

31 July 2024

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 JUNE 2024

Operational highlights:

- Non-binding Term Sheet with Paradise Textiles Pte Limited ('Paradise'), a division of global apparel manufacturer Alpine Group, for a Joint Venture relating to the exclusive supply of Nullarbor™ fibre
- JV sets out the framework for Paradise to undertake R&D for the manufacture of fabrics from Nullarbor™ fibres, and supply samples to facilitate customer engagement
- Approval granted by Indian Patent Office for patent application titled 'A High Tenacity Regenerated Cellulosic Fiber', the first granted patent for the Company's Nullarbor lyocell technology which is jointly owned with Nanollose's commercial development partner, Grasim Industries
- One of eight innovative companies showcased at the 2024 Challenge the Fabric event in Milan – an annual event organized by the Swedish Fashion Council for cross-industry collaboration in sustainable man-made cellulosic fibres
- Post quarter-end, the Company received \$200,000 in loan funding, offset against Nanollose's anticipated Government R&D refund for the 2024 financial year

Outlook and key objectives:

- Pursue sales and commercial partnerships for the Company's Biollose™ product suite, where discussions with potential partners are ongoing, to capitalise on the technology's inherent advantages in the fast-growing markets for microgreens and vertical farming
- Maintain and grow pilot production of Nullarbor™ fibre for the global fashion industry through ongoing engagement with international partners in both product development and commercial sales pathways

Nanollose Limited (ASX:NC6) ("Nanollose", the "Company"), a leading bio-materials 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 30 June 2024 ("quarter", "reporting period").

Management commentary

Executive Chairman Dr Wayne Best said: *"We are pleased to present our results for the June quarter, which were led by another round of important milestones for the Company's sustainable fabric technology. Both the JV term sheet with Paradise Textiles and successful patent approval in India for our Nullarbor lyocell fibres highlight the Company's ability to advance its research program in pursuit of commercial scale. We look forward to working with our development partners to further*

advance both our sustainable fabric solutions, alongside our Biollose rehydratable microbial cellulose technology, towards commercialisation in the second half of 2024.”

Operational overview:

Term Sheet with Joint Venture Partner for supply of Nullarbor™ fibre

In June, Nanollose announced it had signed a non-binding term sheet with Paradise Textiles Pte Limited - the material science hub of the Alpine Group, a globally connected, award-winning material innovation and apparel manufacturing company.

The Agreement outlines the principal terms for a joint venture agreement between Nanollose and Paradise involving the exclusive supply of Nullarbor fibres to Paradise. Under the terms of the Agreement, the parties have set out a framework for Nanollose to supply Nullarbor fibres exclusively to Paradise Textiles for the production of yarns and fabrics, with the exception of fibre for denim fabrics.

In return, Paradise Textiles will continue to work closely with Nanollose to develop new yarn and fabric constructions, provide samples, and promote Nullarbor to its current and prospective client base. The Agreement is non-binding and can be terminated by either party upon written notice.

Indian patent approval for Nullarbor lyocell fibre technology

Earlier in the quarter, Nanollose announced that it had been granted approval by the Indian Patent Office for a patent application titled ‘A High Tenacity Regenerated Cellulosic Fiber’. The application was filed jointly with Grasim Industries – Nanollose’s long-term R&D partner which is a subsidiary of global manufacturing conglomerate, Aditya Birla Group.

The Patent relates to Nanollose’s innovative Nullarbor lyocell fibre technology and considerably strengthens the Company’s intellectual property portfolio. Related patent applications are still pending in other major jurisdictions and this grant by the Indian Patent Office augurs well for them.

In addition, the technology disclosed by the Patent has now been validated in three successful pilot production runs totalling over a tonne of fibre, namely 800kg of Nullarbor-20, 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.

2024 Challenge the Fabric Event

In May 2024, Nanollose was one of eight innovative companies showcased at the 2024 Challenge the Fabric (CTF) event in Milan – an annual event organized by the Swedish Fashion Council for cross-industry collaboration in sustainable man-made cellulosic fibres.

CTF brings together stakeholders across the global textiles supply chain to share ideas on how to achieve sustainable fabric manufacturing at scale using man-made cellulosic fibres (MMCF). The event is hosted each year by Ekman Group, a Swedish biomaterials conglomerate, alongside the Swedish Fashion Council.

Each of the eight sustainable fabric companies were matched with an emerging designer to create a look using the innovative MMCF fabric supplied by their partner company. Nanollose was paired with Louise Lyngh Bjerrergaard, a Danish designer based in Paris, who designed a piece using 10m of Nullarbor-20 single jersey fabric made by Nanollose's partner, Paradise Textiles.

Activities Post Quarter-End

The Company announced that it had received \$200,000 under a R&D loan facility with Asymmetric Innovative Finance Pty Ltd.

The R&D loan facility was established against the Company's anticipated R&D tax rebate for the FY24 period.

Outlook:

During the June quarter and post quarter-end, Nanollose continued to advance its strategy to convert its multi-channel R&D pipeline into commercialisation initiatives across domestic and international markets. Looking ahead, the Company's is well positioned to capitalise on the use-case for its Biollose technology in the fast-growing vertical farming sector, alongside ongoing efforts to establish commercial scale of its innovative sustainable fabric solutions: Key near-term priorities include:

- Scale up pilot production of Nullarbor fibres with R&D partner, Birla Cellulose, to generate increased production volumes with a higher microbial cellulose content
- Ongoing engagement with fashion brands to pursue off-take agreements for Nullarbor fibres and fabrics
- Advance commercialisation initiatives for Biollose product suite, where discussions with potential partner groups are ongoing as at quarter-end



Designed by Louise Lyngh Bjerrergaard using Nullarbor™

Appendix 4C Quarterly Cash Flow:

The Company's Appendix 4C Quarterly Cash Flow Report for the quarter ended 30 June 2024 accompanies this announcement. At the end of the quarter, Nanollose had a cash balance of \$136,000.

The Company continued diligent cash management, expending a gross total of \$236,000 on the operations of the Company, and receiving a total of \$12,000. Expenditure comprised of R&D (\$117,000), advertising and marketing (\$31,000), staff costs (\$19,000), administrative and corporate costs (\$68,000), transaction costs related to loans and borrowings (\$1,000) and receipts from customers (\$12,000). The payments included at section 6.1 of the attached Appendix 4C relate to Executive Directors' Salaries (\$27,000) and Company Secretary, Accounting and Office Fees (\$17,000). No Non-Executive Director fees were paid during the quarter.

[ENDS]

AUTHORITY AND CONTACT DETAILS

This announcement has been authorised by the Board of Directors of Nanollose.

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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™, 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.

Nanollose Investor Hub:

We invite you to use our Investor Hub for any questions about this announcement or other matters regarding Nanollose. This forum offers an opportunity to submit questions, share comments, and view video summaries of key announcements.

To access the Nanollose investor hub go to <https://investorhub.nanollose.com/>

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 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	12	15
1.2 Payments for		
(a) research and development	(117)	(552)
(b) product manufacturing and operating costs	0	0
(c) advertising and marketing	(31)	(123)
(d) leased assets	0	0
(e) staff costs	(19)	(77)
(f) administration and corporate costs	(68)	(476)
1.3 Dividends received (see note 3)	0	0
1.4 Interest received	0	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	(223)	(929)
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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(d) investments	0	0
	(e) intellectual property	0	0
	(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)		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	0	(53)
3.5	Proceeds from borrowings	0	300
3.6	Repayment of borrowings	0	(300)
3.7	Transaction costs related to loans and borrowings	(1)	(20)
3.8	Dividends paid	0	0
3.9	Other (provide details if material)	0	0
3.10	Net cash from / (used in) financing activities	(1)	505

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	360	544
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(223)	(929)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	0	16
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(1)	505
4.5	Effect of movement in exchange rates on cash held	0	0
4.6	Cash and cash equivalents at end of period	136	136

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	116	340
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)	136	360

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	44
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 (\$27,000), Company Secretary, Accounting and Office Fees (\$17,000)		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. 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)	(223)
8.2	Cash and cash equivalents at quarter end (item 4.6)	136
8.3	Unused finance facilities available at quarter end (item 7.5)	0
8.4	Total available funding (item 8.2 + item 8.3)	136
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.61
	<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: The Company has secured a loan against its anticipated R&D Tax Rebate (Refer ASX Release of earlier today). Further the Company continues to advance negotiations with a prospective industry partner which is expected to conclude imminently, and would likely include a funding solution. The negotiations remain incomplete and confidential, and as such there can be no assurances any transaction will be concluded. In any event, the Company is confident it will be able to access the required capital when required.	
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 July 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.