

6 August 2021

The Manager

National Stock Exchange of Australia Ltd

Market and Audit Update

Nanopac Innovation limited (NSX: NNO) is pleased to provide the following market and audit update.

Market Update

As noted in the market update of 2 June 2021 the business of Nanopac (M) Sdn Bhd (Nanopac (M)), the Company's main operating subsidiary, has been severely and negatively impacted by the effects of the Covid -19 global pandemic and the various lock downs and movement restrictions put in place in Malaysia and markets which the group supplies.

Unfortunately the gradual business recovery that had been occurring prior to the latest Malaysian lockdowns been impacted by the continued indefinite lock-downs in Malaysia. All business other than provision of masks has ceased.

As previously announced Nanopac (M) retendered to supply socks with nano particle coatings to the Malaysian Army. The Company's previous contract expired in January 2021. The tender is still in the final stages and the group hopes to again supply socks to the Malaysian army. If the tender was successful the contract would be worth approximately AUD 1 million over 3 years. The tender is yet to be finalized.

Audit Update

The process of Australian audit the outstanding accounts by an Australian auditor is still progressing. The Company has been working with its Australian accounting team to resolve issues. The work has been somewhat distracted by the need to produce Special Purpose accounts for the year to 31 December 2019 as part of the Malaysian Army tender. The special Purpose accounts are in the final stages of completion by our accounting team.

Following completion of the Special Purpose accounts, draft accounts for the full year 2019 will be submitted to the auditors for review.

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The Company did state on 2 June 2021 that it was working towards the 2019 and 2020 accounts being completed by 31 July 2021.

However not only has the process been slowed by the indefinite lock-down in Malaysia but by the totally unforeseen outbreak of the Delta variant in Sydney and subsequent extended lock-down there which not scheduled to finish until 30 August at the earliest.

The Sydney outbreak has meant our Australian accounting team having to work remotely and that Australian auditors must also work remotely. This is beyond the Company's control and has slowed progress somewhat. The Company has organized televideo conferences with the Australian accounting teams in order to reduce response times and better understand issues as they arise.

The Company hopes to have outstanding accounts to start being lodged by around mid August 2021. The first set of accounts should be full year accounts to 31 December 2019. At the time of lodging those accounts a schedule of anticipated lodgments dates for all other outstanding accounts will be provided.

The Company is working towards completing the audit process as soon as possible.

Authorised by



Andrew Bristow

Secretary

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