DOTZ NANO LIMITED

ABN 71 125 264 575

ANNUAL REPORT
31 DECEMBER 2018

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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 29, 201 Elizabeth Street
Sydney NSW 2000

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

ASX Code – DTZ

DOTZ NANO LIMITED
ABN 71 125 264 575
ANNUAL REPORT 31 DECEMBER 2018

DIRECTORS' REPORT

Your Directors present their report, together with the financial statements of Dotz Nano Limited ("the Company") and controlled entities ("the Group") for the financial year ended 31 December 2018.

Directors

The names and the particulars of the Directors of the Company during or since the end of the financial year are:

Name	Status	Appointed	Resigned
Volker Mirgel	Non-Executive Chairman	Appointed 3 April 2018	-
Uzi Breier	CEO and Executive Director	Appointed 18 May 2018	-
	Non-Executive Director	Appointed 21 March 2018	Resigned 18 May 2018
John Bullwinkel	Non-Executive Director	Appointed 21 March 2018	-
Ashley Krongold	Non-Executive Director	Appointed 31 October 2016	-
	Interim Non-Executive Chairman	Appointed 1 February 2018	Resigned 3 April 2018
Steve Bajic	Non-Executive Director	Appointed 31 October 2016	Resigned 15 January 2019
Faldi Ismail	Non-Executive Chairman	Appointed 31 October 2016	Resigned 1 February 2018
Menashe Baruch	Non-Executive Director	Appointed 31 October 2016	Resigned 21 March 2018
Antony Sormann	Non-Executive Director	Appointed 1 February 2018	Resigned 21 March 2018
Moti Gross	CEO and Executive Director	Appointed 31 October 2016	Resigned 18 May 2018

Principal Activities

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

Dividends

There were no dividends paid or recommended during the financial year ended 31 December 2018 (2017: Nil).

Review and Results of operations

Dotz Nano Limited had a loss for the year of $5,736,672 (2017: $4,731,898 loss). This included a non-cash amount of $1,451,763 share based payments (2017: $438,241).

The net assets of the Group have decreased from $2,953,375 at 31 December 2017 to $731,482 at 31 December 2018.

As at 31 December 2018, the Group's cash and cash equivalents balance was $508,572 (2017: $2,835,485) and had working capital of $431,751 (2017: $2,445,924).

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

The following events occurred during the year:

- On 21 March 2018, the Company announced the appointment of Mr John Bullwinkel and Mr Uzi Breier as Non-Executive Directors to the Board of the Company, replacing Mr Menashe Baruch, a Non-Executive Director and Mr Antony Sormann, an Interim Non-Executive Director.
- On 10 August 2018, the Company announced the terms of the agreement with the Chairman. The terms of the agreement include a fixed annual fee of US$100,000 (inclusive of superannuation), sign-on and ongoing options.
- On 14 August 2018, the Company announced the terms of the agreement with the CEO. The agreement is for a period of 3 years commencing on 7 May 2018 and includes a fixed remuneration of US$240,000 per annum and a company car. The fixed remuneration will be reviewed annually. Other terms of the agreement include incentive bonuses which are at the discretion of the Board and subject to shareholder approval (if applicable) and sign-on securities.

Review and Results of operations (continued)

An incentive bonus will be payable if the following milestones are achieved by Dotz Nano Ltd (Israeli subsidiary) ("Dotz"):

- if Dotz signs a binding sales agreement(s) valued at a total of US$500,000 prior to 31 December 2018, a bonus cash amount equal to 25% of the base compensation (i.e. US$60,000) will be payable;
- upon Dotz EBITDA reaching US$500,000 or more for the financial year ending 31 December 2019 then:
  - a cash bonus amount equal to 20% of the actual EBITDA (i.e. minimum US$100,000) will be payable; and
  - 500,000 unquoted options will be issued, exercisable at AU$0.10 each expiring 5 years from issue; and
- Upon Dotz EBITDA reaching US$1,000,000 or more (in accordance with annual audited financial statements) in the financial year ending 31 December 2020, then a cash bonus amount equal to 15% of the actual EBITDA (i.e. minimum US$150,000) will be payable.

The sign on securities are subject to prior shareholder approval, and include the following to be issued to the CEO (or his nominees)

- 1,000,000 shares on 31 December 2019 as a retention bonus provided that the CEO is still engaged by the Company at the time;
- 1,500,000 shares subject to a 12-month holding lock from the date of the issue; and
- 2,000,000 unquoted options exercisable at AU$0.13 and expiring 5 years from issue.

At the shareholders meeting held on 8 February 2019, the 1.5 million shares and 2,000,000 unquoted options were approved

Significant changes in the state of affairs

The following significant changes in the state of affairs occurred during the financial year:

- On 5 February 2018 the Company issued of 2,777,778 ordinary shares, 500,000 Lead Manager shares and 6,000,000 unlisted Lead Manager options with exercise price of $0.30 expiring 5 February 2020.
- On 10 May 2018 the Company issued 5,385,000 ordinary shares and 3,425,000 unquoted options in lieu of services provided to the Group by employees, consultants and corporate advisors.
- On 23 July 2018, the Company announced the completion of the Placement of 27,777,778 ordinary shares at $0.09 per share to raise $2.5 million.
- On 16 October 2018, the Company announced that 60,949,872 ordinary shares are to be released from escrow on 31 October 2018 in accordance with ASX Listing Rule 3.10A.
- On 2 November 2018, the Company issued 2,317,723 fully paid ordinary shares in lieu of cash for prior services provided to the Company by third parties.
- On 27 November 2018, the Company issued 8,900,000 unquoted options under the Employee Share Option Plan.

Significant events after the reporting period

Since the reporting date the following significant events have occurred:

- On 14 January 2019, it was announced that the Company has 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 16 January 2019, the Company announced the resignation of Mr Steve Bajic 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.

Significant events after the reporting period (continued)

- 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.
- Subsequent to balance date, the Company issued the following shares and options:
  - 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) on conversion of the Convertible Loans Facility **(Facility)**. The Facility was announced on the 9 January 2019 and funds raised under the Facility summed to AUD $0.85 million
    - The terms of the Facility were set out as below:
      - 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
  - 2,000,000 Unquoted Options, exercisable at $0.12 each before 15 February 2024 issued to the CEO
  - 1,500,000 Ordinary Shares issued to the CEO with 12 month holding lock to 15 February 2020 issued to the CEO
  - 1,000,000 Unquoted Options issued to the Chairman exercisable at $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
  - 1,000,000 Unquoted Options exercisable at nil on or before 15 February 2023 issued to an employee under the Company's Employee Share Option Plan. The options are subject to vesting 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

There were no other significant events after the reporting period.

DIRECTORS' REPORT

Information on Directors

Mr Uzi Breier	CEO and Executive Director
Qualifications	B.Sc, MBA
Experience	Mr. Breier has held senior positions at fortune-500 companies and served as CEO for both technology start-ups and more established companies. He currently dedicates efforts to promote some of the exciting characteristics of Israel – entrepreneurship, innovation and leadership.
Interest in Shares and Options	1,500,000 Fully Paid Ordinary Shares 2,000,000 Unquoted Options
Special Responsibilities	Nil
Directorship held in other listed entities (last 3 years)	Nil
Dr Volker Mirgel	Non-Executive Chairman
Qualifications	PhD Organic Chemistry
Experience	Dr Mirgel is a former Bayer Senior Vice President and member of the Bayer's Global Leadership Team. After receiving his PhD in Organic Chemistry from University of Cologne he joined the German chemical and pharmaceutical company Bayer AG. During his 34-year career with Bayer he has served in multiple technical, marketing and general management functions, in Europe, Asia Pacific and United States. In 2013, Dr Mirgel retired from Bayer to serve as an independent consultant for executive clients in the chemical and advance materials industry.
Interest in Shares and Options	1,000,000 Unquoted Options
Special Responsibilities	Nil
Directorship held in other listed entities (last 3 years)	Nil
Mr Ashley Krongold	Non-Executive Director
Qualifications	B.Com
Experience	Mr Krongold has spent 15 years in the Investment Banking and Accounting industries. He was a founding member of Investec Bank Australia and is currently CEO of the Krongold Group and a non-executive director of Weebit Nano Ltd (ASX: WBT). He is also a founding General Partner of global equity crowd-funding platform, OurCrowd.
Interest in Shares and Options	1,875, 032 Ordinary shares 1,089,892 Performance shares

DIRECTORS' REPORT

Information on Directors

Special Responsibilities	Nil
Directorship held in other listed entities (last 3 years)	Weebit Nano Limited (current) G-Medical Innovations Ltd (resigned 23 April 2018)
Mr John Bullwinkel	Non-Executive Director
Qualifications	Dip.FS, FIPA
Experience	Mr. Bullwinkel is Managing Director of Business Partners Pty Ltd, a boutique advisory and investment consulting company and is based in Melbourne. He has held senior Private Banking roles at Macquarie Private Bank, ANZ Private Bank, Deutsche Bank and Merrill Lynch. He has also held senior positions at Citibank and NatWest in Corporate Commercial Banking.
Interest in Shares and Options	Nil
Special Responsibilities	Nil
Directorships held in other listed entities (last 3 years)	Nil
Dr Moti Gross	CEO and Executive Director (Resigned 18 May 2018)
Qualifications	LLB, PhD Economics
Experience	Dr Gross has extensive managerial experience leading technological companies, developing business strategy for ongoing enterprises and start-ups. Dr Gross earned his PhD in Economics and Finance at Oxford University and a Bachelor of Law from Peres Academic Centre in Israel.
Interest in Shares and Options	3,260,687 Ordinary shares (at resignation date) 2,107,125 Performance shares (at resignation date)
Special Responsibilities	Nil
Directorships held in other listed entities (last 3 years)	Nil
Mr Steve Bajic	Non-Executive Director (Resigned 15 January 2019)
Qualifications	Dip.FM

Information on Directors

Experience	Mr. Bajic has been in the finance industry for 20 years and has helped raise capital in various industries at all levels of company advancement. He has an extensive resume of current and past private and public director and officer positions.
Interest in Shares and Options	100,000 Ordinary Shares
Special Responsibilities	Nil
Directorships held in other listed entities (last 3 years)	Nil

Mr Faldi Ismail	Non-Executive Chairman (Resigned 1 February 2018)
Qualifications	B.Bus, MAICD
Experience	Mr Ismail has significant experience working as a corporate advisor specialising in the restructure and recapitalisation of a wide range of ASX-listed companies. With many years of investment banking experience, his expertise covers a wide range of industry sectors. Mr Ismail is the founder and operator of Otsana Capital, a boutique advisory firm specialising in mergers & acquisitions, capital raisings and Initial Public Offerings (IPO's) and is currently a director of several ASX-Listed companies.
Interest in Shares and Options	2,916,667 Ordinary shares (at resignation) 1,866,667 Performance shares (at resignation) 1,333,334 Options exercisable by payment of $0.40 each, expiring 3 years from date of issue (at resignation)
Special Responsibilities	Nil
Directorships held in other listed entities (last 3 years)	Ookami Limited (current) Asiamet Resources Limited (current) Vysarn Limited (current) Dotz Nano Limited (ceased 1 February 2018) Flamingo Al Limited (ceased 27 June 2017) Quantify Technology Holdings Limited (ceased 1 March 2017) TV2U International Limited (ceased 21 October 2016) Zenitas Health Ltd (ceased 6 April 2016)

Mr Menashe Baruch	Non-Executive Director (Resigned 21 March 2018)
Qualifications	B.Ec
Experience	Mr Baruch is an experienced entrepreneur in the field of retail sales as well as an experienced investor in hi-tech companies over the past 10 years.
Interest in Shares and Options	242,198 Ordinary shares (at resignation date) 242,198 Performance shares (at resignation date)

Information on Directors

Special Responsibilities	Nil
Directorships held in other listed entities (last 3 years)	Nil
Mr Antony Sormann	Non-Executive Director (Resigned 21 March 2018)
Qualifications	LLB, B.Ec
Experience	Mr Sormann is currently a Director in the Capital team at Henslow. He has over 20 years' experience in investment banking and legal advisory services, including nine years as a director of SLM Corporate Pty Ltd and seven years working in the investment banking division of N.M. Rothschild & Sons (Australia) Limited of which two years were as an executive in the Rothschild Group's New York office. He has also previously been an Executive Director of Keybridge Capital Limited, and a Non-Executive Director of PTB Group Limited and Molopo Energy Limited.
Interest in Shares and Options	Nil
Special Responsibilities	Nil
Directorship held in other listed entities (last 3 years)	Keybridge Capital Limited (ceased October 2016) Molopo Energy Limited (ceased December 2016) PTB Group (ceased October 2016)

Information on Key Management

Dr Michael Shtein	Chief Technology Officer
Qualifications	Ph.D. Nano Technology
Experience	Dr Shtein holds a Ph.D. in Nano Technology interdisciplinary studies from Ben-Gurion University, together with and M.Sc in Chemical Engineering and MBA. He was the Chief Material Engineer – R&D Development for the Israeli Ministry of Defence and has developed several new materials and compounds. His main research topic is composite nanomaterials (CNT, Graphene, WS2).
Mr Avigdor Kaner	VP Business Development
Qualification	BA, MBA
Experience	Mr Avigdor Kaner has a multitude of experience in business development. He has held many senior marketing positions including Head of Business Development for Baran Technologies. He has also worked in the USA market for a variety of organisations as a freelance consultant. Mr Kaner holds an MA from Tel-Aviv University and is currently finishing his PhD degree.

Information on Key Management

Mr Tomer Segev	Chief Financial Officer
Qualifications	BA, MBA, CPA
Experience	Mr Segev is an experienced executive with extensive knowledge of investment banking and international finance. He has previous CFO experience with various commercialised start-up companies, including APPFRONT, RoundForest and NorthBit. Mr Segev has worked in the United States as an Associate Vice President at CSG Partners and as a Senior Analyst at PWC. Later he was Head of M&A for investment bank Rosario Capital.
Mr Ariel Malik	VP International Finance (Contract Completed on 31 December 2018)
Qualification	BA, MBA
Experience	Mr Malik is a business strategy consultant in the roles of Senior Vice President for International Finance. Mr Malik has many years' experience as an investment banker and is responsible for overseeing; strategic planning, international business development, cross border negotiations, capital raisings and finance development. Mr Malik is an Israeli biotech and materials investor and entrepreneur. He was the founder and co-founder of Pluristem (NASDAQ: PSTI), Oramed Pharma (NASDAQ: BLSP), each a technology company that was built around technologies from Tel Aviv Universities, the Hebrew University of Jerusalem, the Technion and other research institutes. Mr Malik is also the founding shareholder of Dotz and has in addition to Dotz and in co-operation with Ben Gurion University and Rice University, established Weebit Nano (ASX:WBT) and Ultracharge (ASX:UTR).
Mr Eran Gilboa	Chief Financial Officer (Resigned 31 December 2018)
Qualifications	B.A, M.A, CPA
Experience	Mr Gilboa has experience as the Chief Financial Officer for numerous global companies in the field of hi-tech, real estate, finance and media. Mr Gilboa has gained experience in capital offerings, working with venture capital firms and various boards of directors. Mr Gilboa was responsible for private and public companies in his role as a Senior Accountant at Ernst & Young. Mr Gilboa has a CPA licence and holds a B.A in Economics and Management, specialising in finance, from the College of Management in Israel, and M.A (Law) from Bar Ilan University.

Information on Company Secretary

Mr Ian Pamensky	Company Secretary (Appointed 7 February 2018)
Qualifications	B.Com, BAccS (Hons), CA
Experience	Mr Pamensky has over 22 years' experience in the finance and secretarial sector for both SME and ASX-listed entities. Since 1997, Mr Pamensky has held various roles with ASX-listed companies.

DIRECTORS' REPORT

Information on Company Secretary

Mr Peter Webse	Company Secretary (Resigned 7 February 2018)
Qualifications	B.Bus, FGIA, FCPA, MAICD
Experience	Mr Webse has over 25 years' company secretarial experience and is managing director of Platinum Corporate Secretariat Pty Ltd, a company specialising in providing company secretarial, corporate governance and corporate advisory services. Mr Webse holds a Bachelor of Business with a double major in Accounting and Finance, is a Fellow of the Governance Institute of Australia, a Fellow Certified Practicing Accountant and a Member of the Australian Institute of Company Directors.

Meetings of Directors

The number of formal meetings of Directors held during the period and the number of meetings attended by each director was as follows:

		DIRECTORS' MEETINGS	
		Number eligible to attend	**Number Attended**
Uzi Breier	Appointed 21 March 2018	7	7
Volker Mirgel	Appointed 3 April 2018	7	7
Ashley Krongold	Appointed 31 October 2016	7	7
John Bullwinkel	Appointed 21 March 2018	7	7
Faldi Ismail	Appointed 31 October 2016, Resigned 1 February 2018	Nil	Nil
Moti Gross	Appointed 31 October 2016, Resigned 18 May 2018	3	1
Steve Bajic	Appointed 31 October 2016, Resigned 15 January 2019	7	4
Menashe Baruch	Appointed 31 October 2016, Resigned 21 March 2018	Nil	Nil
Antony Sormann	Appointed 1 February 2018, Resigned 21 March 2018	Nil	Nil

Options

Unissued shares under option

At the date of this report, the unissued ordinary shares Dotz Nano Limited under option are as follows:

Expiry Date	Grant Date	Exercise Price	Number Under Option
31 October 2019	1 November 2016	$0.40	4,500,000
31 October 2019	1 November 2016	$0.30	1,000,000
14 June 2020	13 May 2016	$0.20	5,000,000
8 August 2019	8 August 2017	$0.20	10,000,000
5 February 2020	5 February 2018	$0.30	6,000,000
1 November 2020	10 May 2018	Nil	1,000,000
20 April 2020	10 May 2018	Nil	1,000,000
20 April 2020	10 May 2018	$0.105	425,000
20 April 2020	10 May 2018	$0.20	1,000,000
1 August 2020	1 August 2018	$0.20	1,500,000
1 October 2021	27 November 2018	Nil	3,700,000
1 October 2021	27 November 2018	Nil	3,200,000
1 October 2022	27 November 2018	Nil	2,000,000
15 February 2024	8 February 2019	$0.13	1,000,000
15 February 2023	8 February 2019	Nil	1,000,000
30 June 2020	8 February 2019	$0.12	2,666,659
15 February 2024	8 February 2019	$0.13	2,000,000
			46,991,659

No option holder has any right under the options to participate in any other share issue of the Company or of any other entity.

No options were exercised during the year (2017: Nil).

Performance Shares

At the date of this report, the performance shares of the Company are as follows:

Expiry Date	Grant Date	Milestone	Number of Performance Shares
30 April 2019	31 October 2016	Milestone 2	22,000,000
31 October 2020	31 October 2016	Milestone 3	22,000,000
			44,000,000

Performance Shares (Continued)

Class	Milestone
Milestone 2	Upon Dotz achieving the production and distribution of an aggregate of 50 kilograms of GQDs in any 12 month period through formal off-take agreements with a reputable third party within 30-months from the date of issue of the Performance Shares.
Milestone 3	Upon Dotz achieving the production and distribution of an aggregate of 100 kilograms of GQDs through formal off-take agreements with a reputable third party in any 12-month period within 48 months from the date of issue of the Performance Shares.

No value has been allocated to the Performance Shares due to the significant uncertainty of meeting the performance milestones which are based on future events. To date, none of the Milestones have been met.

Proceedings on behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Indemnifying Officers

The Company indemnifies each of its Directors, officers and company secretary. The Company indemnifies each director or officer to the maximum extent permitted by the Corporations Act 2001 from liability to third parties, except where the liability arises out of conduct involving lack of good faith, and in defending legal and administrative proceedings and applications for such proceedings.

The Company must use its best endeavours to insure a director or officer against any liability, which does not arise out of conduct constituting a wilful breach of duty or a contravention of the Corporations Act 2001. The Company must also use its best endeavours to insure a Director or officer against liability for costs and expenses incurred in defending proceedings whether civil or criminal.

Insurance premiums

During the year the Company paid insurance premiums to insure directors and officers against certain liabilities arising out of their conduct while acting as an officer of the Group. Under the terms and conditions of the insurance contract, the nature of the liabilities insured against and the premium paid cannot be disclosed.

Environmental Regulations

In the normal course of business, there are no environmental regulations or requirements that the Company is subject to.

Future Developments, Prospects and Business Strategies

The Company's principal continuing activity is the development and commercialisation of technologies in the advanced materials industry, specifically graphene quantum dots (GQDs). The Company's future developments, prospects and business strategies are to continue to develop and commercialise these technologies.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, BDO Audit (WA) Pty Ltd, as part of the terms of its audit engagement agreement against claims by third parties arising from their report on the financial report.

Non-audit Services

During the year, BDO Audit (WA) Pty Ltd, the Company's auditor did not provide any services other than their statutory audits. Other BDO firms and divisions provided tax services to the Group. Details of their remuneration can be found within the financial statements at Note 6 Auditor's Remuneration.

In the event that non-audit services are provided by BDO (WA) Pty Ltd, the Board has established certain procedures to ensure that the provision of non-audit services are compatible with, and do not compromise, the auditor independence requirements of the Corporations Act 2001. These procedures include:

- non-audit services will be subject to the corporate governance procedures adopted by the Company and will be reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and
- ensuring non-audit services do not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 31 December 2018 has been received and can be found on page 20 of the financial report.

Remuneration Report (Audited)

This remuneration report for the year ended 31 December 2018 outlines the remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* (Cth), as amended (**Act**) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report is presented under the following sections:

1. Introduction
2. Remuneration governance
3. Executive remuneration arrangements
4. Non-executive Director fee arrangements
5. Details of remuneration
6. Additional disclosures relating to equity instruments
7. Loans to key management personnel (KMP) and their related parties
8. Other transactions and balances with KMP and their related parties

1. Introduction

Key Management Personnel (**KMP**) have authority and responsibility for planning, directing and controlling the major activities of the Group. KMP comprise the directors of the Company and identified key management personnel.

Compensation levels for KMP are competitively set to attract and retain appropriately qualified and experienced directors and executives. The Board may seek independent advice on the appropriateness of compensation packages, given trends in comparable companies both locally and internationally and the objectives of the Group's compensation strategy.

2. Remuneration governance

The Directors believe the Company is not currently of a size nor are its affairs of such complexity as to warrant the establishment of a separate remuneration committee. Accordingly, all matters are considered by the full Board of Directors, in accordance with a remuneration committee charter.

During the financial year, the Company did not engage any remuneration consultants.

3. Executive remuneration arrangements

The compensation structures are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. Compensation packages may include a mix of fixed compensation, equity-based compensation, as well as employer contributions to superannuation funds. Shares and options may only be issued subject to approval by shareholders in a general meeting.

At the date of this report the Company has four executive appointed, being the appointment of Mr Uzi Breier as the Executive Director and CEO, Dr Michael Shtein as the Chief Technology Officer, Mr Avigdor Kaner as the VP of Business Development, and Mr Tomer Segev as the Chief Financial Officer. The terms of their Executive Employment Agreements with Dotz Nano Limited are summarised in the following table.

Executive Name	Remuneration
Mr Uzi Breier	• Executive salary of US$240,000 per annum, plus company leased car; • Annual bonus of 25% of yearly salary based upon the performance targets established by the Board (No bonus was payable for the year ended 31 December 2018); and • Reimbursement of reasonable business expenses incurred in the ordinary course of the business in accordance with the Group's reimbursement policies
Dr Michael Shtein	• Executive salary of US$240,0000 per annum, plus company leased car; and • Reimbursement of reasonable business expenses incurred in the ordinary course of the business in accordance with the Group's reimbursement policies
Mr Avigdor Kaner	• Executive salary of US$180,000 per annum, plus company leased car; and • Reimbursement of reasonable business expenses incurred in the ordinary course of the business in accordance with the Group's reimbursement policies
Mr Tomer Segev	• Executive salary of US$93,650 per annum (including social benefits) and • Reimbursement of reasonable business expenses incurred in the ordinary course of the business in accordance with the Group's reimbursement policies

At this stage the Board does not consider the Group's earnings or earnings related measures to be an appropriate key performance indicator (KPI). In considering the relationship between the Group's remuneration policy and the consequences for the Company's shareholder wealth, changes in share price are analysed as well as measures such as successful completion of business development and corporate activities.

4. Non-executive Director fee arrangements

The Board policy is to remunerate Non-executive Directors at a level to comparable companies for time, commitment, and responsibilities. Non-executive Directors may receive performance related compensation. Directors' fees cover all main Board activities and membership of any committee. The Board has no established retirement or redundancy schemes in relation to Non-executive Directors.

The maximum aggregate amount of fees that can be paid to Non-executive Directors is presently limited to an aggregate of AU$500,000 per annum and any change is subject to approval by shareholders at the General Meeting. Fees for Non-executive Directors are not linked to the performance of the Company. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company. Total fees for the Non-executive Directors for the financial year were $237,605 (2017: $205,535) and cover main Board activities only. Non-executive Directors may receive additional remuneration for other services provided to the Group.

Performance Conditions Linked to Remuneration

The Group has established and maintains Dotz Nano Limited Employee Incentive Option Plan **(Plan)** to provide ongoing incentives to Eligible Participants of the Company. Eligible Participants include:

- a Director (whether executive or non-executive) of any Group Company;
- a full or part time employee of any Group Company;
- a casual employee or contractor of a Group Company; or
- a prospective participant, being a person to whom the Offer was made but who can only accept the Offer if arrangement has been entered into that will resulting in the person becoming an Eligible Participant.

The Board adopted the Plan to allow Eligible Participants to be granted Options to acquire shares in the Company. The purpose of the Plan is to assist in the reward and motivation of Eligible Participants and link the reward of Eligible Participants to performance and the creation of Shareholder value. It is designed to align the interest of Eligible Participants more closely to the interests of Shareholders by providing an opportunity for Eligible Participants to receive shares. It provides the Eligible Participants with the opportunity to share in any future growth in value of the Company and provides greater incentives for Eligible Participants to focus on the Company's longer term goals. At 31 December 2018 a total of 8,900,000 options have been issued under this plan.

5. Details of Remuneration

31-Dec-18	Short Term Salary, Fees & Commissions US$	Post-Employment Superannuation US$	Other* US$	Share-based payments US$	Total US$	Performance based remuneration
Directors:						
Uzi Breier	162,068	-	14,428	-	**176,496**	0%
Volker Mirgel	74,167	-	-	-	**74,167**	0%
John Bullwinkel	28,030	-	-	-	**28,030**	0%
Faldi Ismail	3,737	-	-	-	**3,737**	0%
Moti Gross	117,000	-	148,867	55,032	**320,899**	17%
Steve Bajic	37,373	-	-	-	**37,373**	0%
Menashe Baruch	18,009	-	3,926	-	**21,935**	0%
Ashley Krongold	37,373	-	-	-	**37,373**	0%
Antony Sormann	5,224	-	-	-	**5,224**	0%
Key management:						
Ariel Malik	198,184	-	16,787	132,983	**347,954**	31%
Eran Gilboa	214,803	-	29,820	163,247	**407,870**	37%
Michael Shtein	285,248	-	16,407	85,119	**386,774**	0%
Avigdor Kaner	182,543	-	25,040	159,927	**367,510**	0%
Tomer Segev	5,534	-	-	-	**5,534**	0%
Total	**1,369,293**	**-**	**255,275**	**596,308**	**2,220,876**	

* Other includes termination benefits to Moti Gross US$135,113 and other benefits such as car lease, fuel and etc paid to KMP.

31-Dec-17	Short Term Salary, Fees & Commissions US$	Post-Employment Superannuation US$	Other US$	Share-based payments US$	Total US$	Performance based remuneration
Directors:						
Faldi Ismail	91,997	-	-	-	**91,997**	0%
Moti Gross	282,461	-	-	-	**282,461**	0%
Steve Bajic	38,332	-	-	-	**38,332**	0%
Menashe Baruch	36,875	-	-	-	**36,875**	0%
Ashley Krongold	38,332	-	-	-	**38,332**	0%
Key management:						
Ariel Malik	239,498	-	-	-	**239,498**	0%
Eran Gilboa	197,408	-	-	-	**197,408**	0%
Michael Shtein	205,016	-	-	-	**205,016**	0%
Avigdor Kaner	159,695	-	-	-	**159,695**	0%
Total	**1,289,614**	**-**	**-**	**-**	**1,289,614**	

6. Additional disclosures relating to equity instruments

KMP Shareholdings

The number of ordinary shares in Dotz held by each KMP of the Group during the financial year is as follows:

31-Dec-18	Balance at the start of the year	Granted as Remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of Year
Directors:					
Uzi Breier	-	-	-	-	-
Volker Mirgel	-	-	-	-	-
John Bullwinkel	-	-	-	-	-
Faldi Ismail*	2,916,667	-	-	-	**2,916,667**
Moti Gross*	3,260,687	-	-	-	**3,260,687**
Steve Bajic	100,000	-	-	-	**100,000**
Menashe Baruch*	242,198	-	-	-	**242,198**
Ashley Krongold	1,884,838	-	-	-	**1,884,838**
Antony Sormann	-	-	-	-	-
Key management:					
Ariel Malik	11,746,611	1,530,000	-	(1,530,000)	**11,746,611**
Eran Gilboa	1,816,486	2,080,000	-	(2,080,000)	**1,816,486**
Michael Shtein	2,446,201	-	-	-	**2,446,201**
Avigdor Kaner	-	-	-	-	-
Tomer Segev		-	-	-	-
Total	**24,413,688**	**3,610,000**	**-**	**(3,610,00)**	**24,413,688**

***** Balances are at resignation date.

Options awarded, vested and lapsed during the year

The table below discloses the number of share options granted, vested or lapsed during the year.

Share options do not carry any voting or dividend rights and can only be exercised once the vesting conditions have been met, until their expiry date.

KMP Options Holdings

The number of options over ordinary shares held by each KMP of the Group during the financial year is as follows:

31-Dec-18	Balance at the start of the year	Granted as remuneration during the year	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable	**Vested and un-exercisable**
Directors:							
Uzi Breier	-	-	-	-	**-**	-	-
Volker Mirgel	-	-	-	-	**-**	-	-
John Bullwinkel	-	-	-	-	**-**	-	-
Faldi Ismail*	1,333,334				**1,333,334**	1,333,334	-
Moti Gross	-	-	-	-	**-**	-	-
Steve Bajic	-	-	-	-	**-**	-	-
Menashe Baruch	-	-	-	-	**-**	-	-
Ashley Krongold	-	-	-	-	**-**	-	-
Antony Sormann	-	-	-	-	-	-	-
Key management:							
Ariel Malik	-	1,500,000	-	-	**1,500,000**	1,000,000	-
Eran Gilboa	-	-	-	-	**-**	-	-
Michael Shtein	-	3,700,000	-	-	**3,700,000**	1,200,000	-
Avigdor Kaner	-	3,500,000	-	-	**3,500,000**	2,000,000	-
Tomer Segev	-	-	-	-	**-**	-	-
Total	**1,333,334**	**8,700,000**	**-**	**-**	**10,033,334**	**5,533,334**	**-**

KMP performance rights holdings

No performance rights were issued during the current financial year (2017: Nil)

KMP performance shares holdings

The number of performance shares held by each KMP of the Group during the financial year is as follows:

31-Dec-18	Balance at the start of the year	Granted as Remuneration during the year	Other changes during the year	**Balance at end of Year**
Directors:				
Uzi Breier	-	-	-	**-**
Volker Mirgel	-	-	-	**-**
John Bullwinkel	-	-	-	**-**
Faldi Ismail*	1,866,667	-	-	**1,866,667**
Moti Gross*	3,160,687	-	(1,053,562)	**2,107,125**
Steve Bajic	-	-	-	**-**
Menashe Baruch*	242,198	-	(80,733)	**161,465**
Ashley Krongold	1,634,838	-	(544,946)	**1,089,892**
Key management:				
Ariel Malik	11,746,611	-	(3,915,537)	**7,831,074**
Eran Gilboa	1,816,486	-	(605,495)	**1,210,991**
Michael Shtein	2,446,201	-	(815,400)	**1,620,801**
Avigdor Kaner	-	-	-	**-**
Antony Sormann	-	-	-	**-**
Total	**22,913,688**	**-**	**(7,015,673)**	**15,898,015**

* Balances are at resignation date.

7. Loans to key management personnel (KMP) and their related parties

There were no loans made to key management personnel during the financial year.

8. Other transactions and balances with KMP and their related parties

Purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. The Group acquired the following services from entities that are controlled by members of the group's key management personnel.

Some Directors or former Directors of the Group hold or have held positions in other companies, where it is considered they control or significantly influence the financial or operating policies of those entities. During the year, the following entities provided corporate services and rental to the Group. Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Entity	Nature of transactions	Key Management Personnel	Total Transactions		Payable Balance	
			2018 US$	2017 US$	2018 US$	2017 US$
Otsana Capital Pty Ltd	Capital raising fee	Faldi Ismail	-	110,219	-	-
Otsana Capital Pty Ltd	Corporate advisor retainer	Faldi Ismail	22,424	91,997	7,047	74,219
Adamantium Holdings Pty Ltd	Rent and registered office fee	Faldi Ismail	2,990	18,399	-	10,927
Sharon Malik	Marketing fee	Ariel Malik	114,075	134,590		-

A capital raising fee of $110,219 was paid to Otsana Capital Pty Ltd for the year ended 31 December 2017. Otsana Pty Ltd is a company controlled by former Director Faldi Ismail.

A corporate advisor retainer of $22,424 was paid or payable to Otsana Capital Pty for the period end 31 December 2018 (2017: $91,997) as per the Corporate Advisor Mandate dated 6 August 2016.

The Company had a Rental Agreement with Adamantium Holdings Pty Ltd, a company related to Mr Faldi Ismail. The rent paid during the year ended 31 December 2018 was $2,990 (2017: $18,399).

Marketing fees of $114,075 were paid to Sharon Malik (VP Marketing) for the years ended 31 December 2018 (2017: $134,590), the spouse of Key Management Personnel Ariel Malik.

9. Voting of shareholders at last year's annual general meeting

At the AGM held on 31 May 2018, 79% of the votes received supported the adoption of the remuneration report for the year ended 31 December 2017. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

REMUNERATION REPORT (END)

Signed in accordance with a resolution of the Board of Directors.

Volker Mirgel
Non-Executive Chairman
28 March 2019

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

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

As lead auditor of Dotz Nano Limited for the year ended 31 December 2018, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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, 28 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018	2017
		US$	US$
Revenue	2	15,395	107,795
Other income	2	1,408	3,732
Cost of Sales	2	(5,388)	(37,728)
Administrative expenses		(187,958)	(174,989)
Consulting fees		(73,902)	(30,755)
Depreciation		(74,024)	(51,956)
Directors fees		(237,605)	(183,352)
Executive remuneration	3	(609,250)	(567,484)
Administrative remuneration		(239,752)	(209,692)
Finance expenses	3	(33,392)	(181,529)
Insurance		(72,462)	(25,533)
Interest expense		(5,129)	(170)
Impairment expense	3	-	(371,536)
Legal and professional fees		(142,570)	(188,243)
Finance and accounting expenses		(305,298)	(313,288)
Motor vehicle expense		(173,778)	(111,826)
Occupancy costs		(90,203)	(101,269)
Marketing and Investor relations	3	(593,225)	(562,782)
Research and development	3	(1,025,675)	(723,925)
Share based compensation	3	(1,451,763)	(438,241)
SRA and patent expense	3	(107,309)	(204,877)
Travel and accommodation	3	(324,792)	(364,250)
Loss before income tax		(5,736,672)	(4,731,898)
Income tax expense	4	-	-
Loss for the year		(5,736,672)	(4,731,898)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations	15	(117,014)	368,141
Other comprehensive loss for the year, net of tax		-	-
Total comprehensive loss for the year		(5,853,686)	(4,363,757)
Basic loss per share (cents per share)	7	(3.59)	(4.07)
Diluted loss per share (cents per share)	7	(3.59)	(4.07)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

DOTZ NANO LIMITED
ABN 71 125 264 575
ANNUAL REPORT 31 DECEMBER 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	2018	2017
		US$	US$
CURRENT ASSETS			
Cash and cash equivalents	8(a)	508,572	2,835,485
Trade and other receivables	9	230,722	177,497
Other assets		117,626	98,880
TOTAL CURRENT ASSETS		**856,920**	**3,111,862**
NON-CURRENT ASSETS			
Trade and other receivables	9	44,575	92,653
Property, plant and equipment	10	322,592	244,743
Investments		-	4,773
Intangible assets	11	175,000	245,000
TOTAL NON-CURRENT ASSETS		**542,167**	**587,169**
TOTAL ASSETS		**1,399,087**	**3,699,031**
CURRENT LIABILITIES			
Trade and other payables	12	410,718	655,148
Provisions		14,451	10,790
TOTAL CURRENT LIABILITIES		**425,169**	**665,938**
NON-CURRENT LIABILITIES			
Borrowings	13	242,436	79,718
TOTAL CURRENT LIABILITIES		**242,436**	**79,718**
TOTAL LIABILITIES		**667,605**	**745,656**
NET ASSETS		**731,482**	**2,953,375**
SHAREHOLDERS' EQUITY			
Issued capital	14	18,762,675	15,900,912
Reserves	15	1,608,364	955,348
Accumulated losses		(19,639,557)	(13,902,885)
SHAREHOLDERS' EQUITY		**731,482**	**2,953,375**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Issued Capital	Option Reserve	Foreign Currency Reserve	Accumulated Losses	Total
	US$	US$	US$	US$	US$
Balance at 1 January 2017	**12,456,472**	**418,625**	**(268,858)**	**(9,170,987)**	**3,435,252**
Loss for the year	-	-	-	(4,731,898)	(4, 731,898)
Other comprehensive income	-	-	368,141	-	368,141
Total comprehensive loss for the year	-	-	368,141	(4, 731,898)	(4,363,757)
Transactions with owners, recognised directly in equity					
Issue of shares (net of costs)	3,444,440	-	-	-	3,444,440
Issue of options	-	437,440	-	-	437,440
Balance at 31 December 2017	**15,900,912**	**856,065**	**99,283**	**(13,902,885)**	**2,953,375**
Balance at 1 January 2018	**15,900,912**	**856,065**	**99,283**	**(13,902,885)**	**2,953,375**
Loss for the year	-	-	-	(5,736,672)	(5,736,672)
Other comprehensive income	-	-	(117,014)	-	(117,014)
Total comprehensive loss for the year	-	-	(117,014)	(5,736,672)	(5,853,686)
Transactions with owners, recognised directly in equity					
Issue of shares (net of cost)	2,861,763	-	-	-	2,861,763
Issue of options	-	770,030	-	-	770,030
Balance at 31 December 2018	**18,762,675**	**1,626,095**	**(17,731)**	**(19,639,557)**	**731,482**

The above Consolidated Statements of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018	2017
		US$	US$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		2,820	107,398
Payments to suppliers and employees		(4,449,910)	(3,492,519)
Interest received		1,408	2,187
Net cash used in operating activities	8(b)	(4,445,682)	(3,382,934)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(123,399)	(176,214)
Disposal/ (acquisition) of investments		35,295	(41,252)
Net cash used in investing activities		(88,104)	(217,466)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net Proceeds for the issue of shares		2,108,357	3,430,400
Payment to lenders		(31,730)	(31,200)
Grant from BIRD		239,198	79,718
Other (proceeds from unissued shares)		-	50,000
Net cash from financing activities		2,315,825	3,528,918
Net (decrease)/ increase in cash and cash equivalents		**(2,217,961)**	**(71,482)**
Cash and cash equivalents at the beginning of the financial year		2,835,485	2,843,980
Foreign exchange		(108,952)	62,987
Cash and cash equivalents at the end of the financial year	8(a)	508,572	2,835,485

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

These consolidated financial statements cover Dotz Nano Limited (**Company**) and its controlled entities as a consolidated entity (also referred to as **Group**). Dotz Nano Limited is a company limited by shares, incorporated and domiciled in Australia. The Group is a for-profit entity.

The financial statements were issued by the board of directors of the Company on 28 March 2019.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of the financial report

a) Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (**AASBs**) (including Australian interpretations) adopted by the Australian Accounting Standard Board (**AASB**) and the Corporations Act 2001.

b) Going Concern

The 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 year ended 31 December 2018 of $5,736,672 (2017: $4,731,898), net cash outflows from operating activities of $4,445,682 (2017: $3,382,934) and had cash on hand of $508,572 (2017: $2,835,485).

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 will be 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 the date of signing this annual 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.
- The Group has historically demonstrated its ability to raise funds to satisfy its immediate cash requirements, including raising AU$850,000 subsequent to the year ended 31 December 2018. The Group is also planning to raise further funds through the placement of ordinary shares.
- 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 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 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Going Concern (Continued)

The directors plan to continue the Group's operations on the basis as outlined above and believe there will be sufficient funds for the Group to meet its obligations and liabilities for at least twelve months from the date of this report.

c) Adoption of new and revised accounting standards

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of the adoption of the following standards:

- AASB 9 *Financial Instruments*; and
- AASB 15 *Revenue from Contracts with Customers*

The impact of the adoption of these standards and the new accounting policies are disclosed in below. The impact of the new standards adopted by the Group, has not had a material impact on the amounts presented in the Group's financial statements.

<u>AASB 9 Financial Instruments – Impact of Adoption</u>

Impairment of financial assets

The Group's financial assets subject to AASB 9's new expected credit loss model are cash and trade receivables, which arise from the provision of services and sale of goods.

The impact of the impairment requirements of AASB 9 on cash and cash equivalents has not resulted in a material impact to the financial statements.

Under AASB 9, the Group was required to revise the impairment methodology used in the calculation of its provision for doubtful debts to the expected credit loss model. This change in methodology has not had a material impact on the financial statements. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure or a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

<u>AASB 9 Financial Instruments – Accounting Policies applied from 1 January 2018</u>

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on how the Group manages the financial assets and the contractual terms of the cash flows. At year end, all of the Group's financial assets have been classified as those to be measured at amortised cost.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Adoption of new and revised accounting standards (Continued)

Impairment

From 1 January 2018, the Group assesses expected credit losses associated on a forward looking basis. For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

<u>AASB 15 Revenue from Contracts with Customers – Impact of Adoption</u>

The Group has adopted AASB 15 *Revenue from Contracts with Customers* from 1 January 2018 which resulted in changes to accounting policies but no adjustments to the amounts recognised in the financial statements.

<u>AASB 15 Revenue from Contracts with Customers – Accounting policies applied from 1 January 2018</u>

Group revenues consist of the following elements:

- physical products which are sent to the customer, where revenue is recognised upon shipment or arrival of goods, dependent on the terms that have been agreed with the customer;

The Group has no material contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

d) Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee,
- Rights arising from other contractual arrangements,
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Principles of Consolidation (Continued)

Profit or loss and each component of other comprehensive income (**OCI**) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary
- De-recognises the carrying amount of any non-controlling interests
- De-recognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investments retained
- Recognises any surplus or deficit in profit and loss

Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

e) Business combination

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations are recognised as expenses in profit or loss when incurred. The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

f) Goodwill

Goodwill represents the excess of the costs of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost of a business combination comprise the fair values of assets given, liabilities assumed, and equity instruments issued. Any costs of acquisition are charged to profit or loss.

Goodwill is recognised as an intangible asset with any impairment in carrying value being charged to the income statement. The Goodwill is not systematically amortised and the company reviews goodwill for impairment once a year, or more frequently if events or changes to circumstances indicated that there is an impairment.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Income Tax

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current income tax expense charged to profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (**income**) is charged or credited directly to equity instead of profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

h) Leases

Leases are classified at their inception as either operating or finance leases based on economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Leases (Continued)

Operating Leases
The minimum lease payments made under operating leases are charged against profits in equal installments over the accounting periods covered by the lease term where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item.

The cost of improvements to or on leased property is capitalised, disclosed as leasehold improvements and amortised.

Finance leases
Leases which effectively transfer substantially all of the risks and rewards incidental to ownership of the leased item to the Company are capitalised at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and recognised directly in net profit.

i) Financial Instruments

Initial recognition and measurement
Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Classification and subsequent measurement
Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

(ii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Derivative instruments
The Group does not trade or hold derivatives.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Financial Instruments (Continued)

Financial guarantees

The Group has no material financial guarantees.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flow expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

j) Impairment of non-financial assets

At the end of each reporting period, the Directors assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information, including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits.

If any such indication exists, an impairment test is carried out on the asset by comparing the asset's recoverable amount, being the higher of its fair value less costs to sell and its value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

k) Intangible assets

Acquired intangible assets are measured on initial recognition at cost including directly attributable costs. Intangible assets acquired in a business combination are measured on initial recognition at fair value at the acquisition date.

Intangible assets with a finite useful life are amortised over their useful life and reviewed for impairment whenever there is an indication that the assets may be impaired. The amortisation period and the amortisation method for an intangible asset are reviewed at least at each year end.

Intangible assets with indefinite useful lives are not systematically amortised and are tested for impairment annually or whenever there is an indication that the intangible assets may be impaired. The useful life of these assets is reviewed annually to determine whether their indefinite life assessment continued to be supportable. If the events and circumstances do not continue to support the assessment, the change in the useful life assessment from indefinite to finite

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Intangible assets (Continued)

is accounted for prospectively as a change in accounting estimate and on that date the asset is tested for impairment. The intangible assets are considered to be with indefinite useful life.

l) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks with original maturity of three months or less.

m) Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable. Interest income 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

n) Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

o) Goods and Services Tax (GST) and Value Added Tax (VAT)

Revenues, expenses, and assets are recognised net of the amount of GST or VAT, except where the amount of GST or VAT incurred is not recoverable from the Australian Tax Office (**ATO**) and Israel Tax Authority **(ITA**).

Receivable and payables are stated inclusive of the amount of GST or VAT receivable or payable. The net amount of the GST or VAT recoverable from, or payable to, the ATO or ITA is included with other receivables and payables in the statement of financial position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST or VAT component of investing and financing activities, which are disclosed as operating cash flows.

p) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q) Research and development

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred.

r) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within 12 months have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows attributable to employee benefits.

Equity-settled compensation

The Group operates an employee share and option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. The fair value of performance right options is determined using the satisfaction of certain performance criteria (Performance Milestones). The number of share option and performance rights expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest. The fair value is determined using either a Black Scholes, Binominal or Monte Carlo simulation model depending on the type of share-based payment.

s) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

t) Equity and reserves

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits. The option reserve records the value of share-based payments.

u) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each entity within the Group is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in USA dollars which is the Parent's functional currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

u) Foreign currency transactions and balances (Continued)

Exchange differences arising on the translation of monetary items are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognized other comprehensive Income; otherwise the exchange difference is recognised in profit or loss.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than USA dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed.

v) Segment Information

Identification of reportable segments

The Group has identified its operating segment 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.

w) Earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to member of the parent entity, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year (if any).

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

x) Critical Accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Estimates and judgements

Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. The company reviews goodwill and other intangible assets for impairment once a year or more frequently if events or changes in circumstances indicate that there is impairment. Goodwill is allocated at initial recognition to each of the Company's cash-generating units that are expected to benefit from synergies of the business combination giving rise to the goodwill. An impairment loss is recognised if the recoverable amount of the cash-generating unit to which goodwill has been allocated is lower than the carrying value of the cash generating unit. Any impairment is first allocated to goodwill.

Share based payments

Share-based payments are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of options is determined using either the Black-Scholes, Binominal or Monte Carlo valuation models. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

Bird Grant Liability

Government grant liability reflects the grant received from the Bird Foundation. The grant is repayable upon the Group commencing product commercialisation and generating revenue from sale of product, with repayments being based on 5% of each dollar of revenue. As required by AASB 9 Financial Instruments, the liability has been recognised at fair value on initial recognition and subject to management's estimate of discount rate, and the timing and quantity of future revenues.

NOTE 2: REVENUE AND OTHER INCOME	**2018**	**2017**
	US$	**US$**
Revenue	15,395	107,795
Other income – interest	1,408	3,732
Cost of Sales	(5,388)	(37,728)

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 3: LOSS FOR THE YEAR		**2018**	**2017**
		US$	**US$**
Loss before income tax from continuing operations includes the following specific expenses:			
Executive Remuneration			
- CEO and Executive Director (current and former)		(411,066)	(334,165)
- VP International Finance		(198,184)	(233,319)
		(609,250)	**(567,484)**
Finance cost		(33,392)	(181,529)
Marketing and Investor relations		(593,225)	(562,782)
SRA and patent expense		(107,309)	(204,877)
Travel and accommodation		(324,792)	(364,070)
Impairment expense:			
- Impairment expense on Technology	11	-	327,185
- Impairment write off goodwill and other		-	44,351
		-	**371,536**
Share based compensation:			
- Options issued to broker on 8-Aug-17		-	(438,241)
- Options issued to lead manager on 5-Feb-18	16	(273,539)	-
- Shares issued to lead manager on 5-Feb-18	16	(67,272)	-
- Options issued to employees and consultants on 10-May-18	16	(198,998)	-
- Shares issued to employees, consultants and corporate advisor on 10-May-18	16	(419,248)	-
- Shares issued to former CEO Moti Gross on 29-Jun-18	16	(55,032)	-
- Options issued to lead manager on 1-Aug-18	16	(38,434)	-
- Shares issued to consultants on 2-Nov-18	16	(159,383)	-
- Options issued to employees on 27-Nov-18	16	(221,974)	-
- Options issued to employees on 27-Nov-18	16	(17,883)	-
		(1,451,763)	**(438,241)**
Research and development:			
- Employee costs		(933,277)	(671,508)
- Lab expenses		(92,398)	(52,417)
		(1,025,675)	**(723,925)**

NOTE 4: INCOME TAX

The financial accounts for the year ended 31 December 2018 comprise the results of Dotz Australia and Dotz Israel. The legal parent is incorporated and domiciled in Australia where the applicable tax rate is 27.5% (2017: 27.5%). The applicable tax rate in Israel is 23% (2017: 24%).

	2018	2017
	US$	US$
(a) Income tax expense		
Current tax	-	-
Deferred tax	-	-
(b) The prima facie tax payable on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Income tax benefit on operating loss at 27.5% (2017: 27.5%)	(1,577,585)	(1,301,272)
Non-deductible items		
Non-deductible expenditure	419,196	189,941
Non-assessable income	-	-
Adjustment for difference in tax rates	154,080	117,477
Temporary differences not recognised	1,004,309	993,854
Income tax attributable to operating income/(loss)	-	-
The applicable weighted average effective tax rates are as follows:	Nil%	Nil%
Balance of franking account at year end	Nil	Nil
Deferred tax assets		
Tax losses	977,429	1,427,118
Black hole expenditure	101,959	91,312
Unrecognised deferred tax asset	1,079,388	1,518,430
Set-off deferred tax liabilities	-	-
Net deferred tax assets	1,079,388	1,518,430
Less deferred tax assets not recognised	(1,079,388)	(1,518,430)
Net assets	-	-
Deferred tax liabilities		
Other	-	-
Set-off deferred tax assets	-	-
Net deferred tax liabilities	-	-
Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	1,079,388	1,518,430

Carry forward losses

Potential future income tax benefits attributable to tax losses carried forward have not been brought to account at 31 December 2018, because the Directors do not believe it is appropriate to regard realisation of the future income tax benefits as probable.

NOTE 5: RELATED PARTY TRANSACTIONS

a) Key Management Personnel Compensation

With exception of Mr Breier, Dr Mirgel, Dr Gross and Mr Ismail, the directors entered into contracts to each be paid AUD$4,167 per month, for the period ended 31 December 2018. The salary of Mr Breier is set at US$240,000 and the salary of Dr Mirgel is set at US$100,000. The salary of Mr Ismail was set at AU$120,000 per annum and the salary of Dr Gross was set at US$280,800. The contracts remain in place until the Directors either resign or are not re-elected at an AGM.

The totals of remuneration paid to KMP during the year are as follows:

	2018	2017
	US$	US$
Short-term salary, fees and commissions	1,386,963	1,084,078
Directors fees	237,605	205,536
Share based payments	596,308	-
Total KMP Compensation	2,220,876	1,289,614

b) Other related party transactions

Purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. The Group acquired the following services from entities that are controlled by members of the group's key management personnel.

Some Directors or former Directors of the Group hold or have held positions in other companies, where it is considered they control or significantly influence the financial or operating policies of those entities. During the year, the following entities provided corporate services and rental to the Group. Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Entity	Nature of transactions	Key Management Personnel	Total Transactions		Payable Balance	
			2018	2017	2018	2017
			US$	US$	US$	US$
Otsana Capital Pty Ltd	Capital raising fee	Faldi Ismail	-	110,219	-	-
Otsana Capital Pty Ltd	Corporate advisor retainer	Faldi Ismail	22,424	91,997	7,047	74,219
Adamantium Holdings Pty Ltd	Rent and registered office fee	Faldi Ismail	2,990	18,399	-	10,927
Sharon Malik	Marketing fee	Ariel Malik	114,075	134,590		-

A capital raising fee of $110,219 was paid to Otsana Capital Pty Ltd for the year ended 31 December 2017. Otsana Pty Ltd is a company controlled by former Director Faldi Ismail.

A corporate advisor retainer of $22,424 was paid or payable to Otsana Capital Pty for the period end 31 December 2018 (2017: $91,997) as per the Corporate Advisor Mandate dated 6 August 2016.

The Company had a Rental Agreement with Adamantium Holdings Pty Ltd, a company related to Mr Faldi Ismail. The rent paid during the year ended 31 December 2018 was $2,990 (2017: $18,399).

Marketing fees of $114,075 were paid to Sharon Malik (VP Marketing) for the years ended 31 December 2018 (2017: $134,590), the spouse of Key Management Personnel Ariel Malik.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 6: AUDITOR'S REMUNERATION	**2018**	**2017**
Remuneration of the auditor of the Group for:	**US$**	**US$**
- Auditing and reviewing the financial reports (BDO) – Australia	27,736	28,635
- Auditing and reviewing the financial reports (BDO) – Israel	30,600	20,000
	58,336	48,635
Non-assurance services		
- Tax (BDO) – Australia	3,756	2,892
- Tax (BDO) – Israel	6,961	3,800
	10,717	6,692

NOTE 7: LOSS PER SHARE	**2018**	**2017**
(Loss) per share (EPS)	**US$**	**US$**
a) Loss used in calculation of basic EPS and diluted EPS	(5,736,672)	(4,731,898)
b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted loss per share	159,808,324	116,256,129

NOTE 8 a: CASH AND CASH EQUIVALENTS	**2018**	**2017**
	US$	**US$**
Cash at bank	508,572	2,835,485
Total cash and cash equivalents in the statement of cash flows	508,572	2,835,485

NOTE 8 b: CASH FLOW INFORMATION	**2018**	**2017**
	US$	**US$**
Loss after income tax	(5,736,672)	(4,731,898)
Non-cash flows in loss after income tax		
Depreciation	74,024	51,956
Impairment expense	-	371,536
Share based payment expense	1,451,763	438,241
Foreign exchange loss	29,866	222,922
Changes in assets and liabilities		
Increase in receivables	(5,149)	(93,482)
Increase in prepayments	(18,746)	(34,967)
Decrease in payables	(162,263)	(7,061)
(Decrease)/increase in other payables	(82,166)	475,742
Increase in provisions	3,661	9,077
Decrease in deferred tax	-	(85,000)
Cash flow (used in) operating activities	(4,445,682)	(3,382,934)

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 8 b: CASH FLOW INFORMATION (CONTINUED)

Credit Standby Facilities

The Group has no credit standby facilities.

Non-Cash investing and financing activities

There were no non-cash investing and financing activities during the year.

NOTE 9: TRADE AND OTHER RECEIVABLES	2018	2017
	US$	US$
CURRENT		
Other receivables	230,722	177,497
	230,722	177,497
NON CURRENT		
Other receivables	44,575	92,653
	44,575	92,653

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

NOTE 10: PLANT AND EQUIPMENT	2018	2017
	US$	US$
Plant and equipment at costs	513,827	362,028
Accumulated depreciation	(191,235)	(117,285)
	322,592	244,743
Opening balance at reporting date	244,743	144,230
Additions	151,873	152,469
Depreciation	(74,024)	(51,956)
Closing balance at reporting date	322,592	244,743

NOTE 11: INTANGIBLE ASSETS	2018	2017
	US$	US$
Balance at the beginning of the year	245,000	472,185
Acquisition of License Agreement with William Marsh Rice University	30,000	100,000
Adjustments to accrued licence fees (a)	(100,000)	-
Impairment expense	-	(327,185)
Balance at the end of the year	175,000	245,000

(a) At 31 December 2017, the acquisition of Licence Agreement amount $100,000 was an accrual which was payable on 1 January 2018. The agreement was amended as noted below, therefore the amount $100,000 was not paid and was reversed in year ended 31 December 2018.

NOTE 11: INTANGIBLE ASSETS (CONTINUED)

In December 2014, the Company signed an exclusive technology transfer license agreement ("the License Agreement") with William Marsh Rice University ("Rice") located in Houston Texas. The License Agreement grants the Company an exclusive license, sub-license, assignable, worldwide license to make, develop, use, import, commercialise offer for sale, sell, produce, lease, distribute or otherwise transfer Rice patents covered by the agreement, specifically Rice technology "Coal as an abundant source of GQD's" and "Bandgap Engineering of Carbon Quantum Dotz". The License initial basic fee was US$85,000. In the original agreement applicable to financial year ended 31 December 2017, the Company was required pay Rice University royalties as follows:

- Royalties of 4% of adjusted gross sales attributable to the Company
- Royalties of 4% of adjusted gross sales attributable to the Company's sublicense
- The company to pay Rice University 25% of any cash and non-cash consideration received for sublicense initiation fee, annual fee, sub-license milestone payments, or other such non-sale based royalty payable by a sub-licensee
- The Company was required to pay Rice University the following annual minimum royalties: US$10,000 on 1 January 2016, US$50,000 on 1 January 2017, US$100,000 on 1 January 2018, US$450,000 on 1 January 2019 and US$1,000,000 from 1 January 2020 and each year thereafter (the payments starting from 1 January 2018 were varied as noted below).

The Licence Agreement was amended during the financial year ended 31 December 2018. Under the amended Licence Agreement, the Company is required to make the following payments:

- A non-refundable, non-creditable, license amendment fee of US30,000 due and payable within 30 days from invoicing from Rice
- Annual License Maintenance Fees of US$15,000 due and payable on each January 1st, starting January 1st 2019 and due annually on each January 1st thereafter; provided, however that Licensee's obligations to pay the licensee Maintenance Fee shall cease on January 1st of the calendar year following the date of first commercial sale
- Annual Minimum Royalties: if royalties paid to Rice do not reach the following minimum amounts: US$20,000 for the calendar year immediately following the year in which first commercial sale occurred: US$50,000 for second calendar year following the year in which first commercial sale occurred; and US$100,000 for each calendar year thereafter ("Annual Minimum Royalty"), Licensee shall pay to Rice on or before the quarter royalty payment deadline for the last calendar quarter of the stated calendar year an additional amount equal to the difference between the stated Annual Minimum Royalty and the actual Royalties paid to Rice in that calendar year. For clarity and avoidance of doubt, after first commercial sale of Rice Licensed Product, the corresponding Annual Minimum royalty shall continue to be due and payable (on or before the quarterly royalty payment deadline) for the last calendar quarter of the given calendar year for duration of the term, regardless of whether any sales occur in a given calendar year

The Company may terminate the License Agreement at any time by giving written notice to Rice University. In addition, the Company is obliged to reach certain milestones with regards to research and development. Commercial and production activities. Rice University has the option to terminate the agreement upon the Company failure in reaching these milestones.

The intangible asset has been allocated to the company's only cash generating unit (CGU) for impairment testing. The Board has determined the recoverable amount of the CGU by assessing the fair value less cost of disposal (FVLCOD) of the underlying assets. The method applied was the market approach based on the current market capitalisation (number of shares on issue multiplied by the quoted market price per share) of the Group on the Australian Securities Exchange (ASX). The recoverable value is therefore a Level 1 measurement based on observable inputs of publicly traded shares in an active market. The Board has not identified any possible reasons in key assumption that could cause the carrying amount of the CGU to exceed its recoverable amount. Any reasonable change to the company's share price would not create an impairment. Based on this assessment at t 31 December 2018, no impairment was recognised.

NOTE 11: INTANGIBLE ASSETS (CONTINUED)

On 20 May 2015, the Company acquired 100% of Graphene Materials Ltd from the controlling shareholder. Graphene Materials Ltd had a license agreement with B.G Negev Technologies and Applications Ltd, a company owned by Ben-Gurion University located in Israel. This License Agreement was for exclusive, sub-licensed, worldwide royalty bearing license to develop, exploit, utilise and commercialise the Licensed BGN IP and the Licensed Products. On acquisition of Graphene Materials Ltd an amount totalling to $327,185 was allocated to technology. No impairment loss was recognised for the prior year ended 31 December 2016. For the year ended 31 December 2017 management determined there would be no further use or commercial income related to the technology a specific asset impairment was recognised of $327,185.

NOTE 12: TRADE AND OTHER PAYABLES	**2018**	**2017**
	US$	**US$**
Trade and other payables	179,743	402,694
Accruals	230,975	252,454
	410,718	655,148

All amounts are short-term. The carrying values are considered to approximate fair value.

NOTE 13: BORROWINGS	**2018**	**2017**
	US$	**US$**
NON-CURRENT		
Government grant	242,436	79,718
	242,436	79,718

The Government Grant relates to a Grant the Group received from the Bird Foundation. The Grant is repayable upon the Group commencing product commercialization and generating revenue from sale of product. The repayments are based on 5% of each dollar of revenue. At 31 December 2018 the carrying value of the borrowings was $242,436.

NOTE 14: ISSUED CAPITAL	**2018**	**2017**
	US$	**US$**
(a) Share Capital		
180,714,662 (31 December 2017: 140,818,135) fully paid ordinary shares	18,762,676	15,900,912

(b) Reconciliation of Share Capital	**No.**	**US$**
Opening balance at 1 January 2017	**109,984,802**	**12,456,472**
Shares issued under Public Offer on 8 August 2017	12,500,000	1,130,474
Shares issued under Public Offer on 5 December 2017	18,333,333	2,313,966
Closing balance at 31 December 2017	**140,818,135**	**15,900,912**

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 14: ISSUED CAPITAL	**2018**	**2017**
	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 fees	-	(135,367)
Closing balance at 31 December 2018	**180,714,622**	**18,762,675**

(c) Capital Management

Due to the nature of the Group's activities, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet research and development programs and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. Any surplus funds are invested with major financial institutions.

(d) Performance Shares

In addition to the number of shares disclosed above, there are also 44,000,000 performance shares on issue. The performance shares will convert to ordinary shares on 1:1 basis subject to the performance milestones being met prior to expiry date. The performance shares are summarized below:

Class	Expiry	Milestone
Milestone 2	30/04/2019	Upon Dotz achieving the production and distribution of an aggregate of 50 kilograms of GQDs in any 12 month period through formal off-take agreements with a reputable third party within 30-months from the date of issue of the Performance Shares.
Milestone 3	31/10/2020	Upon Dotz achieving the production and distribution of an aggregate of 100 kilograms of GQDs through formal off-take agreements with a reputable third party in any 12-month period within 48 months from the date of issue of the Performance Shares.

NOTE 15: RESERVES

	Ref	2018	2017
a) Reserves		**US$**	**US$**
Option Reserve 40,325,000 (31 December 2017: 20,500,000) options on issue		1,626,095	856,065
Foreign currency translation reserve		(17,731)	99,283
		1,608,364	**955,348**

	No.	US$
b) Options Reserve	**No.**	**US$**
Opening balance at 1 January 2017	**10,500,000**	**418,625**
Issue of Lead Manager Options	10,000,000	437,440
Closing balance at 31 December 2017	**20,500,000**	**856,065**
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**

c) Foreign currency translation reserve	**US$**	**US$**
Opening balance	99,283	(268,858)
Difference arising on translation	(117,014)	368,141
Balance at the end of the year	**(17,731)**	**99,283**

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

NOTE 16: SHARE BASED PAYMENTS

The following share-based payment arrangements existed at 31 December 2018 and 31 December 2017:

2017 SHARE BASED PAYMENTS

- 10,000,000 Broker Options

2018 SHARE BASED PAYMENTS

- 6,000,000 Lead Manager Options
- 1,000,000 Employee Options
- 1,000,000 Employee Options
- 500,000 Employee Options
- 425,000 Employee Options
- 500,000 Consultant Options
- 1,500,000 Lead Manager Options
- 500,000 Lead Manager Shares
- 5,385,000 Employee, Consultant and Corporate Advisor Shares
- 775,000 Consultant Shares (Former CEO)
- 2,317,723 Consultant Shares
- 3,700,000 Employee Options
- 3,200,000 Employee Options
- 2,000,000 Employee Options

Broker Options

10,000,000 Broker Options were issued on 8 August 2017 with exercise price of AU$0.20 each expiring on 8 August 2019. These options have been valued using the Black and Scholes option valuation methodologies taking into account the terms and conditions upon which the options were granted.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE16: SHARE BASED PAYMENTS (CONTINUED)

Lead Manager Options

6,000,000 Lead Manager Options were issued on 5 February 2018 with exercise price of AU$0.30 each expiring on 5 February 2020. These options have been valued using the Black and Scholes option valuation methodologies taking into account the terms and conditions upon which the options were granted.

Employee Options

1,000,000 Employee Options were issued on 10 May 2018 with exercise price of AU$Nil each expiring on 20 April 2020. These options have been valued using market share price taking into account the terms and conditions upon which the options were granted.

Employee Options

1,000,000 Employee Options were issued on 10 May 2018 with exercise price of AU$Nil each expiring on 1 November 2020. These options have been valued using market share price taking into account the terms and conditions upon which the options were granted.

Employee Options

500,000 Employee Options were issued on 10 May 2018 with exercise price of AU$0.20 each expiring on 20 April 2020. These options have been valued using the Binominal option valuation methodology taking into account the terms and conditions upon which the options were granted.

Employee Options

425,000 Employee Options were issued on 10 May 2018 with exercise price of AU$0.105 ach expiring on 20 April 2020. These options have been valued using the Binominal option valuation methodology taking into account the terms and conditions upon which the options were granted.

Consultant Options

500,000 Consultant Options were issued on 10 May 2018 with exercise price of AU$0.20 each expiring on 20 April 2020. These options have been valued using the Binominal option valuation methodology taking into account the terms and conditions upon which the options were granted.

Lead Manager Options

1,500,000 Lead Manager Options were issued on 10 May 2018 with exercise price of AU$0.20 each expiring on 1 August 2020. These options have been valued using the Black and Scholes option valuation methodologies taking into account the terms and conditions upon which the options were granted.

Lead Manager Shares

500,000 Lead Manager Shares were issued on 5 February 2018 with issue price of AU$Nil and have been valued using the market share price.

Employee, Consultants and Corporate Advisor Shares

5,385,000 Employee, Consultant and Corporate Advisor Shares were issued on 10 May 2018 with issue price of AU$Nil and have been valued using the market share price.

NOTE16: SHARE BASED PAYMENTS (CONTINUED)

Consultant Shares (Former CEO)

775,000 Consultant Shares were issued on 29 June 2018 with issue price of AU$Nil and have been valued using the market share price.

Consultant Shares

2,317,723 Consultant Shares were issued on 2 November 2018 with issue price of AU$Nil and have been valued using the market share price.

Employee Options

3,700,000 Employee Options were issued on 27 November 2018 with exercise price of AUD $Nil each expiring on 1 October 2021. These options have been valued using market share price taking into account the terms and conditions upon which the options were granted.

Employee Options

3,200,000 Employee Options were issued on 27 November 2018 with exercise price of AUD $Nil each expiring on 1 October 2021. The Options vest on 27 November 2019. These options have been valued using market share price taking into account the terms and conditions upon which the options were granted.

Employee Options

2,000,000 Employee Options were issued on 27 November 2018 with exercise price of AUD $Nil each expiring on 1 October 2022. The Options vest subject to the Company achieving revenue of US$1,000,000 for the financial year ended 31 December 2019.

A summary of the inputs used in the valuation of the options and shares is as follows:

Options and Shares	**Broker Options**	**Lead Manager Options**	**Lead Manager Shares**	**Employee Options**	**Employee Options**	**Employee Options**	**Employee Option**	**Consultant Options**
Financial year	2017	2018	2018	2018	2018	2018	2018	2018
Exercise price	AU$0.20	AU$0.30	N/A	Nil	Nil	AU$0.20	AU$0.105	AU$0.20
Price at measurement	AU$0.13	AU$0.16	AU$0.18	AU$0.105	AU$0.105	AU$0.105	AU$0.105	AU$0.105
Grant date	8-Aug-17	5-Feb-18	5-Feb-18	10-May-18	10-May-18	10-May-18	10-May-18	10-May-18
Vesting date	N/A	N/A	N/A	N/A	1-Nov-18	N/A	1-Feb-19	N/AUS
Expected volatility (i)	100%	100%	N/A	92.22%	92.22%	92.22%	92.22%	92.22%
Expiry date	8-Aug-19	5-Feb-20	N/A	20-Apr-20	1-Nov-20	20-Apr-20	20-Apr-20	20-Apr-20
Expected dividends	Nil	Nil	N/A	Nil	Nil	Nil	Nil	Nil
Risk free interest rate	1.74%	1.93%	N/A	2.62%	2.62%	2.62%	2.62%	2.62%
Value per option or share	AU$0.055	AU$0.060	AU$0.18	AU$0.105	AU$0.105	AU$0.0345	AU$0.0517	AU$0.0345
Number of options	10,000,000	6,000,000	500,000	1,000,000	1,000,000	500,000	425,000	500,000
Total value in AUD	**AU$552,431**	**AU$365,955**	**AU$90,000**	**AU$105,000**	**AU$105,000**	**AU$17,262**	**AU$21,990**	**AU$17,262**
Total value in USD	**US$438,241**	**US$273,539**	**US$67,272**	**US$78,704**	**US$78,704**	**US12,939**	**US$15,748**	**US$12,903**

(i) Volatility was determined in reference to similar companies for the same period.

NOTE16: SHARE BASED PAYMENTS (CONTINUED)

Options and Shares	**Employee, Consultant, Corporate Advisor Shares**	**Consultant Shares**	**Lead Manager Options**	**Consultant Shares**	**Employee Options**	**Employee Options**	**Employee Options**
Financial year	2018	2018	2018	2018	2018	2018	2018
Exercise price	N/A	N/A	AU$0.20	N/A	Nil	Nil	Nil
Price at measurement	AU$0.105	AU$0.095	AU$0.096	AU$0.092	AU$0.085	AU$0.085	AU$0.085
Grant date	10-May-18	29-Jun-18	1-Aug-18	2-Nov-18	27-Nov-18	27-Nov-18	27-Nov-18
Vesting date	N/A	N/A	N/A	N/A	N/A	27-Nov-19	(a)
Expected volatility (i)	N/A	N/A	100%	N/A	N/A	N/A	N/A
Expiry date	N/A	N/A	1-Aug-20	N/A	N/A	N/A	N/A
Expected dividends	N/A	N/A	Nil	N/A	N/A	N/A	N/A
Risk free interest rate	N/A	N/A	2.01%	N/A	N/A	N/A	N/A
Value per option or share	AU$0.105	AU$0.095	AU$0.0343	AU$0.092	AU$0.085	AU$0.085	AU$0.085
Number of options	5,385,000	775,000	1,500,000	2,317,723	3,700,000	3,200,000	2,000,000
Total value in AUD	**AU$565,425**	**AU$73,625**	**AU$51,419**	**AU$213,231**	**AU$314,500**	**AU$25,337**	**AU$Nil**
Total value in USD	**US$419,248**	**US$55,032**	**US$38,434**	**US$159,383**	**US$221,974**	**US$17,883**	**US$Nil**

(a) Vesting is subject to Company achieving revenue of US$1,000,000 or more for the financial year ending 31 December 2019.

	Note	**2018**	**2017**
Share based compensation comprises of the following:		**US$**	**US$**
Options issued to broker on 8-Aug-17		-	(438,241)
Options issued to lead manager on 5-Feb-18		(273,539)	
Shares issued to lead manager on 5-Feb-18		(67,272)	-
Options issued to employees and consultants on 10-May-18		(198,998)	
Shares issued to employees, consultants and corporate advisor on 10-May-18		(419,248)	
Shares issued to former CEO Moti Gross on 29-Jun-18		(55,032)	-
Options issued to lead manager on 1-Aug-18		(38,434)	
Shares issued to consultants on 2-Nov-18		(159,383)	-
Options issued to employees on 27-Nov-18		(221,974)	
Options issued to employees on 27-Nov-18		(17,883)	-
		(1,451,763)	**(438,241)**

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 17: OPERATING SEGMENTS

Segment Information

Identification of reportable segments

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 18: FINANCIAL INSTRUMENTS

Financial Risk Management Policies

The Group's financial instruments consist mainly of deposits with banks, other debtors and accounts payable. The main purpose of non-derivative financial instruments is to raise finance for Group's operations.

Specific Financial Risk Exposures and Management

The main risk the Group is exposed to through its financial instruments are market risk (including fair value and interest rate risk) and cash flow interest rate risk, credit risk and liquidity risk.

(a) Interest Rate Risk

From time to time the Group has significant interest bearing assets, but they are as a result of the timing of equity raising and capital expenditure rather than a reliance on interest income. The interest rate risk arises on the rise and fall of interest rates. The Group's income and operating cash flows are not expected to be materially exposed to changes in market interest rates in the future and the exposure to interest rates is limited to the cash and cash equivalents balances.

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is below:

NOTE 18: FINANCIAL INSTRUMENTS (CONTINUED)

	Floating Interest Rate	Non-interest bearing	2018 Total	Floating Interest Rate	Non-interest bearing	2017 Total
	US$	US$	US$	US$	US$	US$
Financial assets						
- Within one year						
Cash and cash equivalents	508,572	-	508,572	2,835,485	-	2,835,485
Other receivables	-	34,975	34,975	-	22,624	22,624
Total financial assets	508,572	34,975	543,547	2,835,485	22,624	2,858,109
Weighted average interest rate	0.08%			0.13%		
Financial Liabilities						
- Within one year						
Trade and other Payables	-	410,718	410,718	-	655,148	655,148
Other liabilities	-	14,451	14,451	-	10,790	10,790
Total financial liabilities	-	425,169	425,169	-	665,938	665,938
Weighted average interest rate						
Net financial assets	508,572	(390,194)	118,378	2,835,485	(643,314)	2,192,171

Sensitivity Analysis

The following table illustrates sensitivities to the Consolidated Entity's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at reporting date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Movement in Profit	Movement in Equity
	US$	US$
Year ended 31 December 2018		
+/-1% in interest rates	17,000	17,000
Year ended 31 December 2017		
+/-1% in interest rates	28,397	28,397

(b) Credit risk

The maximum exposure to credit risk is limited to the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements.

Credit risk related to balances with banks and other financial institutions is managed by the Group in accordance with approved Board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard and Poor's rating of at least AA-. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard and Poor's counterparty credit ratings.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 18: FINANCIAL INSTRUMENTS (CONTINUED)

	Note	2018 US$	2017 US$
Cash and cash equivalents - AA Rated	8a	508,572	2,835,485

(c) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

The Group has no access to credit standby facilities or arrangements for further funding or borrowings in place. The financial liabilities of the Group are confined to trade and other payables as disclosed in the Statement of Financial Position. All trade and other payables are non-interest bearing and due within 12 months of the reporting date.

2018	Interest rate	Less than 6 months US$	6-12 months US$	1-2 years US$	2-5 years US$	Over 5 years US$	Total contractual cash flows US$	Carrying amount assets/ (liabilities) US$
Financial liabilities at amortised cost								
Trade and other payables		(410,718)	-	-	-	-	(410,718)	(410,718)
Borrowings	n/a%	-	-	-	-	-	-	-
		(410,718)	-	-	-	-	(410,718)	(410,718)

2017	Interest rate	Less than 6 months US$	6-12 months US$	1-2 years US$	2-5 years US$	Over 5 years US$	Total contractual cash flows US$	Carrying amount assets/ (liabilities) US$
Financial liabilities at amortised cost								
Trade and other payables		(655,148)	-	-	-	-	(655,148)	(655,148)
Borrowings	n/a%	-	-	-	-	-	-	-
		(655,148)	-	-	-	-	(655,148)	(655,148)

(d) Net fair Value of financial assets and liabilities

Fair value estimation

Due to the short term nature of the receivables and payables the carrying value approximates fair value.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 18: FINANCIAL INSTRUMENTS (CONTINUED)

(e) Financial arrangements

The company had no other financial arrangements in place at 31 December 2018 based on the information available to the current board.

(f) Currency risk

The currency risk is the risk that the value of financial instruments will fluctuate due to change in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's functional currency. The company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar (the functional currency), the New Israeli Shekel, the Australian Dollar, the Singapore Dollar and Euro.

The Company's policy is not to enter into any currency hedging transactions.

	2018		2017	
Cash and cash equivalents	**Foreign Currency**	**USD Equivalent**	**Foreign Currency**	**USD Equivalent**
New Israeli Shekels	141,463	37,744	204,781	58,781
Australian Dollar	327,001	230,641	3,260,497	2,544,779
Singapore Dollar	-	-	130,904	97,917
Euro	958	1,097		

NOTE 19: PARENT ENTITY FINANCIAL INFORMATION

The following information has been extracted from the books and records of the legal parent Dotz Nano Limited which have been prepared in accordance with Australian Accounting Standards and the accounting policies as outlined in note 1.

(a) Financial Position of Dotz Nano Limited

	2018 US$	2017 US$
ASSETS		
Current assets	864,148	3,294,734
TOTAL ASSETS	**864,148**	**3,294,734**
LIABILITIES		
Current liabilities	132,666	341,358
TOTAL LIABILITIES	**132,666**	**341,358**
NET ASSETS	**731,482**	**2,953,374**
SHAREHOLDERS' (DEFICIT)/ EQUITY		
Issued capital	334,043,873	331,182,110
Reserves	1,442,692	1,502,054
Accumulated Losses	(334,755,083)	(329,730,790)
SHAREHOLDERS' (DEFICIT)/ EQUITY	**731,482**	**2,953,374**

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 19: PARENT ENTITY FINANCIAL INFORMATION (CONTINUED)

(b) Statement of profit or loss and other comprehensive income

Loss for the year	(9,295,339)	(5,335,749)
Total comprehensive loss	(9,295,339)	(5,335,749)

(c) Guarantees entered into by Dotz Nano Limited for the debts of its subsidiary

There are no guarantees entered into by Dotz Nano Limited

(d) Contingent liabilities of Dotz Nano Limited

There were no known contingent liabilities as at 31 December 2018 (2017: Nil).

(e) Commitments by Dotz Nano Limited

Known commitments as at 31 December 2018 are disclosed in the consolidated entities in Note 21 below.

NOTE 20: CONTROLLED ENTITIES

Dotz Nano Limited

Controlled entity	**Country of Incorporation**	**Percentage Owned**	
		2018	**2017**
Dotz Nano Ltd	Israel	100%	100%
Dotz Singapore Pte Ltd	Singapore	100%	100%
Graphene Materials Ltd	Israel	100%	100%
DotzBlue Ltd	Israel	100%	100%

NOTE 21: COMMITMENTS	**2018 US$**	**2017 US$**
Operating lease commitments:		
No longer than 1 year	10,977	141,590
Longer than 1 year and not longer than 5 years	-	11,799
Longer than 5 years	-	-
	10,977	153,389
Other expenditure commitments:		
No longer than 1 year	62,271	136,738
Longer than 1 year and not longer than 5 years	58,315	76,959
Longer than 5 years	-	-
	120,271	213,697

NOTE 22: CONTINGENT LIABILITIES

The Group has no known contingent liabilities as at 31 December 2018 (2017: Nil).

NOTE 23: EVENTS SUBSEQUENT TO REPORTING DATE

Since the reporting date the following significant events have occurred:

- On 14 January 2019, it was announced that the Company has 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 16 January 2019, the Company announced the resignation of Mr Steve Bajic 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.
- Subsequent to balance date, the Company issued the following shares and options:
  - 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) on conversion of the Convertible Loans Facility **(Facility)**. The Facility was announced on the 9 January 2019 and funds raised under the Facility summed to AUD $0.85 million
    - The terms of the Facility were set out as below:
      - 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
  - 2,000,000 Unquoted Options, exercisable at $0.12 each before 15 February 2024 issued to the CEO
  - 1,500,000 Ordinary Shares issued to the CEO with 12 month holding lock to 15 February 2020 issued to the CEO
  - 1,000,000 Unquoted Options issued to the Chairman exercisable at $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
  - 1,000,000 Unquoted Options exercisable at nil on or before 15 February 2023 issued to an employee under the Company's Employee Share Option Plan. The options are subject to vesting 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

There were no other significant events after the reporting period.

NOTE 24: NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

Australian accounting standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the year ended 31 December 2018. Relevant Standards and Interpretations are outlined in the table below.

New/revised pronouncement	Explanation of amendments	Application Date of Standard	Application Date of Group
AASB 16 Leases AASB 16 Leases	AASB16 requires lessees to account for all leases under a single on balance sheet model in a similar way to finance leases under AASB 117 Leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting is substantially unchanged from today's accounting under AASB117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases **Impact on Dotz Nano Limited** The company have assessed that there is no expected material impact of the above standard.	1 January 2019 1 January 2019	1 July 2019 1 July 2019

The Group has decided not to early adopt any of the new and amended pronouncements. The impact of the above standards is yet to be determined unless noted otherwise above.

DIRECTORS' DECLARATION

In the Director's opinion:

1. The consolidated financial statements and notes set out on pages 21 to 54 are in accordance with the Corporations Act 2001, including:

   a) complying with Australian Accounting Standards and Corporations Regulations 2001;

   b) giving a true and fair view, the consolidated entity's financial position as at 31 December 2018 and of its performance for the year ended on that date; and

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3. This declaration has been made after receiving the declaration required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 31 December 2018.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

Volker Mirgel
Non-Executive Chairman
28 March 2019

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Dotz Nano Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Dotz Nano Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the Corporations Act 2001, including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Report section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1(b) 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 opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Accounting for Share-Based Payments

Key audit matter	How the matter was addressed in our audit
During the financial year ended 31 December 2018, the Group issued equity instruments, in the form of shares and options, to eligible directors, employees and other consultants, which have been accounted for as share-based payments, as disclosed in Note 16 to the financial report. The Group's policy for accounting for share-based payments and significant judgements applied to these arrangements are disclosed in Note 1. Share-based payments are a complex accounting area and due to the complex and judgemental estimates used in determining the fair value of share-based payments, we consider the Group's accounting for share-based payments to be a key audit matter.	Our audit procedures in respect of this area included but were not limited to the following: • Reviewing relevant supporting documentation to obtain an understanding of the contractual nature and terms and conditions of the share-based payment arrangements; • Involving our valuation specialists to assess the assumptions and inputs used in the valuation; • Assessing management's determination of achieving non-market vesting conditions of the performance shares issued; • Assessing the allocation of the share-based payment expense over management's expected vesting period; and • Assessing the adequacy of the disclosure in Note 1, Note 3 and Note 16 in the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 19 of the directors' report for the year ended 31 December 2018.

In our opinion, the Remuneration Report of Dotz Nano Limited, for the year ended 31 December 2018, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO

Dean Just

Director

Perth, 28 March 2019

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement is current as at 22 March 2019 and has been approved by the Board of the Company.

This Corporate Governance Statement discloses the extent to which the Company follows the recommendations set by the ASX Corporate Governance Council in its publication *Corporate Governance Principles and Recommendations 3rd Edition* (Recommendations). The Recommendations are not mandatory, however the Recommendations that have not been followed have been identified and reasons for not following them, along with what (if any) alternative governance practices have been adopted in lieu of the Recommendation.

The Company has adopted Corporate Governance Policies which provide written terms of reference for the Company's corporate governance practices and has been following these practices since 1 July 2016. The Board of the Company has not yet formed an audit committee, nomination committee, risk management committee or remuneration committee.

The Company's Corporate Governance Policies are contained within the Corporate Governance Plan and available on the Company's website at www.dotznano.com/corporate-governance

Principle 1: Lay solid foundations for management and oversight

Roles of the Board & Management

The role of the Board is to provide overall strategic guidance and effective oversight of management. The Board derives its authority to act from the Company's Constitution.

The Board is responsible for and has the authority to determine all matters relating to the strategic direction, policies, practices, establishing goals for management and the operation of the Company. The Board delegates responsibility for the day-to-day operations and administration of the Company to the Managing Director/Chief Executive Officer.

The role of management is to support the Managing Director/Chief Executive Officer and implement the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

In addition to matters it is expressly required by law to approve, the Board has reserved the following matters to itself:

- Driving the strategic direction of the Company, ensuring appropriate resources are available to meet objectives and monitoring management's performance;
- Appointment, and where necessary, the replacement, of the Managing Director/Chief Executive Officer and other senior executives and the determination of their terms and conditions including remuneration and termination;
- Approving the Company's remuneration framework;
- Monitoring the timeliness and effectiveness of reporting to Shareholders;
- Reviewing and ratifying systems of audit, risk management and internal compliance and control, codes of conduct and legal compliance to minimise the possibility of the Company operating beyond acceptable risk parameters;
- Approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures;
- Approving and monitoring the budget and the adequacy and integrity of financial and other reporting such that the financial performance of the company has sufficient clarity to be actively monitored;
- Approving the annual, half yearly and quarterly accounts;
- Approving significant changes to the organisational structure;
- Approving decisions affecting the Company's capital, including determining the Company's dividend policy and declaring dividends;
- Ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision making;

- Procuring appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively;
- Ensuring that the Company acts legally and responsibly on all matters and assuring itself that the Company has adopted, and that its practice is consistent with, a number of guidelines including:

  - Corporate Code of Conduct;
  - Continuous Disclosure Policy;
  - Diversity Policy;
  - Performance Evaluation;
  - Risk Management;
  - Trading Policy; and
  - Shareholder Communication Strategy.

Subject to the specific authorities reserved to the Board under the Board Charter, the Board delegates to the Managing Director/Chief Executive Officer responsibility for the management and operation of the Company. The Managing Director/Chief Executive Officer is responsible for the day-to-day operations, financial performance and administration of the Company within the powers authorised to him from time-to-time by the Board. The Managing Director/Chief Executive Officer may make further delegation within the delegations specified by the Board and will be accountable to the Board for the exercise of those delegated powers.

Further details of Board responsibilities, objectives and structure are set out in the Board Charter which is contained within the Corporate Governance Plan on the Company's website at www.dotznano.com/corporate-governance.

Board Committees

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate committees at this time including audit and risk, remuneration or nomination committees, preferring at this stage of the Company's development, to manage the Company through the full Board of Directors. The Board assumes the responsibilities normally delegated to the audit and risk, remuneration and nomination Committees.

If the Company's activities increase, in size, scope and nature, the appointment of separate committees will be reviewed by the Board and implemented if considered appropriate.

Board Appointments

The Company undertakes comprehensive reference checks prior to appointing a director or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of director. The Company provides relevant information to shareholders for their consideration about the attributes of candidates together with whether the Board supports the appointment or re-election.

The terms of the appointment of a non-executive director, executive directors and senior executives are agreed upon and set out in writing at the time of appointment.

The Company Secretary

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board, including agendas, Board papers and minutes, advising the Board and its Committees (as applicable) on governance matters, monitoring that the Board and Committee policies and procedures are followed, communication with regulatory bodies and the ASX and statutory and other filings.

CORPORATE GOVERNANCE STATEMENT

Diversity

The Board has adopted a Diversity Policy which provides a framework for the Company to establish and achieve measurable diversity objectives, including in respect to gender, age, ethnicity and cultural diversity. The Diversity Policy allows the Board to set measurable gender diversity objectives (if considered appropriate) and to assess annually both the objectives (if any have been set) and the Company's progress towards achieving them.

The Board considers that, due to the size, nature and stage of development of the Company, setting measurable objectives for the Diversity Policy at this time is not appropriate. The Board will consider setting measurable objectives as the Company increases in size and complexity.

The participation of women in the Company at 31 December 2018 is as follows:

- Women employees in the Company 36%
- Women in senior management positions 0%
- Women on the Board 0%

The Company's Diversity Policy is available on its website.

Board & Management Performance Review

On an annual basis, the Board conducts a review of its structure, composition and performance.

The annual review includes consideration of the following measures:

- comparing the performance of the Board against the requirements of its Charter;
- assessing the performance of the Board over the previous 12 months having regard to the corporate strategies, operating plans and the annual budget;
- reviewing the Board's interaction with management;
- reviewing the nature and timing of information provided to the Board by management;
- reviewing management's performance in assisting the Board to meet its objectives; and
- identifying any necessary or desirable improvements to the Board Charter.

The method and scope of the performance evaluation will be set by the Board and may include a Board self-assessment checklist to be completed by each Director. The Board may also use an independent adviser to assist in the review.

The Chairman has primary responsibility for conducting performance appraisals of Non-Executive Directors, in conjunction with them, having particular regard to:

- contribution to Board discussion and function;
- degree of independence including relevance of any conflicts of interest;
- availability for and attendance at Board meetings and other relevant events;
- contribution to Company strategy;
- membership of and contribution to any Board committees; and
- suitability to Board structure and composition.

The Board conducts an annual performance assessment of the Managing Director/Chief Executive Officer against agreed key performance indicators.

CORPORATE GOVERNANCE STATEMENT

The Managing Director/Chief Executive Officer conducts an annual performance assessment of senior executives against agreed key performance indicators.

Given the fact the Company was only reinstated under its present structure on 14 November 2016, no formal appraisal of the Board or any senior executive has been conducted.

Independent Advice

Directors have a right of access to all Company information and executives. Directors are entitled, in fulfilling their duties and responsibilities, to seek independent external professional advice as considered necessary at the expense of the Company, subject to prior consultation with the Chairman. A copy of any such advice received is made available to all members of the Board.

Principle 2: Structure the board to add value

Board Composition

Board is comprised of the following members at 20 March 2019:

Mr Uzi Breier	Chief Executive Officer and Managing Director (appointed 18 May 2018);
Dr Volker Mirgel	Non-Executive Chairman (appointed 3 April 2018);
Mr Ashley Krongold	Non-Executive Director (appointed 31 October 2016); and
Mr John Bullwinkel	Non-Executive Director (appointed 21 March 2018)

Dotz Nano has adopted a definition of 'independence' for Directors that is consistent with the Recommendations.

The Board comprises a majority of non-executive directors, three of whom are considered independent.

Board Selection Process

The Board considers that a diverse range of skills, backgrounds, knowledge and experience is required in order to effectively govern Dotz Nano. The Board believes that orderly succession and renewal contributes to strong corporate governance and is achieved by careful planning and continual review.

The Board is responsible for the nomination and selection of directors. The Board reviews the size and composition of the Board regularly and at least once a year as part of the Board evaluation process.

The Board will establish a Board Skills Matrix. The Board Skills Matrix will include the following areas of knowledge and expertise:

- strategic expertise;
- specific industry knowledge;
- accounting and finance;
- risk management;
- experience with financial markets; and
- investor relations.

Induction of New Directors and Ongoing Development

New Directors are issued with a formal Letter of Appointment that sets out the key terms and conditions of their appointment, including Director's duties, rights and responsibilities, the time commitment envisaged, and the Board's expectations regarding involvement with any Committee work.

CORPORATE GOVERNANCE STATEMENT

An induction program is in place and new Directors are encouraged to engage in professional development activities to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

Principle 3: Act ethically and responsibly

The Company has implemented a Code of Conduct, which provides a framework for decisions and actions in relation to ethical conduct in employment. It underpins the Company's commitment to integrity and fair dealing in its business affairs and to a duty of care to all employees, clients and stakeholders.

All employees and Directors are expected to:

- behave honestly and with integrity and report other employees who are behaving dishonestly;
- carry out your work with integrity and to a high standard and in particular, commit to the Company's policy of producing quality goods and services;
- operate within the law at all times;
- act in the best interests of the Company;
- follow the policies of the Company; and
- act in an appropriate business-like manner when representing the Company in public forums.

An employee that breaches the Code of Conduct may face disciplinary action including, in the cases of serious breaches, dismissal. If an employee suspects that a breach of the Code of Conduct has occurred or will occur, he or she must report that breach to the Company Secretary, or in their absence, the Chairman. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

Principle 4: Safeguard integrity in corporate reporting

The Board as a whole fulfils to the functions normally delegated to the Audit Committee as detailed in the Audit Committee Charter.

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company throughout the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.

The Board receives regular reports from management and from external auditors. It also meets with the external auditors as and when required.

The external auditors attend Dotz Nano's AGM and are available to answer questions from security holders relevant to the audit.

Prior approval of the Board must be gained for non-audit work to be performed by the external auditor. There are qualitative limits on this non-audit work to ensure that the independence of the auditor is maintained.

There is also a requirement that the lead engagement partner responsible for the audit not perform in that role for more than five years.

CEO and CFO Certifications

The Board, before it approves the entity's financial statements for a financial period, receives from its CEO and CFO (or the persons fulfilling those functions) a declaration provided in accordance with Section 295A of the Corporations Act that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Principle 5: Make timely and balanced disclosure

The Company has a Continuous Disclosure Policy which outlines the disclosure obligations of the Company as required under the ASX Listing Rules and Corporations Act. The policy is designed to ensure that procedures are in place so that the market is properly informed of matters which may have a material impact on the price at which Company securities are traded.

The Board considers whether there are any matters requiring disclosure in respect of each and every item of business that it considers in its meetings. Individual Directors are required to make such a consideration when they become aware of any information in the course of their duties as a Director of the Company.

The Company is committed to ensuring all investors have equal and timely access to material information concerning the Company.

The Board has designated the Company Secretary as the person responsible for communicating with the ASX. All key announcements at the discretion of the Managing Director are to be circulated to and reviewed by all members of the Board.

The Chairman, the Board, Managing Director and the Company Secretary are responsible for ensuring that:

a) company announcements are made in a timely manner, that announcements are factual and do not omit any material information required to be disclosed under the ASX Listing Rules and Corporations Act; and

b) company announcements are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

Principle 6: Respect the rights of security holders

The Company recognises the value of providing current and relevant information to its shareholders. The Board of the Company aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs.

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, the company website, information posted or emailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to clear and understandable information about the Company; and
- making it easy for shareholders to participate in general meetings of the Company.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company. These contact details are available on the "Contact Us" page of the Company's website.

Shareholders may elect to, and are encouraged to, receive communications from Dotz Nano and Dotz Nano's securities registry electronically. The contact details for the registry are accessible from the "For Investors" page of the Company's website.

The Company maintains information in relation to its Constitution, governance documents, Directors and senior executives, Board and committee charters, annual reports and ASX announcements on the Company's website.

Principle 7: Recognise and manage risk

The Board is committed to the identification, assessment and management of risk throughout Dotz Nano's business activities.

The Board is responsible for the oversight of the Company's risk management and internal compliance and control framework. The Company does not have an internal audit function. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Managing Director having ultimate responsibility to the Board for the risk management and internal compliance and control framework. Dotz Nano has established policies for the oversight and management of material business risks.

Dotz Nano's Risk Management and Internal Compliance and Control Policy recognises that risk management is an essential element of good corporate governance and fundamental in achieving its strategic and operational objectives. Risk management improves decision making, defines opportunities and mitigates material events that may impact security holder value.

Dotz Nano believes that explicit and effective risk management is a source of insight and competitive advantage. To this end, Dotz Nano is committed to the ongoing development of a strategic and consistent enterprise wide risk management program, underpinned by a risk conscious culture.

Dotz Nano accepts that risk is a part of doing business. Therefore, the Company's Risk Management and Internal Compliance and Control Policy is not designed to promote risk avoidance. Rather Dotz Nano's approach is to create a risk conscious culture that encourages the systematic identification, management and control of risks whilst ensuring the Company does not enter into unnecessary risks or enter into risks unknowingly.

Dotz Nano assesses its risks on a residual basis; that is it evaluates the level of risk remaining and considering all the mitigation practices and controls. Depending on the materiality of the risks, Dotz Nano applies varying levels of management plans.

The Board has required management to design and implement a risk management and internal compliance and control system to manage Dotz Nano's material business risks. It receives regular reports on specific business areas where there may exist significant business risk or exposure. The Company faces risks inherent to its business, including economic risks, which may materially impact the Company's ability to create or preserve value for security holders over the short, medium or long term. The Company has in place policies and procedures, including a risk management framework (as described in the Company's Risk Management and Internal Compliance and Control Policy), which is developed and updated to help manage these risks. The Board does not consider that the Company currently has any material exposure to environmental or social sustainability risks.

The Company's process of risk management and internal compliance and control includes:

- identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect those risks;
- formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls; and
- monitoring the performance of, and improving the effectiveness of, risk management systems and internal compliance and controls, including regular assessment of the effectiveness of risk management and internal compliance and control.

The Board review's the Company's risk management framework at least annually to ensure that it continues to effectively manage risk.

Management reports to the Board as to the effectiveness of Dotz Nano's management of its material business risks at each Board meeting.

CORPORATE GOVERNANCE STATEMENT

Principle 8: Remunerate fairly and responsibly

The Board as a whole fulfils to the functions normally delegated to the Remuneration Committee as detailed in the Remuneration Committee Charter.

Dotz Nano has implemented a Remuneration Policy which was designed to recognise the competitive environment within which Dotz Nano operates and also emphasise the requirement to attract and retain high caliber talent in order to achieve sustained improvement in Dotz Nano's performance. The overriding objective of the Remuneration Policy is to ensure that an individual's remuneration package accurately reflects their experience, level of responsibility, individual performance and the performance of Dotz Nano.

The key principles are to:

- review and approve the executive remuneration policy to enable the Company to attract and retain executives and Directors who will create value for shareholders;
- ensure that the executive remuneration policy demonstrates a clear relationship between key executive performance and remuneration;
- fairly and responsibly reward executives having regard to the performance of the Group, the performance of the executive and the prevailing remuneration expectations in the market;
- remunerate fairly and competitively in order to attract and retain top talent;
- recognise capabilities and promote opportunities for career and professional development; and
- review and approve equity-based plans and other incentive schemes to foster a partnership between employees and other security holders.

The Board determines the Company's remuneration policies and practices and assesses the necessary and desirable competencies of Board members. The Board is responsible for evaluating Board performance, reviewing Board and management succession plans and determines remuneration packages for the Managing Director, Non-Executive Directors and senior management based on an annual review.

Dotz Nano's executive remuneration policies and structures and details of remuneration paid to directors and key management personnel (where applicable) are set out in the Remuneration Report.

Non-Executive Directors receive fees (including statutory superannuation where applicable) for their services, the reimbursement of reasonable expenses and, in certain circumstances options.

The maximum aggregate remuneration approved by shareholders for Non-Executive Directors is AU$500,000 per annum. The Directors set the individual Non-Executive Directors fees within the limit approved by shareholders.

Executive directors and other senior executives (where appointed) are remunerated using combinations of fixed and performance-based remuneration. Fees and salaries are set at levels reflecting market rates and performance-based remuneration is linked directly to specific performance targets that are aligned to both short and long term objectives.

The Company prohibits Directors and employees from entering into any transaction that would have the effect of hedging or otherwise transferring the risk of any fluctuation in the value of any unvested entitlement in the Company's securities to any other person.

Further details in relation to the company's remuneration policies are contained in the Remuneration Report, within the Directors' report.

ADDITIONAL ASX INFORMATION
AS AT 19 MARCH 2019

The shareholder information set out below was applicable as at 19 March 2019.

As at 19 March 2019 there were 1,170 holders of Ordinary Fully Paid Shares.

VOTING RIGHTS

The voting rights of the ordinary shares are as follows:

(a) at meetings of members each member entitled to vote may vote in person or by proxy or attorney;
(b) on a show of hands each person present who is a member has one vote; and
(c) on a poll each person present in person or by proxy or by attorney has one vote for each ordinary share held.

There are no voting rights attached to any of the options and performance shares that the Company currently has on issue. Upon exercise of these options, the shares issued will have the same voting rights as existing ordinary shares.

TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest holders of each class of listed securities are listed below:

Ordinary Fully Paid Shares

Holder Name	**Holding**	**% IC**
CITICORP NOMINEES PTY LIMITED	38,951,708	20.19%
IBI TRUST MANAGEMENT <DR BORENSTEIN LTD A/C>	11,988,809	6.22%
IBI TRUST MANAGEMENT <ARIEL MALIK A/C>	11,746,611	6.09%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	9,432,832	4.89%
ORNA SIMA LUBLINER	6,270,548	3.25%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,945,409	3.08%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	4,341,256	2.25%
IBI TRUST MANAGEMENT <MOTI GROSS A/C>	3,160,687	1.64%
BUZZ CAPITAL PTY LTD <ZI VESTMENT A/C>	3,000,000	1.56%
102 CAPITAL MANAGEMENT <INVESTJTECH LLC A/C>	2,993,461	1.55%
MR TONY PETER VUCIC & MRS DIANE VUCIC <VUCIC FUTURE FUND A/C>	2,500,000	1.30%
IBI TRUST MANAGEMENT <MICHAEL SHTEIN A/C>	2,446,201	1.27%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <EUROCLEAR BANK SA NV A/C>	2,363,333	1.23%
BNP PARIBAS NOMS PTY LTD <DRP>	2,315,025	1.20%
ROMFAL SIFAT PTY LTD <THE FIZMAIL FAMILY A/C>	2,266,667	1.18%

ADDITIONAL ASX INFORMATION
AS AT 19 MARCH 2019

DANNY EDGAR	2,222,222	1.15%
IBI TRUST MANAGEMENT <KOBI BEN SHABATH A/C>	2,051,855	1.06%
SUKHMOHAN ATHWAL	2,000,000	1.04%
MR BRUNO NOSEK	1,963,200	1.02%
NOAM COHEN	1,889,795	0.98%
Total	**119,849,619**	**62.14%**
Total issued capital - selected security class(es)	**192,881,254**	**100.00%**

SUBSTANTIAL HOLDERS

The names of the substantial shareholders disclosed to the Company as substantial shareholders as at 19 March 2019 are:

Name	No of Shares Held	% of Issued Capital
Amiram Bornstein	11,988,809	6.22%
Ariel Malik	11,746,611	6.09%

DISTRIBUTION OF EQUITY SECURITIES

Ordinary Fully Paid Shares

Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000	134	5,788	0.00%
1,001 - 5,000	174	581,211	0.30%
5,001 - 10,000	191	1,592,113	0.83%
10,001 - 100,000	510	18,794,367	9.74%
100,001 - 9,999,999,999	161	171,907,775	89.13%
Totals	**1,170**	**192,881,254**	**100.00%**

Unmarketable Parcels – 323 Holders (based on share price of $0.09)

RESTRICTED SECURITIES

As at 19 March 2019 the following shares are subject to escrow:

- Nil

UNQUOTED SECURITIES

As at 19 March 2019, the following unquoted securities are on issue:

44,000,000 Performance Shares[1] escrowed - 59 Holders

There are no holders with more than 20%

[1] Details on the performance conditions surrounding the Performance Shares are contained within the Directors' Report.

ADDITIONAL ASX INFORMATION
AS AT 19 MARCH 2019

5,000,000 Options Expiring 14/06/2020 @ $0.20 escrowed until 21 December 2018 – 12 Holders

Holders with more than 20%

Holder Name	Holding	% IC
Buzz Capital Pty Ltd <ZI Vestment A/C>	2,395,000	47.90%

4,500,000 Options Expiring 31/10/2019 @ $0.40 escrowed until 21 December 2018 – 6 Holders

Holders with more than 20%

Holder Name	Holding	% IC
Attollo Investments Pty Ltd <Attollo Investment A/C>	2,516,666	55.93%
Otsana Pty Ltd	1,000,000	22.22%

1,000,000 Options Expiring 31/10/2019 @ $0.30 escrowed until 21 December 2018 – 2 Holders

Holders with more than 20%

Holder Name	Holding	% IC
Bull Equities	500,000	50.00%
Oran Dorel	500,000	50.00%

10,000,000 Options Expiring 08/08/2019 @ $0.20 – 14 Holders

Holders with more than 20%

Holder Name	Holding	% IC
SUNSET TIDAL PTY LTD	4,000,000	40.00%

6,000,000 Options Expiring 05/02/2020 @ $0.30 – 7 Holders

Holders with more than 20%

Holder Name	Holding	% IC
LTL CAPITAL PTY LTD	5,600,000	93.33%

2,666,659 Options Expiring 30/06/2020 @ $0.12 – 6 Holders

Holders with more than 20%

Holder Name	Holding	% IC
ORNA SIMA LUBLINER	1,567,637	58.79%

3,700,000 Options Expiring 01/10/2021 @ $nil – 11 Holders

Holders with more than 20%

Holder Name	Holding	% IC
MICHAEL SHTEIN	1,200,000	32.43%

3,200,000 Options Expiring 01/10/2021 @ $nil – 6 Holders

Holders with more than 20%

ADDITIONAL ASX INFORMATION
AS AT 19 MARCH 2019

Holder Name	Holding	% IC
MICHAEL SHTEIN	1,500,000	46.88%

2,000,000 Options Expiring 01/10/2022 @ $nil – 2 Holders

Holders with more than 20%

Holder Name	Holding	% IC
TALSBAR CONSULTING LTD	1,000,000	50%
MICHAEL SHTEIN	1,000,000	50%

3,000,000 Options Expiring 01/10/2022 @ $0.13 – 2 Holders

Holders with more than 20%

Holder Name	Holding	% IC
KNAZ-BREIER LTD	2,000,000	66.67%
VMCONNECT LLC	1,000,000	33.33%

1,000,000 Options Expiring 15/02/2023 @ $nil – 1 Holders

Holders with more than 20%

Holder Name	Holding	% IC
TOMER SEGEV	1,000,000	100%

1,000,000 Options Expiring 20/04/2020 @ $nil – 1 Holders

Holders with more than 20%

Holder Name	Holding	% IC
TALSBAR CONSULTING LIMITED	1,000,000	100%

1,000,000 Options Expiring 01/11/2020 @ $nil – 1 Holders

Holders with more than 20%

Holder Name	Holding	% IC
TALSBAR CONSULTING LIMITED	1,000,000	100%

500,000 Options Expiring 20/04/2020 @ $0.20 – 1 Holders

Holders with more than 20%

Holder Name	Holding	% IC
CHANGING THE WORLD TECHNOLOGIES LTD	500,000	100%

212,500 Options Expiring 20/04/2020 @ $0.105 – 1 Holders

Holders with more than 20%

Holder Name	Holding	% IC
KANAYAMA CORPORATION LTD	212,500	100%

ADDITIONAL ASX INFORMATION
AS AT 19 MARCH 2019

212,500 Options Expiring 20/04/2020 @ $0.105 – 1 Holders

Holders with more than 20%

Holder Name	Holding	% IC
KANAYAMA CORPORATION LTD	212,500	100%

500,000 Options Expiring 20/04/2020 @ $0.20 – 1 Holders

Holders with more than 20%

Holder Name	Holding	% IC
COREY PATTEN	500,000	100%

1,500,000 Options Expiring 01/08/2020 @ $0.20 – 1 Holders

Holders with more than 20%

Holder Name	Holding	% IC
GLENEAGLE SECURITIES (AUST) PTY LTD	1,500,000	100%

ON-MARKET BUY BACK

There is currently no on-market buyback program.

ASX LISTING RULE 4.10.19

The Company has used its cash and assets in a form readily convertible to cash that it had at the time of reinstatement of the Company's securities to quotation in a way consistent with its business objectives.