ASX ANNOUNCEMENT 8 June 2017

DOTZ NANO RECEIVES FIRST TRANCHE OF GRANT FUNDS FROM BIRD FOUNDATION

- **Funding of up to AUD$650,000 will be allocated in tranches until 12/2018 consistent with grant expenditures.**
- **The purpose of the grant is for the funding of the Quality Assurance Lab and Production facilities for the manufacturing of Dotz's GQDs.**
- **Grant budget items include reimbursement of labor costs, equipment procurement, travel and various office expenses.**

Dotz Nano Limited ("Dotz Nano" or the "Company"), a nano-technology company focusing on the development, manufacture and commercialisation of graphene quantum dots (GQDs), is pleased to announce that it has received the first tranche of grant funds allocated by the BIRD Foundation.

In December 2016, the Company and its US manufacturing partner, Pflaumer Brothers Inc. were awarded a AUD$1.2 million grant by the US-Israel Binational Research and Development (BIRD) Foundation.

The Company and Pflaumer signed the final grant agreement documents with BIRD and the first tranche of funding was processed on June 8th. The agreement signed is a standard BIRD Cooperation and Funding Agreement, which can be found on the BIRD foundation website, and a summary of which is contained in the annexure to this announcement.

Commenting on the grant funding, Dotz Nano's CEO Dr. Moti Gross, stated: "*As we announced in December 2016, Dotz Nano was awarded the BIRD Foundation grant for establishing our production facilities in the USA together with Pflaumer Brothers. This grant funding represents a further step towards ramping up our production and commercialisation."*

"While not specifically itemised in our Financial Reports, it's important to state that the grant funds received will be deducted from our expenses, thereby showing an overall lower cost. The funds are there for our use and will be utilised in accordance with the grant budget, thus freeing other funds that were raised by the Company for use in other commercial activities."

"As part of our overall strategy, Dotz Nano is continuing to submit grant applications as they are made available for funding research and commercial activities, and so far, four additional grant applications have been submitted."

"I look forward to notifying the market on additional grant awards as they materialise in the future".

About the BIRD Foundation

The BIRD (Binational Industrial Research and Development) Foundation works to encourage and facilitate cooperation between U.S. and Israeli companies in a wide range of technology sectors and offers funding to selected projects. BIRD has approved over 900 projects over its 37-year history. To date, BIRD's total investment in these projects has been over $300 million and has received approximately $100 million in repayments. BIRD funded projects have generated direct and indirect sales of approximately $10 billion. The BIRD Foundation provides support of up to 50% of a project's budget, or up to US $1 million, beginning with R&D and ending with the initial stages of sales and marketing. The Foundation supports projects without receiving any rights in the participating companies or in the project itself. The Foundation shares the risk and requires the investment to be repaid only if the project reaches the sales stage.

About Dotz Nano

Dotz Nano Limited (ASX: DTZ) is a technology company focusing on the development, manufacture and sale of GQDs. Its vision is to be the premier producer of GQDs by producing and supplying high quality GQDs for use in various applications including medical imaging, sensing, consumer electronics, anti-counterfeiting, energy storage, solar cells and computer storage.

To learn more about Dotz Nano please view the website and our corporate video via the following link: www.dotznano.com

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Annexure 1 – Summary of BIRD Grant Terms and Conditions

1. **The Conditional Grant**

1.1. BIRD will cost-share in the joint development by extending to the Proposers a conditional grant totaling up to 50% of the Project Budget. Each partner directly receives the portion of the total grant that is relative to its share in the budget.

1.2. Payments are made after receipt and approval of a joint technical report and a separate fiscal report submitted by each partner at the end of each one of the segments (generally every 6 months). These reports cover the development progress and the actual expenses incurred during the segment. For the sake of cash flow the first payment is extended immediately after the CPFA is signed by all parties.

1.3. BIRD funding covers only a portion of the companies' product development and commercial readiness costs, i.e., it does not include funding of manufacturing resources, ongoing marketing costs and any other downstream cash requirements before positive cash flow is achieved. The companies must, therefore, be able to demonstrate that they have the infrastructure and resources needed to complete the development project (or access to it), offer it as a commercial product and realize its full commercial potential.

2. **Grant Repayments**

2.1. Upon product commercialization, the revenue (and not the profit) derived by either partner from sales of the Product (or subsequent products based on the technology developed in the Project), become the basis for repayment of the BIRD Grant. Repayments are made at the rate of 5% of each $ of reported sales revenue.

2.2. Additional revenue sources for repayments to BIRD are those derived from extending licensing rights to the technology, at the rate of 30% of the revenue earned, or from the outright sale of the technology to any third party, at the rate of 50% of the sales value. The maximum repayment amount due by the Proposer is dependent on the length of time that it takes to complete the repayments, as detailed in the table and chart below:

Years Following Original Date of Termination of Project Development	Maximum Percentage of Conditional Grant and other sums to be Repaid (indexed by the U.S. CPI)
1st	100%
2nd	113%
3rd	125%
4th	138%
5th and more	150%

For a full year after Project completion (the 1st year of product commercialization), the repayment amount due is the actual cumulative sum granted by BIRD to the Proposer, linked to the U.S. Consumer Price Index (CPI). Since the repayment sum due does not increase beyond the 5th year after Project completion, the maximum repayment obligation that the Proposer can ever assume is 150% of the total sum granted by BIRD, linked to the CPI.

2.3. If product commercialization is unsuccessful, and no revenue is generated, whether due to technological or marketing failure, BIRD will not seek repayment of the Conditional Grant. Thus, BIRD participates with the Proposer in the risk of an unsuccessful product development investment.