

Appendix 4D

Half Year Report to the Australian Securities Exchange

Part 1 - Details of reporting period

Name of Entity	DOTZ NANO LIMITED
ABN	71 125 264 575
Half Year Ended	30 June 2019
Previous Corresponding Reporting Period	30 June 2018

Part 2 – Results for Announcement to the Market

The consolidated entity has adopted Accounting Standard AASB 16 'Leases' for the half-year ended 30 June 2019 using the modified retrospective approach and as such the comparatives have not been restated.

Key information	30 June 2019 US\$	30 June 2018 US\$	Increase/ (decrease) %	Amount change US\$
Revenue from continuing operations	6,858	5,220	31%	1,638
Profit/(Loss) from ordinary activities after tax attributable to members	(1,955,924)	(3,221,988)	(39%)	1,266,064
Net Profit/ (Loss) for the period attributable to members ¹	(1,955,924)	(3,221,988)	(39%)	1,266,064
Net tangible asset \$ per share	0.003	0.006	(53%)	(0.003)

Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Record date for determining entitlements to the dividends (if any)	Not Applicable	

Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

Refer to the Review of Activities contained in the Directors' Report which forms part of the attached Interim Financial Report for details.

AASB 16 'Leases' had impact on the current period. This included an increased depreciation expense of US\$63,478 and increased finance costs of US\$14,490, offset by a reduction in other expenses (reclassification of lease expenses) of US\$70,107. As at 30 June 2019, net current assets were reduced by \$132,919 (attributable to current lease liabilities) and net assets were reduced by \$7,861 (attributable to right-of-use assets and lease liabilities).

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Part 3 – Contents of ASX Appendix 4D

Section	Contents
Part 1	Details of entity, reporting period
Part 2	Results for announcement to the market
Part 3	Contents of ASX Appendix 4D
Part 4	Commentary on results
Part 5	Details relating to dividends
Part 6	Net tangible assets per security
Part 7	Details of entities over which control has been gained or lost
Part 8	Details of associates and joint venture entities
Part 9	Information on audit or review

Part 4 – Commentary on Results

Refer to the Review of Activities contained in the Directors' Report which forms part of the attached Interim Financial Report for details.

Part 5 – Details Relating to Dividends

Date the dividend is payable	N/A
Record date to determine entitlement to the dividend	N/A
Amount per security	N/A
Total dividend	N/A
Amount per security of foreign sourced dividend or distribution	N/A
Details of any dividend reinvestment plans in operation	N/A
The last date for receipt of an election notice for participation in any dividend reinvestment plans	N/A

Part 6 – Net Tangible Assets per Security

	2019	2018
	US\$	US\$
Net tangible asset (deficiency) backing per ordinary security	0.003	0.006

Part 7 – Details of Entities Over Which Control has been Gained or Lost

Not applicable.

Part 8 – Details of Associates and Joint Venture Entities

Name of associate and joint venture entities	Ownership Interest		Contribution to net profit/(loss)	
	2019 %	2018 %	2019 US\$	2018 US\$
Associates	NA	NA	-	-
Joint Venture Entities	NA	NA	-	-

Part 9 – Audit/Review Status

This report is based on accounts to which one of the following applies:

(Tick one)

The accounts have been audited	<input type="checkbox"/>	The accounts have been subject to review	<input checked="" type="checkbox"/>
The accounts are in the process of being audited or subject to review	<input type="checkbox"/>	The accounts have not yet been audited or reviewed	<input type="checkbox"/>

If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification:


N/A

If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification:

Refer to Half Year Financial Report for the half-year ended 30 June 2019.

Attachments Forming Part of Appendix 4D

Attachment #	Details
1	Interim Financial Report

Signed by Company Secretary 	
Ian Pamensky	
Date 29 August 2019	

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DOTZ NANO LIMITED

ABN 71 125 264 575

**INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 30 JUNE 2019**

CORPORATE DIRECTORY

Directors

Volker Mirgel – Non-Executive Chairman
Uzi Breier – CEO, Executive Director
John Bullwinkel – Non-Executive Director
Ashley Krongold – Non-Executive Director

Company Secretary

Ian Pamensky

Registered Office

Level 14
330 Collins Street
Melbourne VIC 3000

Auditor

BDO Audit (WA) Pty Ltd
38 Station Street
PO Box 700
Subiaco WA 6008

Share Registry

Automic Registry Services
Level 5, 126 Phillip Street
SYDNEY NSW 2000

Securities Exchange Listing

ASX Limited
Level 4
North Tower, Rialto
525 Collins Street
Melbourne VIC 3000

ASX Code – DTZ

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CONTENTS	PAGE
DIRECTORS' REPORT	3
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	6
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	7
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	8
CONSOLIDATED STATEMENT OF CASH FLOWS	9
NOTES TO THE FINANCIAL STATEMENTS	10
DIRECTORS' DECLARATION	17
AUDITOR'S INDEPENDENCE DECLARATION	18
INDEPENDENT AUDITOR'S REVIEW REPORT	19

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DIRECTORS' REPORT

The Directors of Dotz Nano Limited (the **Company** or **Dotz**) and controlled entities (the **Group** or **Consolidated Entity**) submit the following report for the half year ended 30 June 2019 (**Financial Period**).

DIRECTORS

The following persons were directors of the Company during the whole of the financial half-year and up to date of this report, unless otherwise stated:

Volker Mirgel
Uzi Breier
John Bullwinkel
Ashely Krongold
Steve Bajic (resigned on 15 January 2019)

COMPANY SECRETARY

Mr Ian Pamensky

PRINCIPAL ACTIVITIES

The principal continuing activities of the Group during the half year is developing, manufacturing and commercialising marking, tracing and verification solutions.

REVIEW AND RESULTS OF OPERATIONS

The net loss of the Group after income tax for the half year ended 30 June 2019 amounted to (US\$1,955,924) (30 June 2018: (US\$3,221,988) net loss).

Unless otherwise stated all figures in this report are in the Company's presentation currency US\$.

REVIEW OF ACTIVITIES

During the half year ended 30 June 2019, the following activities occurred:

- On 14 January 2019, it was announced that the Company had secured a commercial Purchase Order (PO) of Validotz markers from a Swiss based company providing Secured-Plastic-Packaging Solutions, valued at US\$100,000.
- On 15 January 2019, Mr Steve Bajic resigned as a Non-Executive Director.
- On 22 January 2019, the Company announced the appointment of Mr Tomer Segev as the new Chief Financial Officer and the resignation of Mr Eran Gilboa as the Chief Financial Officer of the Group.
- On 30 January 2019, the Company announced a \$300,000 PO of Validotz security-markers in lubricants sector expected to be realized during 2019 and 2020.
- On 8 February 2019, shareholders approved the issue of 10,666,632 Ordinary Fully Paid Shares and 2,666,659 Unquoted Options (exercisable at AU\$0.12 each on or before 30 June 2020). The shares were issued on conversion of the Convertible Loans Facility and accrued interest (**Facility**). The AUD \$0.85 million Facility was announced on the 9 January 2019. The Facility had the following terms:
 - Facility Limit AUD \$1,000,000,
 - Simple Interest to accrue at 8% p.a.,
 - 1:4 Options for each converted share, and
 - Automatic conversion upon shareholders' approval
- The Company issued 1,500,000 Ordinary Shares with 12 month holding lock to 15 February 2020 and 2,000,000 Unquoted Options, exercisable at AU\$0.12 each before 15 February 2024 to the CEO of the Company.
- The Company issued 1,000,000 Unquoted Options to the Chairman exercisable at AU\$0.13 each on or before 15 February 2024 provided that Chairman is an employee or consultant of the Company at all times before the expiry date.

DIRECTORS' REPORT (CONTINUED)

REVIEW OF ACTIVITIES (CONTINUED)

- The Company issued 1,000,000 Unquoted Options exercisable at nil on or before 15 February 2023 to an employee under the Company's Employee Share Option Plan. The options vest on 9 December 2019 and require that the option holder is an employee or consultant of the Company at all times during the period ending on the vesting date.
- On 1 May 2019, the Company announced that it had successfully raised AU\$1.5 million via a share placement ("Share Placement") to sophisticated and professional investors. The placement included the issue of 25,000,000 shares at AU\$0.06 per share, including 12,500,005 free attaching options. The options are exercisable at AU\$0.09 on or before 7 May 2021.
- On 6 May 2019, the Company announced that it had successfully used its BioDotz security markers in an in-plant tracing and anti-counterfeiting proof of concept ("POC") to be used for the cannabis market's tracing. The Company filed a patent application for use of BioDotz in plant tagging, including cannabis, to enable increased levels of security and supply-chain monitoring. Plants with a close biological structure to cannabis were used for the testing as for legal reasons cannabis could not be used.
- On 19 June 2019, the Company issued 5,000,000 Unquoted Options to the Lead Manager who managed the Share Placement. The options are exercisable at AU\$0.10 each and expiring 2 years after the date of issue.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

SUBSEQUENT EVENTS

Subsequent to the half year end the following events occurred:

- On 2 July 2019, the Company announced that a new study lead by Dotz's scientific advisor Prof. James Tour of Rice University in Houston Texas, has found that Graphene Quantum Dots (GQD) manufactured from coal, can fight oxidative stress to assist in treatment of conditions such as brain injuries, strokes and heart attacks. Dotz holds the exclusive licence to manufacturing of GQD from coal and has reached commercial production capacity.
- On 8 July 2019, the Company announced that it had partnered with a licenced cannabis producer Seach Medical to develop global in-plant cannabis tagging.
- On 29 July 2019, the Company completed a AU\$1 million share placement AU\$0.062 to sophisticated and professional investors. The placement included the issue of 16,129,045 fully paid ordinary shares and 8,064,526 free attaching options. The attaching options are exercisable at AU\$0.09 on or before 29 July 2021.
- Subsequent to balance date the board of directors decided to deregister a dormant subsidiary DotzBlue Ltd incorporated in Israel. On 30 July 2019, the Company received confirmation of deregistration for DotzBlue Ltd.
- On 8 August 2019, the 10,000,000 unlisted options with exercise price of AU\$0.20 expired.
- On 12 August 2019, the Company lodged a Notice of General Meeting to be held on 11 September 2019 for approval of the following resolutions:
 - Resolution 1 – Ratification of issued Placement Securities
 - Resolution 2 – Approval to issue Lead Manager Shares
 - Resolution 3 – Approval to issue Lead Manager Options
 - Resolution 4 – Approval to issue Proposed Placement Securities

For more details on the resolutions refer to announcement made by the Company on 12 August 2019.

- On 15 August 2019, the Company announced that it had secured AU\$296,000 to support its development of BioDotz sales in the Canada cannabis market.
- On 19 August 2019, the Company announced that it had signed a AU\$500,000 conditional order for Validotz security markers.

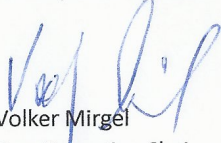
There have been no other material matters or circumstances that have arisen since 30 June 2019.

DIRECTORS' REPORT (CONTINUED)

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration to the Directors of the Consolidated Entity on page 18 forms part of the Directors' Report for the half year ended 30 June 2019.

This report is signed in accordance with a resolution of the Board of Directors.



Volker Mirgel
Non-Executive Chairman
29 August 2019

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 JUNE 2019

	Note	30-Jun-19 US\$	30-Jun-18 US\$
Revenue		6,858	5,220
Cost of Sales		(2,952)	(1,826)
Other income		173	1,309
Administrative expenses		(97,689)	(83,084)
Consulting fees		(9,994)	(68,172)
Depreciation		(82,405)	(34,718)
Directors fees		(86,614)	(130,335)
Executive remuneration		(141,866)	(253,107)
Administrative remuneration		(50,331)	(141,818)
Finance expenses		(15,551)	(25,568)
Insurance		(42,829)	(60,520)
Interest expense		(2,596)	(104)
Legal and professional fees		(55,533)	(53,736)
Finance and accounting expenses		(98,822)	(173,754)
Motor vehicle expense		(58,396)	(116,500)
Occupancy costs		(6,145)	(67,604)
Marketing and Investor relations		(276,650)	(299,119)
Research and development		(428,710)	(447,833)
Share based compensation		(422,807)	(1,004,824)
SRA and patent expense		(22,394)	(57,581)
Travel and accommodation		(60,671)	(208,314)
Profit/(Loss) before income tax		<u>(1,955,924)</u>	<u>(3,221,988)</u>
Income tax expense		-	-
Profit/(Loss) for the year		<u>(1,955,924)</u>	<u>(3,221,988)</u>
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		10,681	(58,969)
Other comprehensive loss for the year, net of tax		-	-
Total comprehensive income/(loss) for the year		<u>(1,945,243)</u>	<u>(3,280,957)</u>
Basic earnings/(loss) per share (cents per share)	8	(0.99)	(2.26)
Diluted earnings/(loss) per share (cents per share)	8	(0.99)	(2.26)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	30 June 2019 US\$	31 December 2018 US\$
CURRENT ASSETS			
Cash and cash equivalents		615,360	508,572
Trade and other receivables		175,054	230,722
Other assets		77,038	117,626
TOTAL CURRENT ASSETS		867,452	856,920
NON-CURRENT ASSETS			
Trade and other receivables		62,666	44,575
Property, plant and equipment		326,435	322,592
Right-of-use assets	3	194,786	-
Intangible assets		190,000	175,000
TOTAL NON-CURRENT ASSETS		773,887	542,167
TOTAL ASSETS		1,641,339	1,399,087
CURRENT LIABILITIES			
Trade and other payables		352,263	410,718
Provisions		21,062	14,451
Lease liabilities	4	132,919	-
TOTAL CURRENT LIABILITIES		506,244	425,169
NON-CURRENT LIABILITIES			
Borrowings		242,436	242,436
Lease liabilities	4	69,728	-
TOTAL NON-CURRENT LIABILITIES		312,164	242,436
TOTAL LIABILITIES		818,408	667,605
NET ASSETS		822,931	731,482
SHAREHOLDERS' EQUITY			
Issued capital	5	20,462,639	18,762,675
Reserves	6	1,955,773	1,608,364
Accumulated losses		(21,595,481)	(19,639,557)
SHAREHOLDERS' EQUITY		822,931	731,482

The accompanying notes form part of these financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 JUNE 2019

	Issued Capital US\$	Option Reserve US\$	Foreign Currency Reserve US\$	Accumulated Losses US\$	Total US\$
Balance at 1 January 2018	15,900,912	856,065	99,283	(13,902,885)	2,953,375
Loss for the year	-	-	-	(3,221,988)	(3,221,988)
Other comprehensive income	-	-	(58,969)	-	(58,969)
Total comprehensive loss for the year	-	-	(58,969)	(3,221,988)	(3,280,957)
Transactions with owners, recognised directly in equity					
Issue of shares	965,584	-	-	-	965,584
Issue of options	-	458,071	-	-	458,071
Balance at 30 June 2018	16,866,496	1,314,136	40,314	(17,124,873)	1,096,073
Balance at 1 January 2019	18,762,675	1,626,095	(17,731)	(19,639,557)	731,482
Loss for the year	-	-	-	(1,955,924)	(1,955,924)
Other comprehensive income	-	-	10,681	-	10,681
Total comprehensive loss for the year	-	-	10,681	(1,955,924)	(1,945,243)
Transactions with owners, recognised directly in equity					
Issue of shares	1,699,964	-	-	-	1,699,964
Issue of options	-	336,728	-	-	336,728
Balance at 30 June 2019	20,462,639	1,962,823	(7,050)	(21,595,481)	822,931

The accompanying notes form part of these financial statements.

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CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE HALF YEAR ENDED 30 JUNE 2019

	Note	30-Jun-19 US\$	30-Jun-18 US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		12,776	-
Payments to suppliers and employees		(1,416,844)	(2,476,332)
Interest received		328	1,309
Interest and other finance costs		(19,828)	-
Net cash used in operating activities		(1,423,568)	(2,475,023)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(33,941)	(69,825)
Receipts from/ (purchases of) investments		26,333	(11,781)
Payment for intellectual property		(15,000)	-
Net cash used in investing activities		(22,608)	(81,606)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		1,600,330	372,252
Payment to lenders		-	(31,729)
Repayment of lease liabilities		(53,441)	-
Net cash from financing activities		1,546,889	340,523
Net increase/ (decrease) in cash and cash equivalents		100,713	(2,216,106)
Cash and cash equivalents at the beginning of the period		508,572	2,835,485
Foreign exchange		6,075	(67,443)
Cash and cash equivalents at the end of the financial period		615,360	551,936

The accompanying notes form part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2019

NOTE 1: REPORTING ENTITY

The interim financial report (**Report**) of Dotz Nano Limited (the **Company**) and its controlled entities (the **Group** or **Consolidated Entity**) for the half year ended 30 June 2019 was authorised for issue in accordance with a resolution of the Directors on 29 August 2019.

Dotz Nano Limited is a listed public company, trading on the Australia Securities Exchange, limited by shares, incorporated and domiciled in Australia.

The Group's principal place of business is at 18 Reines Street Tel Aviv 61999, Israel and the registered office is located at Level 14, 330 Collins Street, Melbourne, Victoria 3000, Australia.

NOTE 2: BASIS OF PREPARATION

This Report for the half-year ended 30 June 2019 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This Report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2018 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The Report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The Report does not include full disclosures of the type normally included in an annual financial report. For the purposes of preparing the interim financial statements, the half-year has been treated as a discrete reporting period.

The same accounting policies and methods have been consistently applied by the Consolidated Entity in these interim financial statements as compared with the most recent annual financial statements, except as follows:

a) **New or amended Accounting Standards and Interpretations adopted**

The consolidated entity has adopted all the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases.

The group leases office space and vehicles. Rental contracts are typically made for a fixed period of 1-3 years, with extension options available on the office lease. Lease terms are negotiated on an individual basis and contain a range of terms and conditions. The lease agreements impose standard covenants such as mileage limitation, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases were classified as operating leases. Payments made under the group's operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2019

NOTE 2: BASIS OF PREPARATION (CONTINUED)

a) New or amended Accounting Standards and Interpretations adopted (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed lease payments (including in-substance fixed payments), less any lease incentive receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right of use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets may comprise IT-equipment and small items of office furniture.

Impact of the New Accounting Policy on Amounts Recognised in the Financial Statements

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Lease liabilities – increase by US\$256,088; and
- Right of use assets – increase by US\$256,088;

The net impact on accumulated losses on 1 January 2019 was nil.

Impact on segment disclosures and earnings per share

The adoption of AASB 16 had no impact on the group's segment disclosures.

The adoption of AASB 16 did not have significant impact on the Company's earnings per shares.

Lease liabilities

On adoption of AASB 16 the group recognised lease liabilities in relation to one office lease and 2 vehicle leases which had previously been classified as operating leases under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate (the discount rate) applied to the office lease liabilities on 1 January 2019 was 12.95% and average interest rate implicit in the car lease liability on 1 January 2019 was 15.65%.

The interest rate implicit in the lease has been used for car leases and the incremental borrowing rate has been used for office lease as there is no late implicit in that lease.

Lease liabilities recognised at 1 January 2019 are as follows:

	1 January 2019
	US\$
Operating lease commitments on 1 January 2019	289,506
Less: Discount applied	(33,418)
Operating lease commitments discounted using the lessee's incremental borrowing rate at the date of initial application	256,088
Add: finance lease liabilities recognised as at 31 December 2018	-
Lease liability recognised as at 1 January 2019	256,088

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2019

NOTE 2: BASIS OF PREPARATION (CONTINUED)

a) New or amended Accounting Standards and Interpretations adopted

Lease liabilities (continued)

The lease liability of US\$256,088 recognised at 1 January 2019 is comprised of minimum lease payments over the lease contract.

The Group had no finance leases at 31 December 2018.

As of 1 January 2019, the Group had 4 short term car leases (less than 12 months remaining on the contracts) not meeting the recognition criteria of AASB 16.

Right of use assets

The associated right of use assets for property and vehicle leases were measured on a modified retrospective basis as if the new rules had always been applied.

As of 1 January 2019, the Group had 4 short term car leases (less than 12 months remaining on the contracts) not meeting the recognition criteria of AASB 16. Other than that, there were no other right of use assets and no onerous lease contracts that would have required an adjustment to the right of use assets at the date of initial application.

The recognised right of use assets relates to the following types of assets:

	1 January 2019
	US\$
Office space	177,626
Motor vehicles	78,462
Total right of use assets	256,088

The value of the right of use asset at 1 January 2019 has been determined solely with direct reference to the lease liability value at the same date. There are no leases with initial direct costs or removal and restoration costs requiring an adjustment to the value of the right of use asset.

Right of use assets are subsequently measured using the cost model, that is, right of use asset less accumulated amortisation and accumulated impairment losses, adjusted for any remeasurements. Leases are to be remeasured upon occurrence of any of the following events:

- Change in original assessment of lease term or purchase/termination options;
- Change in estimate of residual guarantee; and/or
- Change in index or rate affecting payments.

Practical expedients applied

In applying AASB 16 for the first time, the group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease, at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying AASB 117 and Interpretation 4 Determining whether an Arrangement contains a Lease.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2019

NOTE 2: BASIS OF PREPARATION (CONTINUED)

b) Interest income

Interest revenue is brought to account on an accruals basis using the effective interest rate method and, if not received at the end of the reporting period, is reflected in the statement of financial position as a receivable

c) Convertible loan

The convertible notes issued by the Company during the period were required to convert to ordinary shares at a deemed issue price of AU\$0.08 per share. Hence, the convertible notes were classified as equity as they were mandatorily required to convert into ordinary shares. The conversion occurred on 15 and 19 February 2019.

d) Going concern

The interim financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business. The Group incurred a loss for the half year ended 30 June 2019 of \$1,955,924 (2018: \$3,221,988) and net cash outflows from operating activities of \$1,423,568 (2018: \$2,475,023).

The ability of the Group to continue as a going concern is dependent on securing additional funding through either equity, debt or receipts, or a combination of all, to continue to fund its operational and technology development activities. These conditions indicate a material uncertainty that may cast a doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors believe that there are sufficient funds available to continue to meet the Group's working capital requirements as at the date of this report and that sufficient funds will be available to finance the operations of the Group for the following reasons:

- The Directors of Dotz Nano Limited have assessed the likely cash flow for the 12 month period from date of signing this half year report and its impact on the Group and believe there will be sufficient funds to meet the Group's working capital requirements as at the date of this report, based on the belief that additional funds can be raised to finance the Company's activity.
- The Group has historically demonstrated its ability to raise funds to satisfy its immediate cash requirements, including the completion of a AU\$1,000,000 share placement subsequent to the half year ended 30 June 2019. The management have considered the future capital requirements of the Group and will consider all funding options as required.
- The Directors of Dotz Nano have reason to believe that in addition to the cash flow currently available, and expected funding through equity or debt fundraising, additional funds from receipts are expected through the commercialisation of the Group's products.

Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements or raise additional capital through equity or debts raisings and that the interim financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Group not continue as a going concern and meet its debts as and when they become due and payable.

NOTE 3: RIGHT-OF-USE ASSETS	30 June 2019 US\$	31 December 2018 US\$
Land and buildings – right-of use	177,626	-
Less: accumulated depreciation	(44,407)	-
	133,219	-
Motor vehicles – right-of-use	78,462	-
Less: accumulated depreciation	(16,895)	-
	61,567	-
Total right-of-use assets	194,786	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2019

NOTE 3: RIGHT-OF-USE ASSETS

The group leases office space and vehicles. Rental contracts are typically made for a fixed period of 1-3 years, with extension options available on the office lease. Lease terms are negotiated on an individual basis and contain a range of terms and conditions. The lease agreements impose standard covenants such as mileage limitation, but leased assets may not be used as security for borrowing purposes.

NOTE 4: LEASE LIABILITIES	30 June 2019 US\$	31 December 2018 US\$
Current		
Lease liabilities	132,919	-
	132,919	-
Non-current		
Lease liabilities	69,728	-
	69,728	-

NOTE 5: ISSUED CAPITAL	30 June 2019 US\$	31 December 2018 US\$
(a) Share Capital		
218,165,026 (31 December 2018: 180,714,622) fully paid ordinary shares	20,462,639	18,762,675

(b) Movements in fully paid Ordinary Capital	No.	US\$
Opening balance at 1 January 2018	140,818,135	15,900,912
Shares issued under Placement on 5 February 2018	2,777,778	396,050
Shares issued to Lead Manager on 5 February 2018	500,000	71,289
Shares issued under Placement on 10 May 2018	363,108	49,312
Shares issued in lieu of cash payments on 10 May 2018	5,385,000	423,956
Shares issued in lieu of cash payment on 29 June 2018	775,000	54,372
Shares issued under Placement on 1 August 2018	27,777,778	1,848,790
Shares issued under Cleansing Prospectus on 15 August 2018	100	7
Shares issued in lieu of cash payments on 2 November 2018	2,317,723	153,354
Less: capital raising costs	-	(135,367)
Closing balance 31 December 2018	180,714,622	18,762,675
Opening balance at 1 January 2019	180,714,622	18,762,675
Shares issued on conversion of Convertible Loan on 15 February 2019	9,791,632	554,833
Shares issued to the CEO on 15 February 2019*	1,500,000	86,058
Shares issue on conversion of Convertible Loan on 19 February 2019	875,000	49,917
Shares issued under the Placement on 7 May 2019	19,750,000	830,804
Shares issued under the Placement on 8 May 2019	5,250,000	220,658
Shares issued under the Cleansing Prospectus on 8 May 2019	100	4
Shares issued in lieu of cash payment on 8 May 2019	283,672	13,730
Less: capital raising costs	-	(56,040)
Closing balance at 30 June 2019	218,165,026	20,462,639

* Subject to a voluntary holding lock until 15 February 2020

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2019

NOTE 6: RESERVES

	30 June 2019	31 December 2018
	US\$	US\$
a) Reserves		
Option Reserve 64,491,664 (31 December 2018: 40,325,000) options on issue	1,962,823	1,626,095
Foreign currency translation reserve	(7,050)	(17,731)
	1,955,773	1,608,364

b) Options Reserve

	No.	US\$
Opening balance at 1 January 2018	20,500,000	856,065
Issue of Joint Lead Manager Options on 5 February 2018	6,000,000	289,873
Issue of options to employees and consultants on 10 May 2018	3,425,000	197,239
Issue of options to Lead Manager on 1 August 2018	1,500,000	38,025
Issue of options under Employee Share Option Plan on 27 November 2018	8,900,000	244,893
Closing balance at 31 December 2018	40,325,000	1,626,095

Opening balance at 1 January 2019

	40,325,000	1,626,095
Issue of free attaching options on conversion of Convertible Loan on 15 February 2019	2,447,909	-
Issue of options to directors and employees on 15 February 2019	4,000,000	135,456
Issue of free attaching options on conversion of Convertible Loan on 19 February 2019	218,750	-
Issue of free attaching options under the Placement on 7 May 2019	9,875,005	-
Issue of free attaching options under the Placement on 8 May 2019	2,625,000	-
Issue of options to Lead Manager on 19 June 2019	5,000,000	122,302
Vested options under Employee Share Option Plan	-	78,970
Closing balance at 30 June 2019	64,491,664	1,962,823

c) Foreign currency translation reserve

	US\$	US\$
Opening balance	(17,731)	99,283
Difference arising on translation	10,681	(117,014)
Balance at the end of the year	(7,050)	(17,731)

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

NOTE 7: DIVIDENDS

The Company did not pay or propose any dividends in the half year to 30 June 2019.

NOTE 8: LOSS PER SHARE

The following reflects income and share data used in the calculation of basic and diluted loss per share.

	30 June 2019	30 June 2018
Total loss for the period (US\$)	(1,955,924)	(3,221,988)
Weighted average number of ordinary shares in calculating basic and diluted loss per share (No.)	197,282,496	145,067,532

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2019

NOTE 9: CONTINGENT ASSET AND LIABILITIES

The Group has no known contingent liabilities as at 30 June 2019.

NOTE 10: SUBSEQUENT EVENTS

Subsequent to the half year end the following events occurred:

- On 2 July 2019, the Company announced that a new study lead by Dotz's scientific advisor Prof. James Tour of Rice University in Houston Texas, has found that Graphene Quantum Dots (GQD) manufactured from coal, can fight oxidative stress to assist in treatment of conditions such as brain injuries, strokes and heart attacks. Dotz holds the exclusive licence to manufacturing of GQD from coal and has reached commercial production capacity.
- On 8 July 2019, the Company announced that it had partnered with a licenced cannabis producer Seach Medical to develop global in-plant cannabis tagging.
- On 29 July 2019, the Company completed a AU\$1 million share placement AU\$0.062 to sophisticated and professional investors. The placement included the issue of 16,129,045 fully paid ordinary shares and 8,064,526 free attaching options. The attaching options are exercisable at AU\$0.09 on or before 29 July 2021.
- Subsequent to balance date the board of directors decided to deregister a dormant subsidiary DotzBlue Ltd incorporated in Israel. On 30 July 2019, the Company received confirmation of deregistration for DotzBlue Ltd.
- On 8 August 2019, the 10,000,000 unlisted options with exercise price of AU\$0.20 expired.
- On 12 August 2019, the Company lodged a Notice of General Meeting to be held on 11 September 2019 for approval of the following resolutions:
 - Resolution 1 – Ratification of issued Placement Securities
 - Resolution 2 – Approval to issue Lead Manager Shares
 - Resolution 3 – Approval to issue Lead Manager Options
 - Resolution 4 – Approval to issue Proposed Placement Securities

For more details on the resolutions refer to announcement made by the Company on 12 August 2019.

- On 15 August 2019, the Company announced that it had secured AU\$296,000 to support its development of BioDotz sales in the Canada cannabis market.
- On 19 August 2019, the Company announced that it had signed a AU\$500,000 conditional order for Validotz security markers.

There have been no other material matters or circumstances that have arisen since 30 June 2019.

NOTE 11: SEGMENT INFORMATION

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The Group's sole operating segment is consistent with the presentation of these consolidated financial statements.

NOTE 12: RELATED PARTY TRANSACTIONS

There have been no material changes to related parties other than those noted in Note 6, the directors and their related parties continued to receive salaries and consulting fees during the period consistent with 31 December 2018.

NOTE 13: Commitments

The Group does not have known material commitments at 30 June 2019.

DIRECTORS' DECLARATION

The Directors of Dotz Nano Limited declare that:

1. The financial statements and notes, as set out on pages 6 to 16 are in accordance with the Corporations Act 2001 and:
 - a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - b) give a true and fair view of the Consolidated Entity's financial position as at 30 June 2019 and of its performance for the period ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Volker Mjrgel
Non-Executive Chairman
29 August 2019

DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF DOTZ NANO LIMITED

As lead auditor for the review of Dotz Nano Limited for the half-year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Dotz Nano Limited and the entities it controlled during the period.



Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 29 August 2019

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Dotz Nano Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Dotz Nano Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 2 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

BDO


Dean Just
Director

Perth, 29 August 2019

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