

31 October 2022

SEPTEMBER 2022 QUARTERLY ACTIVITY REPORT

Well capitalised to scale recent 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, provides its Quarterly Activity Report and Appendix 4C for the period ending 30 September 2022 (Q3 FY22).

SALES & BUSINESS DEVELOPMENT

During the quarter Dotz conducted several product tests, pilots and field trials with companies in the oil & gas, nutrients, and art security verticals of our Carbon and Graphene Quantum Dots (GQDs) which can be embedded directly into a range of materials without affecting their structure while withstanding extreme conditions.

Some of these projects are aiming to show how Dotz’ security markers can better protect product authenticity, and provide the ability to track products through their complete supply chain operations. Other projects are examining ways to improve productivity by conducting in-field testing of parameters that they currently test in faraway labs – an initiative that would save on costs and enable real time test results. All are possible uses of Dotz’s non-toxic security taggants which have significant competitive advantages over various existing solutions.

Based on communications with these potential customers, Dotz is optimistic that some of these will result in customer agreements and generate future sales (however there is no certainty that this will occur).

Commercial discussions after successful pilot

In August, commercial discussions commenced with a leading company in the oil & gas sector to potentially start broader deployment of a patented solution through its operations, as a result of a successful ongoing pilot (refer to ASX Announcement 30 January 2019).

These discussions are occurring after Dotz’s solution was granted a patent in July 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 Dotz’s new approach tested in this pilot 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.

\$5.15 million investment to accelerate R&D, marketing and development of Theracell Labs Project

In September, Dotz executed an agreement with Lind Global Fund II, LP, a fund managed by The Lind Partners (together, Lind), for an investment of \$5.15 million (Funding Agreement (refer to ASX Announcement 15 September)).

The \$5.15 million investment by Lind is via a pre-payment for a placement of ordinary full paid shares and 7,118,644 unlisted 4-year options with an exercise price of 47.5 cents.



The funding commitment will be made by way of a share placement, the proceeds of which will be used to:

- accelerate projects associated with the recent commercial agreement with Theracell Labs Ltd, specialising in development of cell and gene therapy devices, treatments and processing systems (outlined in the section above);
- scale up the commercialisation of Dotz solutions in the Oil & Gas sector (including the commercial discussions related to the patented solution outlined earlier);
- support further R&D;
- expand marketing activities; and
- build additional commercially viable partnerships in Dotz verticals.

Gene therapy applications

During the quarter the commercial agreement with Theracell Labs Ltd (**Theracell Labs**), a developer of cell and gene therapy devices, treatments and processing systems which a subsidiary of NASDAQ-listed biotech company Orgenesis Inc, progressed as Dotz has commenced preparations for delivery of the first stage. This will constitute an automated bioprocessing system and consumables that utilises Dotz' end-to-end authentication and track and trace technology for traceability, authentication and quality control.

According to the agreement, Dotz and Theracell Labs will jointly develop the solution to create an identification standard to tag patient-derived cells, facilitating real-time authentication of the patient's cells. 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 this solution Theracell Labs has committed to a minimum purchase order of US\$5 million in the first year for the supply of Dotz-tagged disposable bioprocessing consumables.

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.

Dotz Test Kits also have the CE Mark, clearing the product for sale in the European Union for both the distribution and/or use of its Dotz Test Kits in respect of both nasopharyngeal swab and saliva samples. The company has also applied to obtain US FDA Emergency Use Authorisation.

However, due to reduced priority from COVID regulatory bodies there have been delays in the authorisation process, and 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.

Despite the current COVID situation, in September and October Dotz received orders and generate revenue of more than US\$100K for its COVID test kits. However, there continues to be no certainty of further future sales.



Dotz continues to explore 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

Evolving SARS-CoV-factors in different countries mean that 'Secured by Dotz' authentication purchase orders previously announced remain outstanding. They are:

- 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.
 - Dotz currently believes that the future amended orders will be substantively honored, 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).

While Dotz continues to engage with its customers and distributors, due to a significant decrease in demand for COVID-related testing products, Dotz believes that the chances for these orders to be fulfilled and the possibility of income to be generated from these commitments are low.

CORPORATE

Board changes

Effective 11 August, Mr Ian Pamensky resigned as interim non-executive director. Mr Pamensky continues as Company Secretary.

On 24 August Mr Garry Browne AM resigned as non-executive director to pursue other projects. The Board thanks Mr Browne for his contribution to the company.

New CEO update

The recruitment process for a new CEO that possesses a proven track record in scaling technology businesses to profitability remains ongoing.

FINANCIALS

As of 30 September 2022, Dotz had a cash and equivalents balance of US\$3.99 million. Notable operating cash flow items during the quarter included: Customer receipts of US\$68K, research and development costs of US\$271K, advertising and marketing expenses of US\$126K, staff payroll (excluding R&D, sales and marketing) of US\$376K and administration and corporate costs of US\$293K.



Payments to related parties over Q3 FY22 were US\$211K 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

Positive verification test and pilots are allowing Dotz to enter negotiations to secure new sales for its authentication solutions in various sectors.

Funding secured during the quarter will enable Dotz to build more commercially viable partnerships across authentication, bio-medical and bio-processing that will underpin long term growth.

Dotz Chairman Bernie Brookes said, "Our work with Theracell has progressed well during the quarter as we prepare for the major deliverables of the project, while sales of our Dotz Test Kits continue as health authorities deal with the COVID pandemic at a local level."

"Our recent successful fund raise will allow us to scale up commercialisation of our authentication products. It will also enable us to build additional commercially viable partnerships in a broad range of sectors where prospects have anti-counterfeiting, authentication, in-field quantification, product liability and quality assurances challenges.

The momentum this initial commercialisation provides is a base for a very positive outlook for Dotz's end-to-end authentication technology to be used in an increasing range of operations with companies that have complex authentication, traceability or tracking and alteration needs."

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")
30 SEPTEMBER 2022

| 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 | 68 | 95 |
| 1.2 | Payments for | | |
| | (a) research and development | (271) | (1,030) |
| | (b) product manufacturing and operating costs | (13) | (54) |
| | (c) advertising and marketing | (126) | (413) |
| | (d) leased assets | (9) | (27) |
| | (e) staff costs | (376) | (1,148) |
| | (f) administration and corporate costs | (293) | (1,102) |
| 1.3 | Dividends received (see note 3) | - | - |
| 1.4 | Interest received | - | 7 |
| 1.5 | Interest and other costs of finance paid | 52 | 15 |
| 1.6 | Income taxes paid | - | - |
| 1.7 | Government grants and tax incentives | - | - |
| 1.8 | Other – Input VAT and other | 68 | 147 |
| 1.9 | Net cash from / (used in) operating activities | (900) | (3,510) |
| 2. | Cash flows from investing activities | | |
| 2.1 | Payments to acquire or for: | | |
| | (a) entities | - | - |
| | (b) businesses | - | - |
| | (c) property, plant and equipment | - | (2) |
| | (d) investments | - | - |
| | (e) intellectual property | - | - |
| | (f) other non-current assets | - | - |

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

| Consolidated statement of cash flows | | Current quarter \$US'000 | Year to date (9 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 | - | 13 |

| | | | |
|-------------|---|--------------|--------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | - | - |
| 3.2 | Proceeds from prepayment facility | 3,386 | 3,386 |
| 3.3 | Proceeds from exercise of options | - | 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 |
| 3.7 | Transaction costs related to loans and borrowings** | (99) | (99) |
| 3.8 | Dividends paid | - | - |
| 3.9 | Other (principal element of lease payments) | (125) | (256) |
| 3.10 | Net cash from / (used in) financing activities | 3,162 | 3,565 |

| | | | |
|------------|--|--------------|--------------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 1,825 | 4,137 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (900) | (3,510) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | - | 13 |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 3,162 | 3,565 |
| 4.5 | Effect of movement in exchange rates on cash held | (97) | (215) |
| 4.6 | Cash and cash equivalents at end of period | 3,990 | 3,990 |

| 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 | 3,990 | 1,825 |
| 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) | 3,990 | 1,825 |

| 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 | (211) |
| 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\$14k 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 – Prepayment Facility* | 3,386 | 3,386 |
| 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. | | |

* On 15 September 2022 Dotz Nano Limited executed a Funding Agreement with Lind Global Fund II, LP, a fund managed by The Lind Partners, for an investment of AU\$5.15 million (US\$3.39 million). The AU\$5.15 million investment is via a pre-payment for a placement of ordinary fully paid shares and 7,118,644 unlisted 4-year options with exercise price of 47.5 cents.

The Term of the Funding Agreement is 24 months from advance payment date which was on 23 September 2022, subject to extend for 6 months. The Company has option to pay in cash instead of issuing shares following a subscription request by Lind. On advance payment date a commitment fee of AU\$150,000 (US\$98,625) was paid per the Funding Agreement.

The summary of key terms of the Funding Agreement are detailed in **ASX Announcement dated 15 September 2022**.

** Post the end of the Quarter, Dotz paid broker fees of AU\$309,000 (US\$197,760) regarding the Funding Agreement

| 8. Estimated cash available for future operating activities | \$US'000 |
|--|-----------------|
| 8.1 Net cash from / (used in) operating activities (item 1.9) | (900) |
| 8.2 Cash and cash equivalents at quarter end (item 4.6) | 3,990 |
| 8.3 Unused finance facilities available at quarter end (item 7.5) | - |
| 8.4 Total available funding (item 8.2 + item 8.3) | 3,990 |
| 8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1) | 4.43 |
| <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 October 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

Quarterly cash flow report for entities subject to Listing Rule 4.7B

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.