

31 October 2022

**QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30  
SEPTEMBER 2022****Operational highlights:**

- Nullarbor-20™ fibre from the first pilot spin delivered to Orta, Paradise Textiles and Inditex and successfully converted into a variety of yarns
- Nullarbor-20™ yarns were then converted into a variety of fabrics – highlighting versatility of the Company's product across its partner base
- Testing conducted on fabrics to date confirms the high quality of Nullarbor-20 fibres and fabrics
- The Collaboration Agreement with Codi Group has been extended for a further 3 years

**Outlook and key objectives:**

- Ongoing distribution of samples of yarns and fabrics to partners for appraisal and test garment production
- Advance second pilot spin of Nullarbor fibres at increased scale and microbial cellulose content – expected December 2022
- Continue to progress alternatives to leather based on microbial cellulose in collaboration with von Holzhausen and other potential partners
- Transition collaboration agreements to commercial supply agreements

**Nanollose Limited (ASX: NC6)** ("**Nanollose**" or the "**Company**") a leading bio-materials company, focused on commercialising scalable technology to create fibres and fabrics with minimal environmental impact, is pleased to provide shareholders with an overview of its activities for the period ended 30 September 2022 ("**quarter**", "**reporting period**").

**Management commentary:**

**Executive Chairman Dr Wayne Best said:** *"Throughout the quarter, a considerable amount of work has gone into the production of yarns and fabrics from the Company's first batch of Nullarbor-20 fibre across our partner base and we are delighted with the results."*

*"Initial reports from our collaborators indicate that both the fibre and resulting fabric are of a high quality. Consequently, our partners are keen to continue the developments and secure additional fibre from the second and subsequent pilot production runs."*

*"This all bodes well for future commercial supply agreements. I look forward to updating shareholders with more details of our fabric and garment productions in the coming weeks."*

### **Operational overview:**

During the quarter, Nanollose progressed a number of initiatives with existing collaborators to advance textile production, while advancing discussions with potential new partners.

### **Ongoing work with existing collaborators:**

Nullarbor-20™ fibre from the Company's pilot spin has been delivered to collaborators Orta, Paradise Textiles and Inditex. A variety of yarns and fabrics have already been produced, with completion of fabric production and extensive industry testing at Paradise expected to be completed imminently. Testing conducted so far has confirmed the high quality of Nullarbor-20 fibres and fabrics. Some of the fabric has been assigned to current and prospective partners, while the remainder will be used to make sample headers for distribution to selected brands and for business development initiatives in general.



Knitting of Nullarbor-20 at Paradise Textiles' facilities.

Following the positive feedback on the first batch of Nullarbor-20 from fabric mills and fashion brands, there has been strong demand for additional supply of material.

### **Work towards second and larger pilot spin:**

During the quarter, Nanollose has also been working closely with its supply chain partner Hainan Guangyu Biotechnology/Hainan Yeguo Foods to refine the specifications of the microbial cellulose in order to facilitate pilot fibre spins at increased scale and microbial cellulose content. The second and larger pilot spin is expected to take place in December.

The Company anticipates that this work will provide both important technical information and generate significantly more fibre to progress ongoing projects with existing collaborators and new partners in different segments and industries, further diversifying the Company's market opportunities.

### **Extension of cooperation agreement with Codi Group ("Codi") for development of wipes:**

The Company extended its cooperation agreement with Codi International BV, part of the Codi Group for an additional three years to provide additional time to progress the development of wet wipes incorporating the Company's Tree-Free rayon fibres.

Codi is a leader in European market for high quality, sustainable wet wipes. Its clients include multinational brands, European retailers, distributors and institutional parties. The group distributes products to over 40 countries and owns high value proprietary technical information focused on the production, marketing and distribution of consumer wipes.

The Company initially provided Codi with a sample of its Tree-Free Nufolium™ viscose fibre, which was then converted into a nonwoven fabric, a precursor to wet wipes. While the outcome of this trial was very positive, Nanollose has since transitioned from viscose to the more environmentally friendly lyocell version of its Nufolium fibre.

This transition has been successful, highlighted by the successful pilot spin of 260kg of Nullarbor-20 lyocell fibre earlier this year. Nanollose anticipates that the second pilot fibre production will be conducted on a larger scale and allow for an offtake of a quantity of Nufolium fibre specifically formulated for nonwoven trials.

**Jelli Grow:**

During the quarter, Nanollose made good progress on developing a dry form of Jelli Grow which can be regenerated by the end users. This will dramatically reduce shipping costs of the final product. The work has also led to other potential applications outside of horticulture.

**CelluAir Update:**

During the quarter, Nanollose was informed by CelluAir that QUT's provisional patent application relating to the technology had been allowed to lapse. The technical details of the application remain unpublished and so a more robust version of the application, including results with Nanollose's microbial cellulose, could be refiled in the future. Development of the technology and its commercialisation are continuing following the successful testing to AS/NZS 1716:2012 with particle filtration efficiency of 96% to 99%.

**Outlook:**

Following the continued focus on textile production opportunities with existing collaborators, Nanollose will continue to focus on the following objectives for the current period and beyond:

- Ongoing distribution of samples of yarns and fabrics to partners for appraisal and test garment production;
- Undertake the second pilot spin of Nullarbor fibres with Birla Cellulose at increased scale and microbial cellulose content, which will provide further valuable technical information and additional material for projects with existing collaborators and new partners;
- Continue to progress alternatives to leather based on microbial cellulose in collaboration with von Holzhausen and other potential partners; and
- Work towards transitioning collaboration agreements to commercial supply agreements.

**Appendix 4C Quarterly Cash Flow:**

The Company's Appendix 4C Quarterly Cash Flow Report for the quarter ended 30 September 2022 accompanies this announcement. It highlights a cash balance of \$1.2M.

Nanollose continued to practise diligent cash management, expending a gross total of \$399,000 on the operations of the Company, and receiving a total of \$4,000.

Capital expenditure comprised of research and development (\$152,000), advertising and marketing (\$98,000), staff costs (\$26,000), administrative and corporate costs (\$123,000) and interest received (\$4,000).

The payments included at section 6.1 of the attached Appendix 4C relate to Executive Directors' Salaries (\$62,000), Non-Executive Director Fees (\$28,000), and Company Secretary, Accounting and Office Fees (\$25,000).

**[ENDS]**

## **AUTHORITY AND CONTACT DETAILS**

This announcement has been authorised by the Board of Directors of Nanollose.

For further information, please contact:

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## **ABOUT NANOLLOSE**

Nanollose Limited (ASX: NC6) is a leading biotechnology Company commercialising scalable technology to create fibres with minimal environmental impact. Nanollose uses an eco-friendly fermentation process to grow fibres that could become a sustainable alternative to conventional plant-derived cellulose fibres.

The Company's process, which uses streams from various large-scale industries, including food and agriculture, has the ability to produce 'Tree-Free' Cellulose. Cellulose is the hidden polymer building block most consumers know nothing about, but forms a huge part of items used in their everyday life such as clothing, paper and hygiene products.

In January 2021, Nanollose filed a joint patent application with Birla Cellulose, for a high tenacity, Tree-Free lyocell made from microbial cellulose (High Tenacity Lyocell Fibres From Bacterial Cellulose and Method of Preparation Thereof). Using the lyocell process, a team of fibre experts at Grasim's Pulp and Fibre Innovation Centre produced Nullarbor fibre that is finer than silk and significantly stronger than conventional lyocell that is traditionally produced from wood pulp. Nanollose's primary focus is on commercialising this fibre technology.

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

Nanollose Limited

**ABN**

13 601 676 377

**Quarter ended ("current quarter")**

30 September 2022

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	0	0
1.2 Payments for		
(a) research and development	(152)	(152)
(b) product manufacturing and operating costs	0	0
(c) advertising and marketing	(98)	(98)
(d) leased assets	0	0
(e) staff costs	(26)	(26)
(f) administration and corporate costs	(123)	(123)
1.3 Dividends received (see note 3)	0	0
1.4 Interest received	4	4
1.5 Interest and other costs of finance paid	0	0
1.6 Income taxes paid	0	0
1.7 Government grants and tax incentives (R&D Rebate)	0	0
1.8 Other	0	0
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(395)</b>	<b>(395)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	0	0
(b) businesses	0	0
(c) property, plant and equipment	0	0
(d) investments	0	0
(e) intellectual property	0	0

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(f) other non-current assets	0	0
2.2	Proceeds from disposal of:		
	(a) entities	0	0
	(b) businesses	0	0
	(c) property, plant and equipment	0	0
	(d) investments	0	0
	(e) intellectual property	0	0
	(f) other non-current assets	0	0
2.3	Cash flows from loans to other entities	0	0
2.4	Dividends received (see note 3)	0	0
2.5	Other (provide details if material)	0	0
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>0</b>	<b>0</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	0	0
3.2	Proceeds from issue of convertible debt securities	0	0
3.3	Proceeds from exercise of options	0	0
3.4	Transaction costs related to issues of equity securities or convertible debt securities	0	0
3.5	Proceeds from borrowings	0	0
3.6	Repayment of borrowings	0	0
3.7	Transaction costs related to loans and borrowings	0	0
3.8	Dividends paid	0	0
3.9	Other (provide details if material)	0	0
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>0</b>	<b>0</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,591	1,591
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(395)	(395)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	0	0

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	0	0
4.5	Effect of movement in exchange rates on cash held	0	0
4.6	<b>Cash and cash equivalents at end of period</b>	<b>1,196</b>	<b>1,196</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	376	371
5.2	Call deposits	820	1,220
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,196</b>	<b>1,591</b>

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	115
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
Payments at section 6.1 relate to Executive Directors' Salaries (\$62,000), Non-Executive Director Fees (\$28,000), Company Secretary, Accounting and Office Fees (\$25,000)		

<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	0	0
7.2	Credit standby arrangements	0	0
7.3	Other (please specify)	0	0
7.4	<b>Total financing facilities</b>	0	0
7.5	<b>Unused financing facilities available at quarter end</b>		0
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(395)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,196
8.3	Unused finance facilities available at quarter end (item 7.5)	0
8.4	Total available funding (item 8.2 + item 8.3)	1,196
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	3.03
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer:	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer:	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer:	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>		



## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 October 2022  
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Authorised by: The Board of Directors  
.....  
(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.