10	Net cash from / (used in) financing activities	489	403

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,785	4,137
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,263)	(2,610)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1)	13
4.4	Net cash from / (used in) financing activities (item 3.10 above)	489	403

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 months) \$US'000
4.5	Effect of movement in exchange rates on cash held	(185)	(118)
4.6	Cash and cash equivalents at end of period	1,825	1,825

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	1,825	2,785
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)	1,825	2,785

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	(277)
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)	(1,263)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,825
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	1,825
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.45
<p><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></p>		
8.6	<p>If item 8.5 is less than 2 quarters, please provide answers to the following questions:</p> <p>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?</p> <div style="border: 1px solid black; padding: 5px; margin-top: 5px;"> <p>Answer:</p> <p>The Entity expects that it will continue to have the current level of net operating cashflow,</p> </div> <p>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?</p> <div style="border: 1px solid black; padding: 5px; margin-top: 5px;"> <p>Answer:</p> <p>The entity is operating in 2 parallel paths</p> <ol style="list-style-type: none"> 1. The Entity is exploring fundraising options and believes it will be able to secure additional funds to continue financing the current level of operations. 2. On 12 April 2022 (refer ASX 12 April 2022), the entity entered into a collaboration agreement with a commitment of a minimum purchase order of US\$5 million in the first year, with expected profitability to exceeding 1 Million USD. The entity expects revenue to be received in Q3 and Q4, 2022 </div> <p>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?</p> <div style="border: 1px solid black; padding: 5px; margin-top: 5px;"> <p>Answer:</p> <p>The Entity does expect that it will be able to continue its operation and meet its business objectives based on the entity's expectation to complete a fundraising and from expected sales, as described above.</p> </div> <p><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></p>	

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 July 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.