

## **QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDING 30 JUNE 2020**

- Nanollose continued to expand, improve and develop its technologies for the production and processing of microbial cellulose at its Western Australian facilities, which remained unaffected by COVID-19 restrictions.
- The Company continued to advance the Collaboration Agreement with Grasim, liaising with their R&D team and exchanging key technical information, with new and improved samples of processed microbial cellulose successfully shipped from Nanollose to Grasim in June 2020 for trial fibre spinning.
- Chinese microbial cellulose supplier, Hainan Yeguo Foods Co Ltd, became operational again and supplied an improved sample for testing and trial processing, as a prelude to scale-up.
- The Company continued to progress its intellectual property portfolio of patents and trademarks, with one patent entering the National Phase (Final Phase) of approval.

### **Corporate Highlights**

- To preserve capital, the Company's directors took a reduction in cash remuneration, with other cost savings also implemented, resulting in only \$158,000 net cash used during the Reporting Period.
- Successful rights issue and placement of shortfall raised \$720,000 in capital with the funds to be predominantly applied to the advancement the Collaboration Agreement with Grasim, with all directors taking up their full entitlement.
- \$43,000 in government subsidies received as part of COVID-19 relief.

### **FY2021 Objectives**

- Production of tonne quantities of Microbial Cellulose, which will be shipped to Grasim's R&D facility, to further optimise production processes.
- Deliver larger commercial quantities of Microbial Cellulose to Grasim, to commence production trials to produce the first amounts of nullarbor™ fibre for commercial offerings.
- Commercial scale trials with leading global brands in the fashion and apparel industry.
- Product trials to commence in nonwoven sector as the Company seeks to commercialise nufolium™ for nonwoven fibre applications, including personal wipes, which is a high growth market.
- Continue to progress the Company's intellectual property portfolio of patents and trademarks.

**Commenting on the Quarter, Nanollose CEO, Affie Germano, said:** “During the June quarter, we have continued to work diligently behind the scenes to further advance our Collaboration Agreement with Grasim. Importantly, we have also used this time to improve the production of Microbial Cellulose (“MC”) at our Perth facility, with Hainan Yeguo Foods Co Ltd providing an improved sample of MC, as we seek to scale up production prior to commencing commercial trials. The 2021 Financial Year is set to be a pivotal period for the Company, as Nanollose aims to produce the first amounts of nullarbor™ fibre for commercial offerings, as we continue to progress towards the commercialisation of our revolutionary Tree-Free Fibres.”

**Nanollose Limited (ASX:NC6)** (“Nanollose” or the “Company”) a leading biotechnology company commercialising scalable technology to create fibres and fabrics with minimal environmental impact, is pleased to provide shareholders with an overview of activities to accompany the Appendix 4C, for the period ending 30 June 2020 (“Quarter”, “Reporting Period”).

## Operational

### Improved Production and Processing at WA Facilities

During the June Quarter, Nanollose’s operations in Western Australia (“WA”) continued unaffected, and as a result the Company continued to expand, improve and develop its technologies for the production and processing of microbial cellulose.

The Company increased its capabilities and capacity at its WA facilities, in part to support the Grasim Collaboration, which has resulted in improvements and refinements to the integration and efficiency of its processes, to transform waste material into microbial cellulose, suitable for conversion into nullarbor™ fibre. These process improvements will assist greatly during the upcoming scale-up phase. In addition, Nanollose explored an additional waste stream sourced from several local companies in WA, for its potential to produce MC, with encouraging initial results.

### Collaboration Agreement with Grasim

Nanollose continued to advance the Collaboration Agreement with Grasim Industries Limited (“Grasim”) during the Reporting Period, by liaising with their R&D team and exchanging key technical information. New and improved samples of processed microbial cellulose were successfully shipped from Nanollose to Grasim in June 2020 for trial fibre spinning.

Once temporary lockdowns in India are lifted, Grasim will recommence operations through the physical attendance of personnel at their R&D facility, and the Collaboration Agreement will be expedited as the Company works with this world class and globally recognised industrial partner to accelerate the development and commercialisation of Nanollose’s Tree-Free fibres.

As announced on 30 January 2020, Nanollose signed a Collaboration Agreement with Grasim, a company belonging to global conglomerate, Aditya Birla Group, one of the world’s largest man-made cellulosic fibre producers, to exclusively develop, and commercialise Nanollose’s Tree-Free fibres including nullarbor™ and nufolium™.

The Collaboration Agreement provides Nanollose with a world class and globally recognised industrial partner with the ability to accelerate development and commercialisation and provide a manufacturing foundation for future textile and clothing brands that uptake Nanollose’s Tree-Free fibres. Grasim, as an industrial fibre manufacturer, was the final missing link required to complete Nanollose’s waste to textile value chain.

**Microbial Cellulose Supplier - Hainan Yeguo Foods Co., Ltd**

During the Quarter, Nanollose continued to liaise with its supply chain partner Hainan Yeguo Foods Co., Ltd (“Hainan Yeguo Foods”) during the lockdown period, to refine the desired technical specifications for its MC. Hainan Yeguo Foods has now become operational again and provided the Company with an improved sample of MC for testing and trial processing as a prelude to scale-up.

On 1 May 2019, the Company entered a Supply and Purchase Agreement with Hainan Yeguo Foods, that allows Nanollose to achieve a consistent supply of microbial cellulose for the development and commercialisation of its Nullarbor™ fibre.

Hainan Yeguo Foods is a leading coconut processing pioneer and innovator with numerous patents in both the fermentation of nata de coco and engineering for raw material processing at scale, and is one of the world’s largest manufacturers of nata de coco products.

**Intellectual Property**

Nanollose progressed its intellectual property portfolio of patents and trademarks during the Reporting Period, with one patent entering the National Phase (Final Phase) of approval. The Company’s patent application entitled “Methods for producing a viscose dope from microbial cellulose” recently progressed from the Patent Co-operation Treaty (“PCT”) phase to the National Phase and has now been filed in a number of key markets, including the USA, Canada, Australia, India, Japan, and in numerous European countries via the European Patent Convention.

The PCT is an international treaty with more than 150 Contracting States, allowing patent protection for an invention simultaneously in a large number of countries by filing a single “international” patent application, instead of filing several separate national or regional patent applications. The granting of patents remains under the control of the national or regional patent offices in what is referred to as the “national phase”<sup>1</sup>, which Nanollose’s patent has now entered.

**Corporate****Reduced Directors Fees to Preserve Capital**

Effective 1 May 2020, to preserve the Company’s capital, Nanollose’s three non-executive directors took 20% of their fees as equity (subject to shareholder approvals to be sought at this year’s AGM) in lieu of cash, with the two executive directors also taking a reduction in cash remuneration and other cost savings also implemented, resulting in \$158,000 net cash used during the Reporting Period.

These reductions in costs are evident in the attached Appendix 4C and the Company will continue to implement cost saving measures where possible and appropriate without impacting on the key business objectives over the coming quarters.

**Non-renounceable prorata entitlement issue**

During the Reporting Period, the Company conducted a successful rights issue raising a total of \$720,000 in capital, with the funds to be predominantly applied to the advancement the Collaboration Agreement with Grasim, with all directors taking up their full entitlement.

On 3 April 2020, the Company released a non-renounceable pro-rata entitlement offer of shares to shareholders via the Offer Document dated 15 April 2020, with eligible shareholders entitled to two (2) New Shares for every five (5) Shares held on the Record Date, at an issue price of \$0.024.

---

<sup>1</sup> <https://www.wipo.int/pct/en/faqs/faqs.html>

In May 2020, the Company advised that it had received acceptances for 13,179,407 shares and applications for shortfall from existing shareholders for 2,491,306 shares raising a total of \$376,097.

The remaining shortfall of 14,329,285 shares were placed through the lead manager to the issue, Alto Capital, as per clause 3.10 of the Offer Document, raising an additional \$343,902.84, resulting in a total of \$720,000 in capital raised.

## **FY2021 Objectives**

As Nanollose continues to progress towards the commercialisation of its revolutionary Tree-Free Fibres, there are several key milestones that the Company aims to achieve during the 2021 Financial Year. It should be noted that timeframes may be subject to change dependent on COVID-19 and the temporary lockdowns in India.

- Completion of production of 1 tonne of Microbial Cellulose, which will be shipped to Grasim's R&D facility, to further optimise production processes.
- Deliver larger commercial quantities of Microbial Cellulose to Grasim, to commence production trials to produce the first amounts of nullarbor™ fibre for commercial offerings.
- Commence commercial scale product trials with leading global brands in the fashion and apparel industry.
- Product trials to commence in nonwoven sector as the Company seeks to commercialise nufolium™ for nonwoven fibre applications, including personal wipes, a high growth market.
- Continue to progress the intellectual property portfolio of patents and trademarks.

**[ENDS]**

## **AUTHORITY AND CONTACT DETAILS**

This announcement has been authorised for release by the Board of Nanollose Limited.

For further information, please contact:

**Alfie Germano**

CEO & Managing Director

Email: [alfie.germano@nanollose.com](mailto:alfie.germano@nanollose.com)

Phone: 0411 244 477

**Jane Morgan**

Investor Relations

Email: [jm@janemorganmanagement.com.au](mailto:jm@janemorganmanagement.com.au)

Phone: 0405 555 618

## **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 like sugar, wine and food, has the ability to produce 'Plant-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.

## **ABOUT GRASIM INDUSTRIES LIMITED**

Grasim Industries Limited is a formidable manufacturing company and is the flagship company of US\$48.3 Billion Aditya Birla Group, a global conglomerate and ranks amongst the top publicly listed companies in India. Aditya Birla Group operates in 36 countries with more than 120,000 employees worldwide, and is a leading global producer of Viscose and Lyocell fibre for a vast range of sectors that include textiles for apparel and nonwoven applications. Along with extensive R&D and pilot facilities, Grasim has four large-scale fibre manufacturing plants in India with a combined production capacity of 566 kilo tonnes per annum. Their fibres are used in over 29 million garments across 30 brands each year featuring the LIVA tag.

The organisation has made many transformative strides in responsible sourcing and fibre development to align with Grasim's commitment to circularity and goal of developing solutions that increase the use of recycled content and decrease the dependency on wood. Most recently, Grasim was elevated to a "light green shirt" ranking on Canopy's hot button report, making it one of the only two global viscose producers that have this status and achieved a manufacturing breakthrough of using pre-consumer cotton fabric waste as a feedstock.

## 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 June 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 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	(104)	(773)
(b) product manufacturing and operating costs	0	0
(c) advertising and marketing	(30)	(151)
(d) leased assets	0	0
(e) staff costs	(22)	(133)
(f) administration and corporate costs	(44)	(401)
1.3 Dividends received (see note 3)	0	0
1.4 Interest received	0	9
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	0	0
1.7 Government grants and tax incentives	0	462
1.8 Other (Covid 19 Cash Flow Boost)	43	43
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(158)</b>	<b>(945)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	0	0
(b) businesses	0	0
(c) property, plant and equipment	0	(3)
(d) investments	0	0
(e) intellectual property	0	0
(f) other non-current assets	0	0

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
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>(3)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	720	720
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	(54)	(54)
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>666</b>	<b>666</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	327	1,117
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(158)	(945)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(0)	(3)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	666	666
4.5	Effect of movement in exchange rates on cash held		
4.6	<b>Cash and cash equivalents at end of period</b>	<b>835</b>	<b>835</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	265	307
5.2	Call deposits	570	20
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>835</b>	<b>327</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
162
0

Payments at section 6.1 relate to Executive Directors' Salaries (\$87,000), Non-Executive Director Fees (\$21,000), Company Secretary, Accounting and Office Fees (\$17,000) and Contract Research Fees (\$37,000).

<b>7. 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
<b>7.4 Total financing facilities</b>	<b>0</b>	<b>0</b>

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.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(158)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	835
8.3 Unused finance facilities available at quarter end (Item 7.5)	0
8.4 Total available funding (Item 8.2 + Item 8.3)	835
<b>8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>5.28</b>

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

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: Not Applicable.

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: Not Applicable.

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: Not Applicable.

### 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 July 2020

.....

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.