

## Quarterly Update and Appendix 4C

### Highlights

- Nanollose became the first company to successfully convert Plant-Free cellulose into a rayon fibre, marking a significant global breakthrough for the textile and clothing industries
- Nanollose filed its first international patent application relating to a method of processing microbial cellulose into 'pulp' – a material suitable for a broad range of commercial applications
- Nanollose successfully admitted to the Australian Securities Exchange (**ASX**) after raising A\$5 million in oversubscribed Initial Public Offer (**IPO**)
- Commenced talks with various global entities and potential industrial partners on collaborations, with the aim to explore, forge and solidify relationships in the near term

**Nanollose Limited (ASX: NC6) (NC6 or the Company)** is pleased to provide its Appendix 4C Cashflow Statement for the quarter ended 31 December 2017, together with the following operational update.

### **Creation of world first Plant-Free viscose-rayon fibre**

In December, Nanollose filed a provisional patent to protect the production of its world-first Plant-Free viscose-rayon fibre, marking a significant breakthrough for the global textile and clothing industries that until now have had limited eco-friendly fibre alternatives available to them.

This milestone validates that the Nanollose technology can convert Plant-Free microbial cellulose into valued commercial fibre products. This gives the Company a significant opportunity in offering a sustainable alternative for plant-based fibres such as viscose-rayon, which are widely used, but have significant environmental impacts.

### **First international patent application filed**

In November, Nanollose filed an International Patent Application relating to methods for processing microbial cellulose to pulp, a material suitable for a broad range of commercial applications including medical scaffolding, non-woven fabrics and absorbent feminine hygiene products.

This became the first step in solidifying and expanding the Company's technology and patent portfolio strategy, and Nanollose is working towards developing materials made from microbial cellulose pulp to meet the increasing interest from industries for environmental and sustainable solutions.

### **Efforts to secure commercial supplies of Plant-Free microbial cellulose underway**

In early December, management met with established coconut industry groups in South East Asia to secure a supply of microbial cellulose, which will then be processed into Plant-Free rayon and other fibres using Nanollose technologies. These discussions have now advanced and Nanollose expects initial supply to be secured in the near future.

### **Successful listing on the ASX**

Nanollose successfully commenced trading on the Australian Securities Exchange on 18 October 2017 after raising \$5 million in its initial public offering (IPO) via the issue of 25 million new shares. The proceeds of the IPO have allowed the Company to advance its research and development program, protect its intellectual property and accelerate commercialisation activities.

### **Strong interest in Nanollose technology**

Over the past 3 months since listing, interest in Nanollose's fibre technology from multiple textile, apparel and fibre manufacturers has been significant. The Company is currently accelerating development to be able to generate sufficient quantities of fibre samples for these groups.

Nanollose is currently in early stage discussions with:

- Global textile groups from high end designers to mass market brands and retailers
- US personal hygiene companies
- European automotive industries
- European cosmetics and fast moving consumer goods groups
- International ethical investments funds

Within the next quarter it is the Company's intention to progress discussions into agreements with a number of these groups and provide material validation of the Company's technology.

### **Outlook**

Demand remains strong for sustainably produced fibre materials that could replace current environmentally detrimental options available to industries. Nanollose is at the forefront of this growing demand, and looks to strengthen its position as first mover in its space by focusing on three foundational pillars:

- 1. Refine the Nanollose technology:** The Company is currently at a product development stage where physical samples are being proven, tested and produced ahead of being commercially ready.
- 2. Develop a raw material supply chain:** Current raw material research has been based on accessible and repurposable microbial cellulose feedstock. The next step is to develop a supply chain with current partners that will boost capacity and broaden feedstock development to include industry waste streams.
- 3. Solidify value chain partners:** Nanollose has received significant interest from many areas of the global textiles industry since announcing its production of viscose-rayon fibre from microbial cellulose.

Nanollose has commenced talks with various entities and industrial partners on collaborations along with possible joint venture models. These cover opportunities around investment, supply chain,



research acceleration and product development. The Company aims to explore, forge and solidify relationships in the near term.

**[ENDS]**

For further information, please contact:

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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 building block polymer most consumers know nothing about, but forms a huge part of items used in 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")**

31<sup>st</sup> December 2017

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	(140)	(182)
(b) product manufacturing and operating costs		
(c) advertising and marketing	(23)	(24)
(d) leased assets		
(e) staff costs	(93)	(113)
(f) administration and corporate costs	(200)	(261)
1.3 Dividends received (see note 3)		
1.4 Interest received	2	2
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)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(454)</b>	<b>(578)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(25)	(25)
(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)		
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(25)</b>	<b>(25)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	5,000	5,000
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	(570)	(572)
3.5 Proceeds from borrowings	41	179
3.6 Repayment of borrowings	(237)	(241)
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
<b>3.10 Net cash from / (used in) financing activities</b>	<b>4,234</b>	<b>4,366</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	48	40
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(454)	(578)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(25)	(25)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	4,234	4,366

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held		
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>3,803</b>	<b>3,803</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
		<b>3,803</b>	<b>48</b>
5.1	Bank balances	783	48
5.2	Call deposits	3,020	-
5.3	Bank overdrafts		
5.4	Other (provide details)		
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>3,803</b>	<b>48</b>

**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**

(193)

Nil

6.1 Payments to director 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. <b>Financing facilities available</b> <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	Nil	Nil
8.2 Credit standby arrangements	Nil	Nil
8.3 Other (director loans)	Nil	Nil
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. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	212
9.2 Product manufacturing and operating costs	10
9.3 Advertising and marketing	43
9.4 Leased assets	10
9.5 Staff costs	75
9.6 Administration and corporate costs	212
9.7 Other (Lab fit out, and Supply Chain Development)	60
<b>9.8 Total estimated cash outflows</b>	<b>622</b>

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

**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:  ..... Date: 31 January 2018  
(Company Secretary)

Print name: Erlyn Dale  
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**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.