

31 October 2024

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2024

Operational highlights:

- Successful shipment for 110kg batch of Nufolium-20™ fibre to Nanollose's development partners for product testing
- Marks the first shipment of Nufolium-20™- a key material in the market for nonwoven applications such as wet wipes which represents a significant global addressable market for Nanollose
- The 110kg batch was shipped to Glatfelter, a leading global manufacturer of engineered materials, which will convert the Nufolium-20™ nonwoven fabric for global conglomerate Codi Group ('Codi') to test its use-case in the manufacture of wet wipes
- Receipt of \$200,000 in loan funding, offset against Nanollose's anticipated Government R&D refund for the 2024 financial year

Outlook and key objectives:

- Advance multi-channel pilot production programs for Nullarbor™ and Nufolium-20™ fibres, advancing product testing towards commercialisation with global development partners
- Continue to pursue commercial opportunities for the Company's Biollose™ product suite, where discussions remain well advanced with several merchant customers in the vertical farming and commercial microgreen sectors

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 September 2024 ("quarter", "reporting period").

Management commentary

Executive Chairman Dr Wayne Best said: *"The September quarter marked another period of steady progress towards our commercialisation objectives, as Nanollose continue to advance the R&D pathway for our Nullarbor™ tree-free fibres for sustainable fabric manufacturing, and Biollose™ soilless growth media for the fast-growing indoor vertical farming sector. Operationally, we were pleased to highlight a key development for Nufolium-20™, our forest-friendly fibre targeting the market for nonwoven fabrics, including wet wipes – a sector where the incumbent global manufacturing conglomerates are looking for more sustainable manufacturing solutions to reduce their carbon footprint and comply with the EU Single-Use Plastic Directive. With a busy schedule of works programs alongside our R&D partners heading into 2025, the Company looks forward to updating investors on our efforts to build scale and establish product-market fit across our development suite."*

Operational overview:

First Shipment Of Nufolium™ Fibre For Pilot Scale Product Testing

In early September, Nanollose announced it had received confirmation of a successful shipment for 110kg batch of Nufolium-20™ fibre to the Company's development partners for product testing.

Under the terms of the agreement, the first shipment will be made to Glatfelter, a leading global manufacturer of engineered materials. The Nufolium-20 fibre will be converted by Glatfelter into nonwoven fabric for Codi Group ('Codi') to test for use in the manufacture of wet wipes.

Headquartered in the Netherlands, Codi is a European conglomerate that manufactures and distributes wet wipes to 40 countries globally and manufactures over 210 million pieces of consumer packaging per year.

The shipment from Nanollose was made in accordance with its existing cooperation agreement with Codi. The agreement sets out the framework for the two parties to work together exclusively to develop wipe products using Nanollose's Tree-Free and Forest-Friendly fibres made from microbial cellulose (refer ASX announcements 16 August 2019 and 18 August 2022).

The shipment marks the next step in commercial development strategy for Nufolium™ fibre, with potential access to an expanded market for nonwoven applications to complement its Nullarbor™ fibre for fashion applications.

The 110kg of Nufolium-20 fibre was produced from Nanollose's third pilot production run which also produced 430kg of Nullarbor-20 fibre – part of the Company's long-term development partnership with Birla Cellulose to commercialise the scale production of tree-free textile fibres that can be used for sustainable clothing manufacturing.

Typhoon at Hainan

Nanollose's microbial cellulose partner, Hainan Guangyu Biotechnology's facilities were recently damaged by a typhoon. Repairs are being carried out as a matter of urgency and production is continuing. However, some delays in the procurement of Biollose are possible in the short term.

Designer Garment from Novel Biobased Material

Nanollose has continued to advance its biobased nonwoven material as an alternative to conventional leather in some applications. A recent collaboration with the South Metropolitan TAFE provided some valuable feedback on the materials properties and potential applications. Moreover, their award-winning designer, Fynnian Copp, demonstrated the material's workability by creating an Haute Couture garment for the Fremantle Design Week.



Photo credit: Edelcita Milan

Receipt of R&D Loan Funding

During the quarter, Nanollose also confirmed the receipt of \$200,000 in loan funding through a 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 September quarter, Nanollose continued to advance its multi-channel R&D program with a network of global partners, as it continues to pursue commercialisation initiatives for its core product offerings - Nullarbor™ sustainable fabric and Biollose™ soilless growing media. Key near-term priorities include:

- Scale up pilot production of Nullarbor and Nufolium 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
- Ongoing engagement with partners to progress testing of Nufolium fibre for nonwoven and wet wipes applications
- Advance commercialisation of Biollose products suite and completion of ongoing trials with potential partner groups

Appendix 4C Quarterly Cash Flow:

The Company's Appendix 4C Quarterly Cash Flow Report for the quarter ended 30 September 2024 accompanies this announcement. At the end of the quarter, Nanollose had a cash balance of \$52,000. The Company continued diligent cash management, expending a gross total of \$274,000 on the operations of the Company. Capital expenditure comprised of R&D (\$150,000), advertising and marketing (\$37,000), staff costs (\$18,000), administrative and corporate costs (\$70,000). The payments included at section 6.1 of the attached Appendix 4C relate to Executive Directors' Salaries (\$19,000), Non-Executive Director Fees (\$0), and Company Secretary, Accounting and Office Fees (\$0).

[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 110kg 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 September 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	0	0
1.2 Payments for		
(a) research and development	(150)	(150)
(b) product manufacturing and operating costs	0	0
(c) advertising and marketing	(37)	(37)
(d) leased assets	0	0
(e) staff costs	(18)	(18)
(f) administration and corporate costs	(70)	(70)
1.3 Dividends received (see note 3)	0	0
1.4 Interest received	1	1
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	0	0
1.8 Other	0	0
1.9 Net cash from / (used in) operating activities	(274)	(274)

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

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
(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	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
2.6 Net cash from / (used in) investing activities	0	0

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	0	0
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	0
3.5 Proceeds from borrowings	200	200
3.6 Repayment of borrowings	0	0
3.7 Transaction costs related to loans and borrowings	(10)	(10)
3.8 Dividends paid	0	0
3.9 Other (provide details if material)	0	0
3.10 Net cash from / (used in) financing activities	190	190

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	136	136
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(274)	(274)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	0	0
4.4	Net cash from / (used in) financing activities (item 3.10 above)	190	190
4.5	Effect of movement in exchange rates on cash held	0	0
4.6	Cash and cash equivalents at end of period	52	52

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	32	116
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)	52	136

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	19
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 (\$19,000).		

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)	(274)
8.2 Cash and cash equivalents at quarter end (item 4.6)	52
8.3 Unused finance facilities available at quarter end (item 7.5)	0
8.4 Total available funding (item 8.2 + item 8.3)	52
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.19
<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 anticipates lower levels of net operating cash flows until such time as it secures suitable additional capital.
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 reduced its operational expenditure whilst it continues negotiations with a prospective industry partner which, whilst has taken a longer period than initially anticipated, is expected to conclude in November or early December 2024. The negotiations remain incomplete and confidential, and as such there can be no assurances any transaction will be concluded. Should the Company require interim funding whilst negotiations continue the directors currently intend to provide that funding via a directors loan. In any event, the Company is confident it will be able to access 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 October 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.