

QUARTERLY UPDATE & APPENDIX 4C

Highlights;

- Creation of world-first wearable garment made from the Company's Nullarbor™ fibre
- Research Agreement signed with PT Supra Natami Utama
- Research Agreement signed with Murdoch University
- Development Facility Agreement executed with PT Supra Natami Utama

Nanollose Limited (ASX:NC6) ("Nanollose" or the "Company") is pleased to provide its Appendix 4C cash flow statement for the quarter ending 31 December 2018, together with the following operational update.

Successful creation of first wearable garment made from Nullarbor™ fibre

Following on from the production of a test garment last October, Nanollose successfully produced the first wearable garment from its eco-friendly Tree-Free Nullarbor fibre in December. The sweater was manufactured with the latest industrial 3D knit technology, with Nullarbor fibre performing extremely well and withstanding the industrial manufacturing process.

The successful production validates Nanollose's entire process for converting waste into fibre suitable for garment manufacture. This first Nullarbor garment marks a breakthrough for an industry that is urgently seeking sustainable alternatives to clothing made from traditional rayon and cotton, both of which have significant environmental issues. The publicity resulting from announcing the sweater has resulted in numerous enquiries from industry and end-users.



Nanollose Signed Agreements with Indonesian Food Producer

Nanollose has further strengthened its relationship with Indonesian food producer PT Supra Natami Utama following the signing of a Research Agreement in November, which was followed by a Development Facility Agreement in January (the “PT SNU Agreements”).

The PT SNU Agreements will accelerate the Company’s research and development of improved methods for growing and processing of microbial cellulose from waste and enable scaling up to commercial production. While the primary purpose of the agreements is process development, microbial cellulose production is expected to increase to around 1 ton per month by mid 2019, to up to 5 tons per month by the end of 2019. This will enable Nanollose to provide small commercial quantities of Nullarbor fibre to selected clothing brands to commence its introduction into their collections and product offerings.

Securing large quantities of microbial cellulose is critical in that it will allow Nanollose to provide brands, retailers and manufactures with enough raw material to create commercial quantities of our Tree-Free Nullarbor fibre. Achieving this scale will eventually set the platform for future revenues from the raw material supply chain, the licencing of our technology and royalties from end users.

Research Agreement with Murdoch University

Nanollose entered into a research agreement with Murdoch University to investigate the potential of its microbial cellulose as a scaffold in tissue engineering (“MU Research Agreement”).

Every day thousands of surgical procedures are performed to replace or repair tissue that has been damaged through disease or trauma. The developing field of tissue engineering aims to regenerate damaged tissues by combining cells from the body with scaffold biomaterials, which act as templates for tissue regeneration, to guide the growth of new tissue.

The MU Research Agreement will encompass two discrete projects to determine if Nanollose’s microbial cellulose can be used as scaffolds for human tissue growth, a market expected to reach USD 11.5 billion by 2022. The second project will assess the viability of Nanollose’s microbial cellulose as a scaffold for animal tissue growth for potential applications in the rapidly emerging field of artificial meat products.

The MU Research Agreement allows Nanollose to access specialised expertise and equipment in the field of tissue engineering in a timely and cost-effective manner without having to divert internal resources from its main focus of developing the Company’s revolutionary Tree-Free Nullarbor fibre.

While Nanollose is currently focussed on commercialising its revolutionary Tree-Free Nullarbor fibre, its microbial cellulose technologies also have potential applications in a wide range of other markets including paper and packaging, medical and agricultural. The Company is seeking to progress a number of these opportunities through partnerships with organisations with specific skills and interests in the relevant fields.

Outlook

The next 3-6 months will see Nanollose focus on the following objectives:

- Establish supply chain partners in 2-3 countries and commence pilot scale production of microbial cellulose.
- Identify suitable commercial fibre manufacturers and sign agreement for the production of Nullarbor.
- Convert our existing stockpile of 250kg of microbial cellulose into Nullarbor fibre to be offered up to brands to create limited edition offerings.

[ENDS]

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ABOUT NANOLLOSE

Nanollose Limited (ASX: NC6) is an innovative Australian company that uses a low cost and 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 like sugar, wine and food, has the ability to produce 'Plant-Free' Cellulose. Cellulose is the hidden polymer most consumers know nothing about, but forms a huge part of items used in their everyday life such as clothing, paper and hygiene products.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Nanollose Limited

ABN

13 601 676 377

Quarter ended ("current quarter")

31st December 2018

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	(215)	(366)
(b) product manufacturing and operating costs		
(c) advertising and marketing (including business development)	(98)	(173)
(d) leased assets		
(e) staff costs	(51)	(101)
(f) administration and corporate costs	(136)	(281)
1.3 Dividends received (see note 3)		
1.4 Interest received	16	34
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(484)	(887)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(4)	(66)
(b) businesses (see item 10)		
(c) investments		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(d) intellectual property		
	(e) other non-current assets		
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment		
	(b) businesses (see item 10)		
	(c) investments		
	(d) intellectual property		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(4)	(66)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	0	42
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options	0	(17)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	0	25

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	2,530	2,970
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(484)	(887)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4)	(66)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	0	25

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of quarter	2,042	2,042

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	122	260
5.2	Call deposits	1,920	2,270
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)	2,042	2,530

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

(261)

6.1 Payments to a director and their related entities for R&D consulting services, director's fees and accounting & company secretarial fees.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

Nil

Nil

N/A

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	0	0
8.2 Credit standby arrangements	0	0
8.3 Other (please specify)	0	0
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		
N/A		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	306
9.2 Product manufacturing and operating costs	
9.3 Advertising and marketing	105
9.4 Leased assets	
9.5 Staff costs	56
9.6 Administration and corporate costs	130
9.7 Other (provide details if material)	
9.8 Total estimated cash outflows	597

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	N/A	N/A
10.2 Place of incorporation or registration	N/A	N/A
10.3 Consideration for acquisition or disposal	N/A	N/A
10.4 Total net assets	N/A	N/A
10.5 Nature of business	N/A	N/A

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.

Sign here: EDale
 (Company secretary)

Date: 30 January 2019

Print name: Erlyn Dale

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.