



## ASX and MEDIA RELEASE

02 May 2022

### MARCH 2022 QUARTERLY ACTIVITY REPORT

*Signing new contract, completed clinical trials, successful 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 March 2022 (Q1 FY22).

#### SALES & BUSINESS DEVELOPMENT

Dotz has continued to focus the use of its end-to-end advanced materials technology in key areas of the global authentication and diagnostics markets where its non-toxic security taggants currently have significant competitive advantages over various existing solutions in that they can be embedded directly into certain materials without affecting their structure while withstanding extreme conditions and temperatures.

During the quarter, Dotz completed several product testing pilots with potential authentication customers within the textile, concrete additives, oil & gas, and security inks industries, as those companies sought to better protect the authenticity and ability to track their products through their complete supply chain operations.

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

In early April 2022, Dotz entered into a collaboration agreement for co-development, supply and licensing with Theracell Labs Ltd (**Theracell Labs**), a subsidiary of NASDAQ-listed biotech company Orgenesis Inc. Under the agreement, 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 subject to project and service deliverables to be agreed. The two parties have recently commenced discussions to confirm project and service deliverables.

Dotz is under negotiations with further distribution partners for its SARS-CoV-2 virus detection technology (the **Dotz Test Kits**), however there is no certainty that these negotiations will result in any binding agreements or generate future sales. The Company continued validation tests with potential customers as well as to support local regulatory approval applications that can potentially open new jurisdictions for the possible sale of the Dotz Test Kits.

#### Virus detection technology

Dotz currently has agreements with five distribution partners that enable Dotz to target, acquire and service customers in Thailand, Malaysia, Paraguay, UAE, Egypt and Sudan.



The use by Dotz of its current reputable distribution partners is designed to enable Dotz to cost-effectively promote, sell and distribute the Dotz Test Kits in several markets through the leveraging of local expertise and networks of distribution partners to secure new sales, particularly across healthcare systems.

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 Union<sup>1</sup>.

Dotz is still in the process of trying 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, after Dotz filed its initial application in April 2021.<sup>2</sup> However, the FDA is modifying requirements frequently, and as a consequence of the uncertainty these modifications have caused Dotz cannot currently provide an estimated timeline for the outcome of its US FDA Emergency Use Authorisation application (noting also that there is 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).

## **OPERATIONAL PROGRESS**

Distributor for Thailand is still in the accreditation and regulation process, which needs to be satisfied before orders can be made<sup>3</sup>, noting there is no certainty that the relevant local regulatory approvals and authorisations will be obtained, or obtained in a timely manner.

Accreditation and regulation process in Malaysia has paused due to difficulties in complying with some of the process' requirements including extensive clinical trials and quality assurance certifications that Dotz has yet to obtain. Dotz can not be certain that these difficulties will be resolved or that local regulatory approvals and authorisations will be obtained.

In Q1 FY22, Dotz didn't fulfill existing Dotz Test Kits purchase orders:

- US\$ 2.1 million purchase order from Hygiene Links for the UAE, Egypt and Sudan.
- US\$ 200,000 purchase order for El Alamo in Paraguay.

Due to evolving changes in the COVID-19 testing market and significant decrease in demand for COVID testing products, Dotz believes that the chances of the fulfillment of these commitments are low, hence there is no certainty regarding any income to be generated from these commitments.

While the Company is in the final stage of completing quality assurance to allow it to fulfill future Dotz Test Kits orders, either from Thailand or any other market, it notes there is no certainty that such orders will be secured or timing on when they will be placed.

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<sup>1</sup> Although some countries in the European Union have additional import regulatory requirements that Dotz will need to comply with if it intends to sell the Dotz Test Kits in those countries.

<sup>2</sup> Refer to the Company's announcement on 7 April 2021 for further details of the Company's filing of the application.

<sup>3</sup>For details on the additional local regulatory requirements to sell Dotz Test Kits to the private and public sector in Thailand, refer to Dotz's announcement to ASX dated 8 December 2021.



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

- 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).
  - 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**

Several tests have occurred with prospective customers within the authentication and diagnostics industries with a view to showing proof of Dotz's capability in marking and detection capability on the respective prospective customers' actual products and supply chain.

The majority of these pilots validated the capability of Dotz's end-to-end marking and verification technology and the Company is in negotiations with these 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).

## **CORPORATE**

### **New CFO**

In March 2022, Dotz appointed Mr Guy Khavia as Chief Financial Officer.<sup>4</sup>

Mr Khavia brings more than 20 years' experience to the role including 11 as regional CFO at Amplifon SpA (BIT:AMP), the Milan-headquartered global leader in hearing healthcare and the world's largest hearing aid retailer.

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<sup>4</sup> Refer to Dotz's announcement on 18 March 2022 for further details regarding Mr Khavia's appointment as CFO.



He has also worked as a CFO and senior consultant at global technology and commercial companies including Pagaya Technologies and Classic Air Group and at KPMG and BDO.

### **CEO change**

As disclosed to ASX on 7 April 2022, Mr Gideon Shmuel agreed to step down from his role as CEO and Executive Director of the Company after the reporting period, effective 30 September 2022. From 6 April 2022, Mr Shmuel is no longer involved in the day-to-day running of the Company, but is assisting in ensuring a smooth transition to new leadership.

The Board of Dotz will assist CFO Mr Guy Khavia in managing the business while a search for a new CEO is undertaken. The Board has commenced the search for a new CEO with strong sales and marketing experience and a proven track record scaling technology businesses to profitability.

Australian-based Independent Director Mr Garry Browne AM will continue to spend time in Israel during this interim period, with fellow Board members Ms Kerry Harpaz and Mr Doron Eldar also spending time in Israel to assist Mr Khavia in running Dotz. The Board members have spent significant time over the last month in Israel supporting the team.

### **FINANCIALS**

As of 31 March 2022, Dotz had a cash and equivalents balance of US\$2.785 million (31 December 2021: US\$4.137 million). Notable operating cash flow items during the quarter included: Customer receipts of US\$9K, research and development costs of US\$414K, advertising and marketing expenses of US\$156K, staff payroll (excluding R&D, sales and marketing) of US\$332K and administration and corporate costs of US\$430K.

Payments to related parties over Q1 FY22 were US\$214K 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**

After demonstrating Dotz's product capability claims with recent verification testing pilots, Dotz is in negotiations to secure new sales and distributors for its diagnostic and authentication solutions (however there is no certainty that any sales or distributors will be secured).

Dotz Chairman Bernie Brookes said, "Demand for our Graphene Quantum Dotz markers is diverse, spanning many industries. Anti-counterfeiting, track & trace and traceability markets are huge markets with global companies acutely aware of the need to authenticate their product, better track production and protect their supply chains. Our authentication technology currently has several significant competitive advantages to assist them to do that.

"As countries around the world speed up their progress towards normalcy, we acknowledge the changes in demand for COVID-19 detection tests. However, we are still in negotiation and communication with various customers and reputable distributors to advance our solution within this ever-changing market."

*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](http://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 MARCH 2022**

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (3 months) \$US'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	9	9
1.2 Payments for		
(a) research and development	(414)	(414)
(b) product manufacturing and operating costs	(36)	(36)
(c) advertising and marketing	(156)	(156)
(d) leased assets	(7)	(7)
(e) staff costs	(332)	(332)
(f) administration and corporate costs	(430)	(430)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(9)	(9)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other – Input VAT and other	27	27
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,347)</b>	<b>(1,347)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(1)	(1)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (3 months) \$US'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	15	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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>14</b>	<b>14</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
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	-	-
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)	(86)	(86)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(86)</b>	<b>(86)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	4,137	4,137
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,347)	(1,347)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	14	14
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(86)	(86)

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

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (3 months) \$US'000
4.5	Effect of movement in exchange rates on cash held	67	67
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,785</b>	<b>2,785</b>

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	2,785	4,137
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,785</b>	<b>4,137</b>

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	(214)
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	<b>Total financing facilities</b>	<b>-</b>	<b>-</b>
7.5	<b>Unused financing facilities available at quarter end</b>		
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.		



<b>8. Estimated cash available for future operating activities</b>	<b>\$US'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,347)
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,785
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	2,785
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>2.07</b>
<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: .....**02 May 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

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

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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.