

30 April 2024

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 31 MARCH 2024

Operational highlights:

- Purchase order (PO) for 340kg of Nullarbor-20™ fibre from ORTA, an international manufacturing group headquartered in Turkey which is a global leader in sustainable denim production
- PO marked the first commercial sale of NC6's Forest-Friendly fibre. The Nullarbor-20™ fibre sold to ORTA was produced as part of the third successful pilot spin with Nanollose's development partner, Birla Cellulose, during the December quarter and establishes a pathway for future sales
- Approval granted by IP Australia for a successful patent application which covers the Company's innovative wet-gel JelliGrow™ seed-raising formulation and provides important IP protection in the domestic market
- Patent follows successful application in Europe and further strengthens the Company's global IP footprint in the emerging commercial microgreens market, with existing patent protection for the technology in China and Japan
- One of ten companies selected to participate in the 2024 Innovation Programme by Fashion For Good, a global initiative designed to support sustainable fashion technologies, following a competitive selection process

Outlook and key objectives:

- Expansion of Nullarbor fibre production and execution of off-take agreements with brands
- Commercialisation of Biollose and related products for the horticultural sector

Nanollose Limited (ASX:NC6) ("Nanollose", the "Company"), a leading biomaterials company commercialising scalable technology to create fibres, fabrics and other materials from microbial cellulose, is pleased to provide shareholders with an overview of activities undertaken during the three-month period ended 31 March 2024 ("quarter", "reporting period"), together with its Appendix 4C Quarterly Cash Flow Report.

Management commentary

Executive Chairman Dr Wayne Best said: *“The March quarter was highlighted by another key milestone in pursuit of the strategy we began the year with, to begin converting Nanollose’s substantial R&D portfolio into a commercial sales pipeline. The purchase order from ORTA marked an important step in that regard and is expected to form a foundation for further sales growth of Nanollose’s Nullarbor fibres. The sales announcement was accompanied by another busy period of activity in the development of our Biollose product suite for various horticultural markets, along with ongoing interest in our Nullarbor fibre from key players in the global fashion industry. Another highlight of the Quarter was being selected by Fashion for Good for their Innovator Programme. This is an excellent opportunity to network with brands, industry experts, and potential investors, and is yet further independent validation of innovative Nullarbor technology. We look forward to providing more updates throughout the course of Q2 and Q3 CY2024 as the Company advances the development of its multi-channel commercialisation strategy.”*

Operational overview:

During the quarter, Nanollose achieved a key milestones for its flagship Nullarbor™ technology, with the first purchase order (PO) for Nullarbor-20™ fibre to an international customer. The PO marked an important step in Nanollose’s stated strategy to convert its leading R&D suite into commercial opportunities, with the potential to open up additional sales pipelines as the Company continues to build scale in the manufacturing process.

Along with the commercialisation of its sustainable fabric technology, Nanollose was one of ten companies invited from a global pool of applicants into the 2024 Fashion For Good Innovation Programme, a nine-month programme which will connect Nanollose with a network of fashion brands, industry experts, and investors. The Company also further advanced its intellectual property (IP) footprint for its original wet-gel JelliGrow™ formulation, with confirmation of a successful grant of its patent with IP Australia.

Maiden purchase order for Nullarbor™ fibre

In February 2024, Nanollose secured a Purchase Order (PO) for 340kg of the Company’s Nullarbor-20 fibre, marking the first commercial sale of its flagship Nullarbor™ fibre technology. The order was made by Orta Anadolu Ticaret Ve Sanayi İşletmesi T.A.Ş (“ORTA”), a global leader in the development, manufacture and supply of sustainable denim fabrics.

The fibre shipped to ORTA came from the latest batch of Nullarbor-20™ fabric, which was produced during Nanollose’s third pilot spin in the December quarter with its commercial development partner, Birla Cellulose. The third pilot spin successfully achieved the target objective to increase the lot size of production, producing over half a tonne of Forest-Friendly’ Nullarbor™ fibre.

In turn, the Company’s first purchase order reflects the ongoing conversion of Nanollose’s leading R&D pipeline into commercial sales. Work with Birla Cellulose continues to increase the size of each production run for Nullarbor™ fibre, with further sales anticipated as production continues to scale up.

ORTA is a global leader in the development, manufacture and supply of sustainable denim, based in Turkey and has a total production capacity of 35 million metres of denim per annum. The Company has around 1,500 employees and is a development partner of Nanollose, following an initial collaboration agreement between the parties in 2022 (refer ASX announcement: 19 April 2022).

Biollose™ technology

Also during the quarter, Nanollose reported confirmation of an important patent approval with IP Australia. The patent application, titled 'Plant Growth Media and Method for Making Same', covers the Company's original wet-gel JelliGrow™ seed raising formulation in the domestic market.

It follows on from a successful patent application for Jelli Grow™ with European regulators in the December quarter, building out the Company's global IP footprint for the technology which also includes China and Japan.

While the Company continues to focus on its dry powder Biollose formulations for JelliGrow and MicroGel (*refer ASX Announcement: 7 September 2023*), the Australian patent provides another critical layer of protection from competitors in the Australian market.

The Company also anticipates that the patent will support ongoing discussions with potential customers, including existing partner Greenspace ESG Pty Ltd (*refer ASX announcement: 11 September 2023*).

While the completion of the MicroGel trial with Greenspace has been unexpectedly delayed, other horticultural applications of Biollose have emerged from trials with other parties both in Australia and overseas.

2024 Innovation Programme by Fashion For Good

In March, Nanollose announced it had been selected to participate in the 2024 Innovation Programme run by Fashion For Good, an organisation which provides global network support for Companies developing innovative sustainable fashion technologies.

Nanollose was one of ten companies chosen by a panel of industry experts to participate, following a competitive selection process which further validates the potential of the Company's Nullarbor fibre technology.

Running for nine months, Nanollose's inclusion into the program will provide it with access to a network of industry experts, brands, retailers, and manufacturers. At the core of the programme's service offering is its Innovation Platform – an industry hub which also connects companies working on sustainable innovation technologies with a dedicated network of investors with direct experience in the global textiles industry.

Outlook:

During the March quarter, Nanollose made an important step forward in connection with its stated strategy to convert its substantial R&D pipeline to commercial sales opportunities, with the first purchase order for Nullarbor-20™ fibre. Along with the ongoing expansion of its global IP footprint for technology connected to its flagship Biollose™ formula for the horticultural market, the Company continues to build out its multi-channel development pathway. Looking ahead, a summary the group's near-term operational priorities and key milestones is set out below

- Continue pilot production of Nullarbor fibres with increased production volumes and microbial cellulose content
- Secure formal agreements with fashion brands for supply of Nullarbor fibres and fabrics
- Commercial launch of Biollose horticultural products
- Design and produce prototypes of leather-like materials for fashion application
- Finalise commercial agreements with supply chain partners

Appendix 4C Quarterly Cash Flow:

The Company's Appendix 4C Quarterly Cash Flow Report for the quarter ended 31 March 2024 accompanies this announcement. At the end of the quarter, Nanollose had a cash balance of \$360,000. The Company expended a total of \$343,000, comprised of R&D (\$121,000), advertising and marketing (\$22,000), staff costs (\$20,000), administrative and corporate costs (\$170,000), financing costs (\$11,000) and interest received (\$1,000). The payments included at section 6.1 of the attached Appendix 4C relate to Executive Directors' Salaries (\$36,000), Non-Executive Director Fees (\$25,000), and Company Secretary, Accounting and Office Fees (\$33,000). During the quarter, The Board resolved to reduce the cash remuneration payable to the Non-Executive Directors to nil, and the Executive Director to \$80,000 per annum (pro rata), with unpaid fees and remuneration to accrue until further notice.

[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 biomaterials company commercialising scalable technology to create fibres, fabrics, and other novel materials with minimal environmental impact. Nanollose's, eco-friendly fermentation process can use agricultural waste and by-products to produce cellulose, a versatile raw material traditionally produced from trees via the wood pulping process. The company then uses this 'Tree-Free' cellulose as an input for its range of innovative biomaterials including its Nullarbor™ fibres, Biollose™ horticultural medium, and its emerging animal-free and plastic-free leather-like materials.

Nanollose filed a joint patent application with strategic partner, Birla Cellulose, for its high tenacity, Tree-Free Nullarbor lyocell fibre in 2021. Work has now moved out of the laboratory and into Birla Cellulose's pilot production facilities in India where we have completed three successful pilot production runs to date totalling over a tonne of fibre, 800kg of Nullarbor-20™ and 150kg of Nullarbor-30™, and 100kg of Nufolium-20™. Quantities of these fibres have since been sent to several collaborators and 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 March 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	0	3
1.2 Payments for		
(a) research and development	(121)	(435)
(b) product manufacturing and operating costs	0	0
(c) advertising and marketing	(22)	(92)
(d) leased assets	0	0
(e) staff costs	(20)	(58)
(f) administration and corporate costs	(170)	(408)
1.3 Dividends received (see note 3)	0	0
1.4 Interest received	1	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	280
1.8 Other	0	0
1.9 Net cash from / (used in) operating activities	(332)	(706)

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 (9 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	16
(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	16

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	328	578
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	(36)	(53)
3.5 Proceeds from borrowings	0	300
3.6 Repayment of borrowings	(300)	(300)
3.7 Transaction costs related to loans and borrowings	(3)	(19)
3.8 Dividends paid	0	0
3.9 Other (provide details if material)	0	0
3.10 Net cash from / (used in) financing activities	(11)	506

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	703	544
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(332)	(706)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	0	16

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(11)	506
4.5	Effect of movement in exchange rates on cash held	0	0
4.6	Cash and cash equivalents at end of period	360	360

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	340	683
5.2	Call deposits	20	20
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)	360	703

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	94
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 (\$36,000), Non-Executive Director Fees (\$25,000), Company Secretary, Accounting and Office Fees (\$33,000)	

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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>		
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)	(332)
8.2 Cash and cash equivalents at quarter end (item 4.6)	360
8.3 Unused finance facilities available at quarter end (item 7.5)	0
8.4 Total available funding (item 8.2 + item 8.3)	360
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.08
<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: The Company does anticipate continuing to have materially the current levels of net operating cash flows for the time being.	
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: Yes the Company will take step to access the additional capital required for its continued operations. The Company is liaising with suitable industry partners to include funding within partnership arrangements and considering the best structure for any additional capital. The Company is confident it will be able to access the required 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: 30 April 2024
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Authorised by: The Board of Directors
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(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.