

31 January 2023

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 31 DECEMBER 2022

Operational highlights:

- Multiple partners successfully complete fabric production utilising Nullarbor-20™ fibre
- Paradise Textiles convert 135kg of Nullarbor-20™ fibre into several types of yarn and subsequently knit yarns into a variety of fabrics – highlighting versatility of NC6's solution
- Paradise is the material science and innovation hub of the Alpine Group, a global end to end textile and apparel manufacturing leader
- Leading denim producer Orta also manufactured sample denim fabrics containing the Company's Nullarbor-20™ fibre and transformed some of this into pairs of jeans
- Orta is a leader in the development, manufacture and supply of sustainable denim and supplies to major fashion brands through a total annual production capacity of 40 million metres of denim
- Both parties undertook stringent testing of the fabrics which generated excellent results and positive feedback

Outlook and key objectives:

- Advance second pilot spin of Nullarbor™ fibres at increased scale and microbial cellulose content - expected February 2023
- Ongoing distribution of fabric samples to fashion brands for appraisal and test garment production
- Transition collaboration agreements to commercial supply agreements
- Continue to progress alternatives to leather based on microbial cellulose
- Complete the development and commercialisation of Jelli Grow™

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 31 December 2022 ("quarter", "reporting period").

Management commentary:

Executive Chairman Dr Wayne Best said: *"Work throughout the quarter was focused on supporting our existing partner network throughout the fabric production process, while continuing to advance business development initiatives with potential new partner groups."*

"Pleasingly, both Orta and Paradise successfully completed production utilising Nanollose's revolutionary Nullarbor-20™ fibre. This represented a major milestone for the Company and also highlights the versatility

of Nullarbor-20™, being used across a range of different fabrics including denim, Single Jerseys, a French Terry and a Double Pique in various colour formats. Manufacturing was also followed by stringent industry testing, which resulted in very positive feedback. This reiterates the high quality of the Company's fibre and its ability to fit seamlessly into current industrial fabric making equipment.

"Business development to extend our footprint remains a key focus for Nanollose over the coming months. As sustainability becomes a key concern for many large manufacturers, the Company is exceptionally placed to capitalise."

Operational overview:

During the quarter, Nanollose continued to advance initiatives with its collaborator network to progress and complete textile production and continued discussions with a range of potential new partners. Significant progress was also made on its Jelli Grow™ seed raising medium.

Successful completion of fabric production in partnership with Paradise Textiles:

During the quarter, the Company advised that existing partner, Paradise Textiles Limited ("Paradise") successfully converted 135kg of Nullarbor-20™ fibre into several types of yarn and subsequently knitted these yarns into a variety of fabrics, including four Single Jerseys, a French Terry and a Double Pique.

Several of the fabrics were combinations of Nullarbor-20™ and other fibres to produce blended fabrics, known to be in high demand with potential partners and throughout the textile industry. About half of the fabric was dyed black and the remaining half was left in its natural white colour. Additional details are as follows:

Construction	Fibre Blend	Weight	Yards
Single Jersey	60% Organic Cotton and 40% Nullarbor-20™	160 GSM	32
Single Jersey	50% Polyester and 50% Nullarbor-20™	160 GSM	32
Double Pique	60% Organic Cotton and 40% Nullarbor-20™	220 GSM	22
French Terry	60% Organic Cotton and 40% Nullarbor-20™	260 GSM	42
Single Jersey	100% Nullarbor-20™	200 GSM	50
Single Jersey	100% Nullarbor-20™	160 GSM	24

Paradise is the material science and innovation hub of the Alpine Group, a global end to end textile and apparel manufacturing leader, working to make fashion fit for the future. The completion of the conversion follows an initial collaboration agreement between Nanollose and Paradise secured in May 2022 (refer to the ASX announcement dated 17 May 2022).

Following the completion of production, Paradise also undertook extensive testing on the finished product to examine shrinkage, colour fastness and pilling amongst other things. Results indicated that the fabrics are of very high quality. Paradise also indicated that Nullarbor-20™ performed well during production.

Nanollose has recently received sample headers of these fabrics from Paradise for distribution to selected partners and prospects (shown below, left).



Image: Sample fabric headers from Paradise Textiles, shown alongside Orta's denim jeans (incorporating 12% Nullarbor-20™), and the Company's first 100% Nullarbor™ lyocell garment



Image: Orta denim jeans incorporating 12% Nullarbor-20™ fibre

Denim production completed in partnership with Orta:

Existing collaborator, Orta Anadolu Ticaret Ve Sanayi İşletmesi T.A.Ş ("Orta") also successfully manufactured high-quality denim fabric incorporating the Company's Nullarbor-20™ fibre.

Orta is a global leader in the development, manufacture and supply of sustainable denim. The group is based in Turkey and has a total production capacity of 40 million metres of denim per annum. Orta supplies denim to luxury brands including Armani, Alexander McQueen, Stella McCartney and Isabel Marant, leading denim brands including Levi's, Lee, Wrangler, Tommy Hilfiger, and Calvin Klein, and retail brands such as GAP, H&M and COS. Orta has over 1,500 employees and is a leader in the field of sustainability with the aim of creating a more robust denim ecosystem where design meets technology and ethics.

The group incorporated 12% of Nullarbor-20™ fibre into the manufactured denim fabrics, some of which were made into sample pairs of jeans (refer image above). The completion follows a collaboration agreement between Nanollose and Orta entered into in April 2022 (refer to ASX announcement dated 19 April 2022).

Both Orta and Nanollose are actively seeking to pursue additional collaboration opportunities with increased volumes, and the Company will provide additional updates as they materialise.

Work towards second and larger pilot spin:

During the quarter, Nanollose continued to work closely with its partner Hainan Guangyu Biotechnology to refine the specifications of microbial cellulose. This work has resulted in reduced levels of trace elements which will enable fibre spins with increased microbial cellulose content at pilot scale.

The next pilot spin is now expected to take place in February. 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. Moreover, fibre from the second spin is expected to generate the first revenues for the Company and help to offset the development costs going forward. Following completion of the second pilot spin, fibre from subsequent spins going forward will also be sold, commencing the Company's small scale commercial supply, a crucial next step towards large scale commercial supply.

Jelli Grow™:

The Company's seed raising medium, Jelli Grow, continues to attract interest. The development of a dry formulation of the material made excellent progress during the Quarter. This will allow end users to regenerate the medium simply by adding water and will dramatically reduce shipping and handling costs of the final product, overcoming a key barrier to commercial uptake. Trademark protection for Jelli Grow has now been extended to include several overseas markets. The Company expects to commence commercial supply of Jelli Grow around mid-2023, and looks forward to updating the market on progress.

Vegan Leather-Like Materials

During the Quarter Nanollose continued to develop leather-like materials from microbial cellulose. In January, the Company received an order for \$36,000 for a custom made, laboratory scale batch of material.

Outlook:

Following the continued positive results of textile production with Nullarbor-20, Nanollose will continue to focus on the following objectives for the current period and beyond:

- Further distribution of fabric samples to brands and partners for appraisal and test garment production.
- Undertake second pilot spin of Nullarbor fibres with Birla Cellulose at increased scale and microbial cellulose content, which is expected to generate the Company's first revenues, whilst providing further valuable technical information and additional material for projects with existing collaborators and new partners.
- Advance alternatives to leather based on microbial cellulose in collaboration with von Holzhausen and other potential partners.
- Work towards transitioning collaboration agreements to commercial supply agreements.
- Complete the development and commercialisation of Jelli Grow™.

Appendix 4C Quarterly Cash Flow:

The Company's Appendix 4C Quarterly Cash Flow Report for the quarter ended 31 December 2022 accompanies this announcement. At the end of the quarter, Nanollose had a cash balance of \$777,000. The Company continued diligent cash management, expending a gross total of \$426,000 on its operations, and receiving a total of \$7,000.

Capital expenditure comprised of R&D (\$264,000), advertising and marketing (\$48,000), staff costs (\$23,000), administrative and corporate costs (\$91,000) and interest received (\$7,000).

The payments included at section 6.1 of the attached Appendix 4C relate to Executive Directors' Salaries (\$56,000), 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:

Dr Wayne Best

Executive Chairman

Email: wayne.best@nanollose.com

Phone: 0421 545 820

Henry Jordan

Six Degrees Investor Relations

Email: henry.jordan@sdir.com.au

Phone: 0431 271 538

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 strategic partner, Birla Cellulose, for a high tenacity, Tree-Free lyocell made from microbial cellulose. In February 2022, Nanollose and Birla Cellulose completed the first pilot production of such a lyocell fibre when Birla Cellulose spun 260kg of forest-friendly Nullarbor-20™ fibre for Nanollose at their facilities in India. This fibre has since been sent to several collaborators and has been converted into yarns, fabrics, and garments for testing and evaluation, prior to potential uptake by partners.

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")

31 December 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	0	0
1.2 Payments for		
(a) research and development	(264)	(416)
(b) product manufacturing and operating costs	0	0
(c) advertising and marketing	(48)	(146)
(d) leased assets	0	0
(e) staff costs	(23)	(49)
(f) administration and corporate costs	(91)	(214)
1.3 Dividends received (see note 3)	0	0
1.4 Interest received	7	11
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
1.9 Net cash from / (used in) operating activities	(419)	(814)

2. Cash flows from investing activities		
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 (6 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
2.6	Net cash from / (used in) investing activities	0	0

3.	Cash flows from financing activities		
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
3.10	Net cash from / (used in) financing activities	0	0

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,196	1,591
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(419)	(814)
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 (6 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	Cash and cash equivalents at end of period	777	777

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	357	376
5.2	Call deposits	420	820
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	777	1,196

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	109
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 (\$56,000), Non-Executive Director Fees (\$28,000), Company Secretary, Accounting and Office Fees (\$25,000)		

7.	Financing facilities <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	0	0
7.2	Credit standby arrangements	0	0
7.3	Other (please specify)	0	0
7.4	Total financing facilities	0	0
7.5	Unused financing facilities available at quarter end		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.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(419)
8.2	Cash and cash equivalents at quarter end (item 4.6)	777
8.3	Unused finance facilities available at quarter end (item 7.5)	0
8.4	Total available funding (item 8.2 + item 8.3)	777
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.85
<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: Whilst as noted in the Activities Report the Company anticipates its first commercial revenue in this coming quarter, the Company does anticipate continuing to have materially the current levels of net operating cash flows for the time being. The Company is, however, expecting to receive an R&D tax rebate in the current quarter.	
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: The Company has not taken steps to raise further capital.	
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: Yes. The Company is confident it will have access to sufficient additional capital when needed.	
<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 January 2023

.....

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.