

DOTZ NANO QUARTERLY ACTIVITIES REPORT

- **A\$650,000 commercial grant received from the BIRD foundation, with initial tranche received**
- **Dotz Nano's GQDs successfully passed oral administration safety evaluation study**
- **New patent application filed for the use of GQDs in tagging of liquids**
- **Goal for second half of 2017: transition companies from testing and validation to purchase of GQDs**

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 provide an update on its activities for the three month period ended 30 June 2017.

In the second quarter, Dotz Nano made progress on various fronts including product development and expanding into new verticals. The Company has continued to meet with potential customers to whom it has supplied samples of GQDs and done relevant testing and evaluation integrating its GQDs in various applications. The provision of samples is the first step towards securing commercial sales.

Dotz Nano is comfortable with its cash position of US\$1.19 million (A\$1.5 million). Post period end, the Company received firm commitments to raise A\$1.5 million to take advantage of cost sharing grant funding to access up to ~\$2 million in grants over the next 12-18 months. The initial grant was awarded by the US-Israel Binational Research and Development (BIRD) Foundation, and the Company received US\$80,000 as a first payment from BIRD, reflected in the Appendix 4C. The aim of the non-dilutive grant funding is to fast track commercial discussions. The Company is now narrowing its focus onto those prospects with the highest probability of yielding medium term revenue generating contracts.

Commenting on the quarterly, Dotz Nano's CEO Dr. Moti Gross, stated:

"In the last quarter we continued to focus our efforts on business development, speaking to a multitude of companies, and refining our GQDs with potential customers.

Our number one objective is to transition collaboration contracts into sales and establish long term commercial contracts with 1st and 2nd tier participants in different target markets.

Grants also play a key role in the commercialisation of our GQDs, and with the capital raising announced post period end, we will be able to take advantage of complementary non-dilutive grant funding to fast track our sales efforts.

On the cash expenditure side, Dotz Nano initiated a cost cutting scheme that will reduce managerial labor costs by 20% and director costs by 50%. Additionally, certain expenses were cut back to allow Dotz Nano a longer runway for achieving collaboration and commercial contracts.

All of the mechanisms of accessing the grant funding, the recent capital raise and the cost cutting efforts, are all aimed at achieving the goals of Dotz Nano in integrating our GQDs into the target markets.

I look forward to keeping the market informed on our progress".

Activities occurred during the quarter included:

- I. Dotz Nano received an A\$650,000 grant from the BIRD foundation, with the first tranche of funding processed on 8 June 2017. The grant is the first tranche of the A\$1.2 million commercial grant awarded by the BIRD foundation for the establishment of Dotz Nano's production facilities in the USA together with manufacturing partner Pflaumer Brothers. The remaining tranche of the grant will follow as Dotz Nano meets the conditions set up in the agreement.
- II. The Company successfully passed an oral administration safety evaluation performed by Pharmaseed Ltd., Israel's largest GLP certified pre-clinical Contract Research Organisation (CRO). The safety evaluation concluded the lack of toxicity in Dotz Nano's graphene quantum dots, specifically in food anti-counterfeiting applications. Results showed that Dotz Nano's GQDs in various doses, did not cause any significant adverse clinical effects.
- III. The Company also continued to protect its technology with a new patent filed with the U.S. Patent and Trademark Office for the use of GQDs in tagging of bulk and bottled liquids. The patent application was filed in preparation for collaborations and commercialisation with anti-counterfeiting companies and potential end users.
- IV. Dotz Nano also held its Annual General Meeting (AGM) on 29 May 2017 and all resolutions were passed.

Subsequent to the quarter, Dotz Nano provided an update on the Company's key objectives for the second half of 2017. These activities include:

- Transitioning from the supply of small quantities of GQDs to the supply of high volume GQDs to tier one companies for commercial purposes;
- Expansion into bio-imaging, the most advanced form of the non-invasively visualized biological process of living objects or systems. This industry adds onto the key verticals Dotz Nano is already focusing on: anti-counterfeiting, optical brighteners and displays;
- And the commencement of direct embedding of some GQDs into end products for vertical integration as with plastics and polymers.

Post period end, the Company also received firm commitments to raise A\$1.5 million to be able to take advantage of complementary non-dilutive grant funding. In addition, the Company will be issuing up to 10million unlisted options to facilitators and brokers. The funds will be applied towards the commercialisation of Dotz Nano's technology and accelerate the signing of business deals. The Founders and Directors of Dotz Nano are committed and confident in achieving steady and recurring revenues for the Company.

About Dotz Nano

Dotz Nano Limited (ASX: DTZ) is a nano-technology company focusing on the development, manufacture and commercialization 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, 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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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

DOTZ NANO LIMITED

ABN

71 125 264 575

Quarter ended ("current quarter")

30 June 2017

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	2	7
1.2 Payments for		
(a) research and development	(133)	(235)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(158)	(288)
(d) leased assets	(14)	(72)
(e) staff costs	(193)	(530)
(f) administration and corporate costs	(260)	(476)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	1	2
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	80	80
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(675)	(1,512)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(55)	(135)
(b) businesses (see item 10)	-	
(c) investments	-	(59)

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (6 months) \$US'000
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) 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	(55)	(194)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
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 (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	-	-

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	1,922	2,844
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(675)	(1,512)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(55)	(194)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-

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	4	58
4.6	Cash and cash equivalents at end of quarter	1,196	1,196

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	1,196	1,922
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)	1,196	1,922

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$US'000**

(76)

-

A total amount of US\$76,000 was paid to directors as director's fees.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$US'000**

(17)

-

The amount at 7.1 includes management fee paid to Otsana Capital as per the Mandate to Act as the Corporate Advisor, this totalled to US\$7,000. It also includes US\$10,000 paid to an entity related Mr Faldi Ismail for rent expense.

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

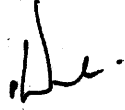
None

9. Estimated cash outflows for next quarter	\$US'000
9.1 Research and development	(246)
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	(105)
9.4 Leased assets	(28)
9.5 Staff costs	(170)
9.6 Administration and corporate costs	(133)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(682)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

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.



Sign here:
(Company secretary)

Date: 28 July 2017

Print name: Peter Webse

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.