

26 October 2022

Dear Shareholder,

ANNUAL GENERAL MEETING – NOTICE AND PROXY FORM

Notice is hereby given that the Annual General Meeting ('Meeting') of Shareholders of Nanollose Limited ('Company') will be held at RSM, Level 32, Exchange Tower, 2 The Esplanade, Perth, Western Australia at 12:30pm (WST) on Friday, 25 November 2022.

In accordance with section 110D of the *Corporations Act 2001* (Cth) (as inserted by the *Corporations Amendment (Meeting and Documents) Act 2022* (Cth)), the Company will not be dispatching physical copies of the Notice of Meeting ('Notice') unless specifically requested to do so. Instead, a copy of the Notice is available on the Company's ASX Announcement Platform at www2.asx.com.au (ASX:NC6).

If you have elected to receive notices by email, a copy of your personalised proxy form will be emailed to you. If you have not elected to receive notices by email, a copy of your personalised proxy form will be posted to you, together with this letter for your convenience.

The Board has made the decision that it will hold a physical Meeting. Shareholders who are unable to attend the Meeting will be able to participate by:

- (a) voting prior to the Meeting by lodging your proxy instructions by no later than 48 hours prior to the Meeting (by 12:30pm (WST) on Wednesday, 23 November 2022) either by:
- **voting online** at <https://investor.automic.com.au/#/loginsah>; or
 - **lodging a proxy form** by:
 - post to: Automic, GPO Box 5193, Sydney, NSW, 2001; or
 - in person to: Automic, Level 5, 126 Phillip Street, Sydney, NSW, 2000; or
 - email to: meetings@automicgroup.com.au; or
 - any other means permitted on the proxy form; and/or
- (b) lodging questions in advance of the Meeting by emailing the questions to Eryln Dawson, Company Secretary at erlyn@azc.com.au, by no later than 22 November 2022.

Circumstances relating to COVID-19 are changing rapidly. The Company will update shareholders if changing circumstances will impact planning or the arrangements for the Meeting by way of announcement on ASX and the details will also be made available on our website at <https://nanollose.com/>.

The Notice is important and should be read in its entirety. If you are in doubt as to the course of action you should follow, you should consult your financial adviser, lawyer, accountant, or other professional adviser.

If you have any difficulties obtaining a copy of the Notice, or for any other relevant information please contact the Company Secretary on +61 8 9389 3120 or erlyn@azc.com.au.

Authorised for release by the Board of Nanollose Limited.

Yours sincerely,



Eryln Dawson
Company Secretary
Nanollose Limited

NANOLLOSE LIMITED

ACN 601 676 377

NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY STATEMENT

**For the Annual General Meeting of Shareholders
to be held on 25 November 2022 at 12:30pm (WST)
at RSM, Level 32, Exchange Tower, 2 The Esplanade, Perth, Western Australia**

Due to the ongoing COVID-19 pandemic and strict limitation on physical attendance, the Company has taken steps to ensure attendance in person is in adherence to COVID-19 protocols. If the situation in relation to COVID-19 changes in a way that affects the Company's ability to facilitate an in-person Meeting as currently proposed, the Company will provide a further update ahead of the Meeting by releasing an announcement on the ASX market announcements platform.

Shareholders are urged to vote by lodging the Proxy Form.

TIME AND PLACE OF ANNUAL GENERAL MEETING AND HOW TO VOTE

Venue

The Annual General Meeting of Nanollose Limited will be held at:

**RSM, Level 32, Exchange Tower,
2 The Esplanade, Perth,
Western Australia, 6000**

**Commencing
at 12:30pm (WST)
on 25 November 2022**

How to Vote

You may vote by attending the Meeting in person, by proxy or authorised representative.

Voting in Person

To vote in person, attend the Meeting on the date and at the place set out above. The Meeting will commence at 12:30pm (WST).

Voting by Proxy

To vote by proxy, please complete and sign the Proxy Form as soon as possible and deliver the Proxy Form in accordance with the instructions on the Proxy Form. You may also submit your Proxy Form online in accordance with instructions on the Proxy Form.

Your Proxy Form must be received no later than 48 hours before the commencement of the Meeting.

NANOLLOSE LIMITED
ACN 601 676 377

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Shareholders of Nanollose Limited will be held at RSM, Level 32, Exchange Tower, 2 The Esplanade, Perth, Western Australia on 25 November 2022 at 12:30pm (WST) for the purpose of transacting the following business.

Due to the ongoing COVID-19 pandemic and strict limitation on physical attendance, the Company has taken steps to ensure attendance in person is in adherence to COVID-19 protocols. If the situation in relation to COVID-19 changes in a way that affects the Company's ability to facilitate an in-person Meeting as currently proposed, the Company will provide a further update ahead of the Meeting by releasing an announcement on the ASX market announcements platform.

The attached Explanatory Statement is provided to supply Shareholders with information to enable Shareholders to make an informed decision regarding the Resolutions set out in this Notice. The Explanatory Statement is to be read in conjunction with this Notice.

AGENDA

GENERAL BUSINESS

ACCOUNTS AND REPORTS

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2022 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass the following resolution as a **non-binding resolution**:

"That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report in the Annual Report of the Company for the financial year ended 30 June 2022."

Voting exclusion:

A vote in respect of the Resolution must not be cast (in any capacity) by or on behalf of any of the following persons (the "voter"):

- (a) a member of the key management personnel, details of whose remuneration are included in the remuneration report; or
- (b) a closely related party of such a member.

However, the voter may cast a vote on the Resolution as a proxy if the vote is not cast on behalf of a person described in paragraphs (a) or (b) and either:

- (c) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (d) the voter is the chair of the meeting and the appointment of the chair as proxy:
 - (i) does not specify the way the proxy is to vote on the Resolution; and
 - (ii) expressly authorises the chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the key management personnel for the company.

RESOLUTION 2 – RE-ELECTION OF DIRECTOR – HEIDI BEATTY

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That Heidi Beatty, who retires by rotation in accordance with rule 7.3 of the Constitution of the Company and Listing Rule 14.4, and being eligible, offers herself for re-election, is hereby re-elected as a director of the Company."

RESOLUTION 3 – RE-ELECTION OF DIRECTOR – TERENCE WALSH

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That Terence Walsh, who retires by rotation in accordance with rule 7.3 of the Constitution of the Company and Listing Rule 14.4, and being eligible, offers himself for re-election, is hereby re-elected as a director of the Company."

RESOLUTION 4 – APPROVAL OF ADDITIONAL 10% CAPACITY

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

"That, the Company have the additional capacity to issue equity securities provided for in Listing Rule 7.1A."

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the entity) or an associate of those persons. However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the chair to vote on the Resolution as the chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

RESOLUTION 5 – APPROVAL TO ISSUE INCENTIVE SECURITIES TO DR WAYNE BEST

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That the issue up to 1,000,000 Options and up to 1,000,000 Class E Performance Rights to Dr Wayne Best or his nominees is approved under and for the purposes of Chapter 2E of the Corporations Act and Listing Rule 10.11 and for all other purposes, on the terms set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or

on behalf of Dr Wayne Best and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the entity) or an associate of those persons. However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the chair to vote on the Resolution as the chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Restriction on proxy voting by key management personnel or closely related parties:

A person appointed as proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the key management personnel for the Company; or
 - (ii) a closely related party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the chair of the Meeting; and
- (d) the appointment expressly authorises the chair of the Meeting to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the key management personnel for the Company.

Where the chair is the related party the subject of the Resolution or is an associate of the related party, the chair cannot cast undirected proxies in respect of the Resolution.

RESOLUTION 6 – AMENDMENT TO CONSTITUTION

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

"That, for the purposes of section 136(2) of the Corporations Act and for all other purposes, approval is given for the Company to amend its Constitution to include new provisions around the use of technology by the Company."

VOTING AND PROXIES

1. A Shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a Shareholder of the Company.
2. Where a voting exclusion applies, the Company need not disregard a vote if it is cast by the person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the chair of the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.
3. The chair of the Meeting will vote undirected proxies on, and in favour of, all of the proposed resolutions, including Resolutions 1 and 5. The Proxy Form expressly authorises the chair of the Meeting to exercise the proxy in relation to Resolutions 1 and 5 even though these

Resolutions are connected directly or indirectly with the remuneration of a member of key management personnel. Any undirected proxies held by a Director, any member of the key management personnel or any of their closely related parties (who are not the chair) will not be voted on Resolutions 1 and 5.

4. Key management personnel of the Company are the Directors and those other persons having authority and responsibility for planning, directing and controlling of the activities of the Company, directly or indirectly. Closely related parties are defined in the Corporations Act, and include certain family members, dependants and companies controlled by key management personnel.
5. In accordance with Regulation 7.11.37 of the Corporations Act, the Directors have set a date to determine the identity of those entitled to attend and vote at the Meeting. The date is 23 November 2022 at 5.00pm (WST).
6. If using the Proxy Form, please complete, sign and return it to the Company's registered office in accordance with the instructions on that form. Voting online is available.

By order of the Board



Erlyn Dawson
Company Secretary

Dated: 20 October 2022

NANOLLOSE LIMITED
ACN 601 676 377

EXPLANATORY STATEMENT

This Explanatory Statement is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in the Notice.

The Directors recommend that Shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

1. FINANCIAL STATEMENTS AND REPORTS

The business of the Annual General Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2022 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

The Company is not required to provide a hard copy of the Company's annual financial report to Shareholders unless a Shareholder has specifically elected to receive a printed copy.

Whilst the Company will not provide a hard copy of the Company's annual financial report unless specifically requested to do so, Shareholders may view the Company annual financial report on its website at www.nanollose.com.

Shareholders will be offered the following opportunities:

- (a) discuss the annual financial report for the financial period ended 30 June 2022;
- (b) ask questions and make comment on the management of the Company; and
- (c) ask the auditor questions about the conduct of the audit, preparation and content of the auditor's report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

2.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the Remuneration Report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the Directors or the Company.

The Remuneration Report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The Remuneration Report is part of the Directors' Report contained in the annual financial report of the Company for the financial year ending 30 June 2022.

A reasonable opportunity will be provided for questions about or comments on the Remuneration Report at the Annual General Meeting.

2.2 **Voting Consequences**

Under the Corporations Act, if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings, Shareholders will be required to vote at the second of those annual general meetings on a resolution (a "Spill Resolution") that another general meeting be held within 90 days at which all of the Directors (other than the managing director) must go up for re-election.

2.3 **Previous voting results**

At the Company's previous annual general meeting, the votes cast against the Remuneration Report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Meeting.

2.4 **Proxy restrictions**

If you choose to appoint a proxy, you are encouraged to direct your proxy how to vote on this Resolution (Remuneration Report) by marking either "For", "Against" or "Abstain" on the Proxy Form for this Resolution.

If you appoint a member of the key management personnel whose remuneration details are included in the Remuneration Report (who is not the Chairman) or a closely related party of that member as your proxy, and you do not direct that person on how to vote on this Resolution, the proxy cannot exercise your vote and your vote will not be counted in relation to this Resolution.

The Chairman intends to vote all undirected proxies in favour of this Resolution. If the Chairman of the Meeting is appointed as your proxy and you have not specified the way the Chairman is to vote on this Resolution, by signing and returning the Proxy Form you are giving express authorisation for the Chairman to vote the proxy in accordance with the Chairman's intention.

Key management personnel of the Company are the Directors and those other persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Remuneration Report identifies the Company's key management personnel for the financial year to 30 June 2022. Their closely related parties are defined in the Corporations Act, and include certain of their family members, dependants and companies they control.

3. **RESOLUTION 2 – RE-ELECTION OF DIRECTOR – HEIDI BEATTY**

Rule 7.3 of the Constitution requires that at each annual general meeting, one-third of directors for the time being (rounded down to the nearest whole number) shall retire from office and that a Director that so retires is eligible for re-election. Additionally, Listing Rule 14.4 provides that a Director must retire from office no later than the longer of the third annual general meeting of the Company or 3 years following that Director's last election or appointment. The retirement rules do not apply to the managing director.

Ms Heidi Beatty was last re-elected as a Director at the 2019 annual general meeting. Heidi Beatty retires in accordance with the Constitution and Listing Rules, and being eligible, offers herself for re-election as a Director.

Ms Beatty is a Non-Executive Director of the Company. Details of the qualifications and experience of Ms Beatty is set out in the Company's 2022 Annual Report.

The Board of the Company recommends the re-election of Heidi Beatty as a Director.

4. RESOLUTION 3 – RE-ELECTION OF DIRECTOR – TERENCE WALSH

Rule 7.3 of the Constitution requires that at each annual general meeting, one-third of directors for the time being (rounded down to the nearest whole number) shall retire from office and that a Director that so retires is eligible for re-election. Additionally, Listing Rule 14.4 provides that a Director must retire from office no later than the longer of the third annual general meeting of the Company or 3 years following that Director's last election or appointment. The retirement rules do not apply to the managing director.

Mr Terence Walsh was last re-elected as a Director at the 2019 annual general meeting. Terence Walsh retires by rotation in accordance with the Constitution and Listing Rules, and being eligible, offers himself for re-election as a Director.

Mr Walsh is a Non-Executive Director of the Company. Details of the qualifications and experience of Mr Walsh is set out in the Company's 2022 Annual Report.

The Board of the Company recommends the re-election of Terence Walsh as a Director.

5. RESOLUTION 4 - APPROVAL OF ADDITIONAL 10% CAPACITY

5.1 Background

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

Under Listing Rule 7.1A, however, an eligible entity can seek approval from its members, by way of a special resolution passed at its annual general meeting, to increase this 15% limit by an extra 10% to 25%.

An "*eligible entity*" means an entity which is not included in the S&P/ASX 300 Index and which has a market capitalisation of \$300 million or less. The Company is an eligible entity for these purposes.

This Resolution seeks Shareholder approval by way of special resolution for the Company to have the additional 10% capacity provided for in Listing Rule 7.1A to issue equity securities without Shareholder approval.

If this Resolution is passed, the Company will be able to issue equity securities up to the combined 25% limit in Listing Rules 7.1 and 7.1A without any further Shareholder approval.

If this Resolution is not passed, the Company will not be able to access the additional 10% capacity to issue equity securities without shareholder approval provided for in Listing Rule 7.1A and will remain subject to the 15% limit on issuing equity securities without Shareholder approval set out in Listing Rule 7.1.

5.2 Specific information required by Listing Rule 7.3A

(i) Period for which approval is valid

An approval under Listing Rule 7.1A commences on the date of the annual general meeting at which the approval is obtained and expires on the first to occur of the following:

- (a) The date that is 12 months after the date of the annual general meeting at which the approval is obtained.
- (b) The time and date of the Company's next annual general meeting.

- (c) The time and date of the approval by Shareholders of a transaction under Listing Rule 11.1.2 or Listing Rule 11.2.

(ii) Minimum price at which equity securities may be issued

Any equity securities issued under Listing Rule 7.1A must be in an existing quoted class of the eligible entity's equity securities and issued for a cash consideration per security which is not less than 75% of the volume weighted average market price for securities in that class, calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

- (a) the date on which the price at which the securities are to be issued is agreed by the entity and the recipient of the securities; or
- (b) if the securities are not issued within 10 Trading Days of the date in paragraph (a), the date on which the securities are issued.

(iii) Purposes for which funds raised may be used

Equity securities can only be issued under Listing Rule 7.1A for a cash consideration. Funds raised by the issue of equity securities under Listing Rule 7.1A may be used for the continued development of the Company's current assets, the acquisition of new assets or other investments (including expenses associated with such acquisition), and for general working capital.

(iv) Risk of economic and voting dilution

If this Resolution is approved by Shareholders and the Company issues equity securities under Listing Rule 7.1A, the existing Shareholders' voting power in the Company will be diluted.

There is a risk that:

- (a) the market price for the equity securities in that class may be significantly lower on the issue date than on the date of the Shareholder approval under Listing Rule 7.1A; and
- (b) the equity securities may be issued at a price that is at a discount to the market price for those equity securities on the issue date.

The table below shows the potential dilution of existing Shareholders on the basis of 3 different assumed issue prices and values for variable "A" in the formula in Listing Rule 7.1A.2. This includes one example that assumes that "A" is double the number of Shares on issue at the time of the approval under Listing Rule 7.1A and that the price of Shares has fallen by 50%.

Number of Shares on Issue (Variable "A" in Listing Rule 7.1A.2)	Number of Shares issued under additional 10% capacity	Dilution		
		Funds raised based on issue price of 3.05 cents	Funds raised based on issue price of 6.1 cents	Funds raised based on issue price of 12.2 cents
		(50% decrease in current issue price)	(Current issue price)	(100% increase in current issue price)
148,886,368 (Current)*	14,888,637	\$454,103	\$908,207	\$1,816,414
223,329,552 (50% increase)	22,332,955	\$681,155	\$1,362,310	\$2,724,621

297,772,736 (100% increase)	29,777,274	\$908,207	\$1,816,414	\$3,632,827
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*The number of Shares on issue (variable "A" in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

The table has been prepared on the following assumptions:

1. The current Shares on issue are the Shares on issue as at 10 October 2022.
2. The issue price set out above is the closing price of the Shares on the ASX on 10 October 2022.
3. The Company issues the maximum number of equity securities available under the additional 10% capacity.
4. No Options are exercised into Shares before the date of the issue of the equity securities.

(v) Allocation Policy

The Company's allocation policy for the issue of equity securities under the additional 10% capacity will depend on the prevailing market conditions at the time of any proposed issue. The identity of the allottees of equity securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- (a) the methods of raising funds that are available to the Company, including but not limited to, a rights issue or other issue in which existing security holders can participate;
- (b) the effect of the issue of the equity securities on the control of the Company;
- (c) the financial situation and solvency of the Company; and
- (d) advice from corporate, financial and broking advisers (if applicable).

The allottees under the additional 10% capacity have not been determined as at the date of this Notice but may include existing substantial shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company and may include new investors who have not previously been Shareholders.

(vi) Equity securities issued under Listing Rule 7.1A.2 in the previous 12 months

The Company has not issued or agreed to issue any equity securities under Listing Rule 7.1A.2 in the 12 months preceding this meeting.

(vii) Voting Exclusion Statement

A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not approached any particular existing shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the equity securities. No existing shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

6. RESOLUTION 5 – APPROVAL TO ISSUE INCENTIVE SECURITIES TO DR WAYNE BEST

6.1 General

The Board consists of Dr Wayne Best (Executive Chairman), Winton Willesee (Non-Executive Director), Terence Walsh (Non-Executive Director) and Heidi Beatty (Non-Executive Director).

This Resolution seeks Shareholder approval so that the Company may issue incentive securities being both Options and Performance Rights as an incentive to Dr Wayne Best, the Executive Chairman of the Company.

Shareholder approval is required for the purposes of Chapter 2E of the Corporations Act (section 208) and Listing Rule 10.11 because Dr Wayne Best as a Director is a related party of the Company. Each of Chapter 2E and Listing Rule 10.11 are dealt with separately below.

6.2 Chapter 2E of the Corporations Act - Related Party Transaction

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provisions; or
- (b) prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, Dr Wayne Best as a Director is a related party of the Company.

The issue of Options and Performance Rights to a related party is a financial benefit requiring shareholder approval in the absence of a specified exception applying.

For the purpose of Chapter 2E of the Corporations Act the following information is provided.

- (a) *The related party to whom the resolutions would permit the financial benefit to be given*

The related party is Dr Wayne Best or his nominees.

- (b) *The nature of the financial benefit*

The nature of the financial benefit is the issue of 1,000,000 Options and 1,000,000 Class E Performance Rights.

The Options have an exercise price of 10 cents and an expiry date of 2 years from the date of issue. The full terms of the Options are set out in Schedule 1.

The terms of the Performance Rights including the performance condition is set out in Schedule 2.

- (c) *Reasons for giving the benefit and Directors' Recommendation*

The purpose of the issue of each of the incentive securities (the Options and the Performance Rights) is to incentivise Dr Wayne Best as an executive to continue to provide ongoing dedicated services to the Company and provide remuneration linked to the performance of the Company. The benefit will only be received from the Options upon the Company's Share price exceeding the exercise price of the Options and warranting their exercise while the benefit of the Performance Rights will only be

received upon the performance condition being satisfied.

The incentive securities are also a way of granting an incentive while preserving the Company's cash reserves.

The Directors independent of Dr Wayne Best (being all the other Directors) consider that the particular number and terms of the Options and Performance Rights to be issued to Dr Best constitute an appropriate number to adequately reward and incentivise him in the circumstances in light of his effort, skill and experience and when considered together with his other remuneration (as detailed below).

The Company considers the issue of the Options and Performance Rights to be reasonable in the circumstances of the stage of the Company's development and the importance of maintaining the Company's cash reserves.

The Directors independent of Dr Best thereby recommend that Shareholders vote in favour of the Resolutions.

Dr Wayne Best abstains from making a recommendation as a Director to Shareholders on this Resolution as he has a material personal interest in the outcome as the recipient of the Performance Rights.

(d) *Current total remuneration package*

The remuneration of Dr Wayne Best is \$225,000 per year plus statutory superannuation.

(e) *Existing relevant interests*

As at the date of this Notice, Dr Wayne Best has a relevant interest in securities of the Company as follows:

	Shares	Options	Performance Rights
Wayne Best	8,500,000	0	0

(f) *Dilution*

The passing of the Resolution would have the effect of issuing Dr Wayne Best up to 2,000,000 incentive securities.

If the incentive securities are exercised and/or vest, Shares will issue which will have the effect of diluting the shareholding of existing Shareholders. If all the incentive securities exercise and/or vest so that 2,000,000 Shares are issued, the effect would be to dilute the shareholding of the existing Shareholders by approximately 1.33%% based on the total number of Shares on issue at the date of this Notice of 148,886,368.

(g) *Trading history*

The following table gives details of the highest, lowest and the latest closing price of the Company's Shares trading on the ASX over the last 12 months.

	Closing Price	Date
Highest Price	14 cents	8 November 2021
Lowest Price	5.9 cents	13, 14 & 17 October 2022

Latest Price	6.4 cents	19 October 2022
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(h) *Valuation of Options*

The Company has valued the Options by reference to the Black and Scholes valuation model.

The following assumptions have been made regarding the inputs required for the model:

	Input	Note
Number of Options	1,000,000	
Underlying share spot price	6.1 cents	1
Exercise Price	10 cents	2
Dividend rate	Nil	3
Risk free rate	3.23%	4
Volatility	86%	5
Expiry Date	Two years from the date of issue	6
Valuation	2.1 cents	

Note 1: The underlying share spot price used for the purpose of the valuation is based on the closing Share price of 6.1 cents on 10 October 2022.

Note 2: The exercise price is 10 cents.

Note 3: No dividends are expected to be paid during the life of the Options.

Note 4: The risk-free rate is the 2-year Commonwealth Government bond rate at 10 October 2022.

Note 5: The volatility was calculated from the Company's historical trading volatility over the 12 months prior to 10 October 2022 and is 86%.

Note 6: The Options expire on the date that is two years from the date of issue.

Based on the above assumptions, the Options have been valued as follows:

Number and Value of Options	
Dr Wayne Best	1,000,000 Options – 2.1 cents each (\$21,000)

(i) *Valuation of Performance Rights*

The Company has valued the Performance Rights in accordance with the financial reporting requirements of AASB 2 – Share based payments.

AASB 2 specifies that vesting conditions, other than market conditions, shall not be taken into account when estimating the fair value of the shares or share options at the measurement date. The Company has assessed the vesting conditions not to be market conditions.

The indicative value of the Performance Rights was assessed to be 6.1 cents each, being the last closing bid price of Shares in the Company at the date of valuation (being 10 October 2022).

A binomial valuation calculation was used and the assumptions are set out below.

	Input	Note
Valuation Date	10 October 2022	
Number of Performance Rights	1,000,000	
Market price of Shares (based on the last closing bid price)	6.1 cents	1
Exercise Price	Nil	
Risk free rate	3.23%	2
Volatility (discount)	86%	3
Expiry Date (length of time from issue)	731 days	4
Performance condition	Yes	5
Valuation	6.1 cents	

Note 1: The underlying Share market price used for the purpose of the valuation is based on the closing Share price of 6.1 cents on 10 October 2022.

Note 2: The risk-free rate is the 2-year Commonwealth Government bond rate at 10 October 2022.

Note 3: The volatility was calculated from the Company's historical trading volatility over the 12 months prior to 10 October 2022 and is 86%.

Note 4: The Performance Rights expire on the date that is two years from issue.

Note 5: The performance condition was not taken into account when determining the value of the Performance Rights.

Based on the above assumptions, the Performance Rights have been valued as follows:

Number and Value of Performance Rights	
	Class E Performance Rights
Dr Wayne Best	1,000,000 Performance Rights – 6.1 cents each (\$61,000)

(j) *Value of Options and Performance Rights together*

The value of the Options (\$21,000) and Performance Rights (\$61,000) together is \$82,000 as set out in paragraphs (h) and (i) above.

(k) *Other information*

The Directors do not consider that there are opportunity costs to the Company or benefits foregone by the Company in issuing the Performance Rights or Options.

The Directors are not aware of any other information that is reasonably required by Shareholders to allow them to make a decision as to whether it is in the best interests of the Company to pass the Resolutions.

6.3 **Listing Rule 10.11**

Listing Rule 10.11 provides that unless one of the exceptions in Listing Rule 10.12 applies, a listed company must not issue or agree to issue equity securities to:

- (a) Listing Rule 10.11.1 - a related party;
- (b) Listing Rule 10.11.2 - a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (30%+) holder in the company;
- (c) Listing Rule 10.11.3 - a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the company and who has nominated a director to the board of the company pursuant to a relevant agreement which gives them a right or expectation to do so;
- (d) Listing Rule 10.11.4 - an associate of a person referred to in Listing Rules 10.11.1 to 10.11.3; or
- (e) Listing Rule 10.11.5 - a person whose relationship with the company or a person referred to in Listing Rules 10.11.1 to 10.11.4 is such that, in ASX's opinion, the issue or agreement should be approved by its shareholders,

unless it obtains the approval of its shareholders.

The issue of the Performance Rights and Options falls within Listing Rule 10.11.1 (Dr Wayne Best is a Director of the Company) and does not fall within any of the exceptions in Listing Rule 10.12. It therefore requires the approval of the Company's Shareholders under Listing Rule 10.11.

The Resolutions seek the required Shareholder approval to the issue of the Performance Rights and Options under and for the purposes of Listing Rule 10.11.

If the Resolution is passed, the Company will be able to proceed with the issue.

If the Resolution is not passed, the Company will not be able to proceed with the issue and these incentives will not be issued to Dr Wayne Best.

6.4 Listing Rule 10.13

For Shareholders to approve the issue of the incentive securities under and for the purposes of Listing Rule 10.11, the following information is provided to Shareholders in accordance with Listing Rule 10.13:

- (a) The securities will be issued to Dr Wayne Best or his nominee.
- (b) Dr Wayne Best is a Director and is therefore a related party (Listing Rule 10.11.1).
- (c) The number of securities the Company will issue is 1,000,000 Options and 1,000,000 Performance Rights to Dr Wayne Best.
- (d) The Options have an exercise price of 10 cents and an expiry date of 2 years from the date of issue. The full terms of the Options are set out in Schedule 1. The terms of the Performance Rights including the performance milestones are set out in Schedule 2.
- (e) The incentive securities will be issued no later than 1 month after the date of this Meeting (or a later date to the extent permitted by any ASX waiver or modification of the Listing Rules).
- (f) The incentive securities will be issued for no consideration and there is no issue price.
- (g) The purpose of the issue of the incentive securities is to incentivise Dr Wayne Best as Executive Chairman and to issue the incentive securities as part of his remuneration package. No funds will be raised from the issue of the incentive securities.
- (h) The current total remuneration package of Dr Wayne Best is set out in Section 6.2(d) above.
- (i) The incentive securities are not being issued under an agreement.

7. RESOLUTION 6 – AMENDMENT TO CONSTITUTION

7.1 Background

A company may modify or repeal its Constitution or a provision of its constitution by special resolution of its shareholders.

The Constitution by rule 6.7 provides that a general meeting may be held at 2 or more places by technology but is limited in scope.

7.2 Replacement rule

In order to clarify the holding of a general meeting by virtual technology or a hybrid meeting, it is proposed to amend the existing Constitution (**Amended Constitution**) to replace rule 6.7 by inserting the following rule 6.7:

6.7 USE OF TECHNOLOGY AT MEMBERS' MEETINGS

- (a) *To the extent permitted under the Corporations Act, Listing Rules and any other applicable law, a meeting of Members may be convened using virtual technology only, or at two or more venues, provided that the form of technology used provides all Members entitled to attend the meeting, as a whole, a reasonable opportunity to participate in the meeting without being physically present in the same place. Such a meeting may also be held as a hybrid meeting.*

- (b) *The provisions of this Constitution relating to meetings of Members apply, so far as they can and with any necessary changes to ensure compliance with the Corporations Act, Listing Rules and any other applicable law, to meetings of Members held using that technology.*
- (c) *Where a meeting of Members is held using virtual technology only, or at two or more venues, using any form of technology:*
 - (i) *a Member participating in the meeting is taken to be present in person at the meeting;*
 - (ii) *any documents required or permitted to be tabled at the meeting will be taken to have been tabled at the meeting if the document is given, or made available, to the persons entitled to attend the meeting (whether physically or using technology) before or during the meeting; and*
 - (iii) *the meeting is taken to be held at the physical venue set out in the notice of meeting, or at the registered office of the Company if the meeting is held using virtual technology only.*

A copy of the Amended Constitution is available for review by Shareholders at the office of the Company. A copy of the Amended Constitution can also be sent to Shareholders upon request to the Company Secretary. Shareholders are invited to contact the Company if they have any queries or concerns.

NANOLLOSE LIMITED
ACN 601 676 377

GLOSSARY

In the Notice and this Explanatory Statement the following expressions have the following meanings:

"Amended Constitution" has the meaning set out in Section 7 of the Explanatory Statement.

"Annual General Meeting" or **"Meeting"** means the meeting convened by this Notice.

"ASIC" means Australian Securities and Investments Commission.

"ASX" means the ASX Limited (ACN 008 624 691).

"ASX Listing Rules" or **"Listing Rules"** means the Listing Rules of the ASX.

"Board" means the Board of Directors of the Company.

"Chair" or **"Chairman"** means the chairperson of the Company.

"Company" or **"NC6"** means Nanollose Limited (ACN 601 676 377).

"Constitution" means the constitution of the Company.

"Corporations Act" means Corporations Act 2001 (Cth).

"Directors" mean the directors of the Company from time to time.

"equity securities" has the same meaning as in the Listing Rules.

"Explanatory Statement" means this Explanatory Statement.

"Notice" means the notice of meeting that accompanies this Explanatory Statement.

"Option" means an option to subscribe for a Share.

"Performance Right" means a right to acquire a Share subject to the satisfaction of applicable vesting conditions.

"Resolution" means a resolution referred to in the Notice.

"Share" means a fully paid ordinary share in the capital of the Company.

"Shareholder" means a registered holder of Shares in the Company.

"Trading Day" has the same meaning as in the Listing Rules.

"WST" means Western Standard Time, Perth, Western Australia.

"A\$" or "\$" means Australian dollars unless otherwise stated.

SCHEDULE 1

Terms of Options (Resolution 5)

The terms of the Options are:

1. Each Option gives the Option Holder the right to subscribe for one Share. To obtain the right given by each Option, the Option Holder must exercise the Options in accordance with the terms and conditions of the Options.
2. The Options will expire at 5.00pm (WST) on the date that is two years from the date of issue ("Expiry Date"). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
3. The amount payable upon exercise of each Option is 10 cents ("Exercise Price").
4. The Options held by each Option Holder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion. Where less than 1,000 Options are held, all Options must be exercised together.
5. An Option Holder may exercise their Options by lodging with the Company, before the Expiry Date:
 - (a) a written notice of exercise of Options specifying the number of Options being exercised; and
 - (b) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised,("Exercise Notice").
6. An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
7. Within 5 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
8. The Options are transferable only with the consent of the Board, which the Board may give or withhold in its absolute discretion.
9. All Shares allotted upon the exercise of Options will upon allotment rank equally in all respects with other Shares.
10. The Options are not intended to be quoted on ASX.
11. If at any time the issued capital of the Company is reconstructed, all rights of an Option Holder are to be changed in a manner consistent with the Corporations Act and the Listing Rules at the time of the reconstruction.
12. There are no participating rights or entitlements inherent in the Options and Option Holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any issue, the record date will be

after the issue is announced. This will give Option Holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

13. Other than pursuant to paragraph 14, an Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.
14. In the event the Company proceeds with a bonus issue of securities to Shareholders after the date of issue of the Options, the number of securities over which an Option is exercisable may be increased by the number of securities which the Option Holder would have received if the Option had been exercised before the record date for the bonus issue.

SCHEDULE 2

Terms of Class E Performance Rights (Resolution 5)

The terms of the Class E Performance Rights are:

1. (Vesting) The Performance Rights vest on the achievement of either of the following milestones on or before 2 years from issue:
 - (a) The Company commissions and completes the construction of a plant with capacity to produce more than 10 tonnes per month of microbial cellulose.
 - (b) Takeover: A Takeover Event occurs. A "Takeover Event" means a takeover bid for the Company pursuant to Chapter 6 of the Corporations Act where the bidder achieves control of more than 50% of the ordinary shares by shareholders accepting the bid or a court grants an order approving a compromise or scheme where the ordinary shares are either cancelled or transferred to a third party (not being a scheme of arrangement simply for the purposes of a corporate restructure).
2. (Conversion) Upon satisfaction of the relevant vesting condition, each Performance Right once vested will not automatically convert into one Share and will only convert into one Share at the election of the holder following the process in paragraph 3.
3. (Conversion Process) Pursuant to paragraph 2, a holder electing to convert the vested Performance Rights must give written notice to the Company of its election.
4. (No Consideration payable) No consideration is payable upon the vesting and conversion of the Performance Rights.
5. (No Voting rights) A Performance Right does not entitle a holder to vote on any resolutions proposed at a general meeting of Shareholders of the Company.
6. (No dividend rights) A Performance Right does not entitle a holder to any dividends.
7. (No rights on winding up) A Performance Right does not entitle the holder to participate in the surplus profits or assets of the Company upon winding up of the Company.
8. (Not transferable) A Performance Right is not transferable.
9. (Reorganisation of capital) If there is a reorganisation (including, without limitation, consolidation, sub-division, reduction or return) of the issued capital of the Company, the rights of a holder will be varied, as appropriate, in accordance with the Listing Rules which apply to reorganisation of capital at the time of the reorganisation.
10. (Quotation of Shares on conversion) An application will be made by the Company to ASX for official quotation of the Shares issued upon the conversion of each Performance Right in accordance with the Listing Rules. The Company will not apply for quotation of the Performance Rights on ASX.
11. (No participation in entitlements and bonus issues) A Performance Right does not entitle a holder to participate in new issues of capital offered to holders of Shares, such as bonus issues and entitlement issues.

12. (No other rights) A Performance Right does not give a holder any other rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.
13. (Lapse) If:
 - (a) the vesting condition relevant to a Performance Right has not been satisfied by the relevant vesting date, or
 - (b) if, other than being terminated without cause (as defined in the employment agreement of the offeree), the offeree ceases to be an employee, director or consultant to the Company, and the Board do not pass a resolution within 30 days of the offeree ceasing to be an employee, director or consultant to the Company, confirming the Performance Rights will not lapse,

then the Performance Rights will automatically lapse.

If you are attending the meeting
in person, please bring this with you
for Securityholder registration.

Holder Number:

Your proxy voting instruction must be received by **12.30pm (WST) on Wednesday, 23 November 2022**, being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY

Complete the form overleaf in accordance with the instructions set out below.

YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: <https://investor.automic.com.au/#/home> Shareholders sponsored by a broker should advise their broker of any changes.

STEP 1 – APPOINT A PROXY

If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chair of the Meeting will be appointed as your proxy by default.

DEFAULT TO THE CHAIR OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chair of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chair of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

STEP 2 - VOTES ON ITEMS OF BUSINESS

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

SIGNING INSTRUCTIONS

Individual: Where the holding is in one name, the Shareholder must sign.

Joint holding: Where the holding is in more than one name, all Shareholders should sign.

Power of attorney: If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

Companies: To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

Email Address: Please provide your email address in the space provided.

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at <https://automic.com.au>.

Lodging your Proxy Voting Form:

Online:

Use your computer or smartphone to appoint a proxy at
<https://investor.automic.com.au/#/login>

or scan the QR code below using your smartphone

Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting Form.



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