

QUARTERLY UPDATE & APPENDIX 4C

Nanollose Limited (ASX:NC6) (“Nanollose” or the “Company”) is pleased to provide its Appendix 4C cash flow statement for the quarter ending 31st March 2020, together with the following commentary.


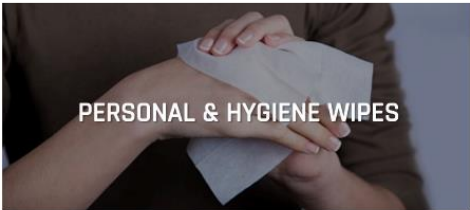


DEVELOPMENT & COMMERCIAL

Following the successful implementation of the Company’s “Fibre First” strategy the Company achieved its most significant milestone to date, with the signing of a collaboration agreement with Grasim Industries Limited (“Grasim”), arguably the world’s largest rayon fibre manufacturer.

Grasim Industries Limited, is the flagship company of US\$48.3 Billion Aditya Birla Group, and ranks amongst the top publicly listed companies in India. It is a leading global producer of manmade cellulosic fibres for apparel, textiles and non-woven applications. Grasim currently creates its fibres from managed forest trees and its new sustainable processes and technology to safeguard the environment.

The collaboration began in earnest in late February when Nanollose’s initial trial shipment of 27kg of microbial cellulose arrived at Grasim’s R&D site in India. Following a period of good engagement with the project team at Grasim, work there has been temporarily paused after the Indian Government imposed a lockdown until 3 May to manage the COVID-19 pandemic. However, despite the lockdown, Nanollose and Grasim continue to exchange critical research and development information. Moreover, we have been able to continue several aspects of the project at our Perth site which has been unaffected by lockdowns and continues to work to refine the processing of microbial cellulose to ensure it matches the precise specification required by Grasim for fibre production.

Nanollose Executive Chairman, Dr Wayne Best said “The response from the industry and potential customers to our collaboration with Grasim has been extremely positive. Working with a fibre maker of the calibre and capacity of Grasim provides potential clients with a lot of confidence in the potential of nullarbor fibre.”

| | | |
|-----------------|---|---|
| |  CLOTHING & TEXTILES |  PERSONAL & HYGIENE WIPES |
| ORGANISATION | Collaboration agreement with Grasim Industries Limited , arguably the world’s largest rayon fibre manufacturer | Cooperation agreement with Codi Group , a global leader in the development, manufacturing and marketing of high-quality personal care wipes |
| AGREEMENT | This agreement provides Nanollose with access to world-class expertise/facilities to further develop and commercialise nullarbor™ | Both parties are working exclusively with each other for the development of Plant-Free rayon wipes using Nanollose fibre for non-woven applications |
| NANOLLOSE FIBRE |  |  |
| MARKET SIZE | Rayon fibre market worth US\$16.3 Billion in 2019 and growing to an estimated US\$24 billion in 2025 | The wipes market estimated to be US\$13.2b in 2018 and growing to US\$17.3b by 2023 |

SUPPLY CHAIN

Work continued towards developing the Company's microbial cellulose (MC) supply chain. A further 0.5 tonnes of MC was delivered to Nanollose from Indonesia in January. While production of MC from our Chinese partners was temporarily affected by the Covid-19 pandemic in March, it is starting to return to normal and an initial 120kg trial batch has been prepared and is awaiting shipment to our facilities in Perth and Grasim in Mumbai.

CORPORATE

Nanollose is also embarking on a capital raise and is seeking to raise up to approximately \$720,000 by a pro-rata non-renounceable rights offer of up to approximately 29,999,998 shares on the basis of 2 new shares ("New Share") for every 5 shares held at an issue price of 2.4 cents per New Share. The Company lodged its offer document for the Offer ("Offer Document") with the ASX on 14 April 2020.

Further, the Company's three non-executive directors have agreed to restructure their remuneration and accept 20% of their fees as equity in lieu of cash. Similarly, the Company's two executive directors have agreed to further reduce the cash component of their base salaries from \$165k to \$150k, taking the difference as equity in lieu of cash. The changes will take effect from 1 May 2020, with the issuance of shares being subject to shareholder approval to be sought at the Company's next AGM.

Nanollose Executive Chairman, Dr Wayne Best said "We believe Nanollose remains a truly transformative project for the textile and clothing industries. The funds raised under the Offer will be used to progress the collaboration with Grasim, advancing development, commercialisation and engaging future customers"

3-6 MONTH OUTLOOK

With the Grasim collaboration in place, the outlook for 2020 still remains very encouraging. Once lockdown restrictions are eased, the strategic focus will be on 1) working with Grasim Industries to ensure the fibre technology scales successfully 2) increasing supply of microbial cellulose to convert into commercial quantities of fibre 3) establishing agreements with clothing brands to purchase initial quantities of fibre.

Grasim

Trials for fibre spinning will resume once the lockdown in India is lifted. Nanollose will work with Grasim to determine the technical parameters required for large scale spinning of nullarbor™ fibre and the precise specification required of the microbial cellulose raw material from which it is made. It is envisaged that this will initially involve laboratory scale pilot spinning before progressing to a much larger pilot plant of sufficient capacity to supply small commercial quantities of nullarbor to select fashion brands.

Increase Supply

With China now out of lockdown and with business there slowly returning to normal, Nanollose has reengaged with its supplier Hainan Yeguo Foods to increase its supply of microbial cellulose to meet the future needs of the Grasim Project. Though some uncertainties remain, the Company still expects to deliver on its Q3-Q4 goals and provide the quantities of raw material required by Grasim to progress development.

Commercial Partner

Demand for Nanollose's fibre remains strong and enquiries continue to steadily arrive from brands and manufacturers. Nanollose continues to advance discussions with a number of leading brands towards initial agreements in the next 3-6 months once samples of nullarbor fibre are available from Grasim.

Nanollose Executive Chairman, Dr Wayne Best said "While the Covid-19 pandemic has caused some delays, and the future impacts of the pandemic are uncertain, the Company still expects to deliver nullarbor fibre to customers by the end of 2020 and generate some revenues as a result."

[ENDS]

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

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 food and beverages, has the ability to produce 'Plant-Free' Cellulose. Cellulose is the hidden polymer most consumers know nothing about, but forms a huge part of items used in their everyday life such as clothing, paper and hygiene products.

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")

31 March 2020

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|---|------------------------------------|--|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 0 | 0 |
| 1.2 Payments for | | |
| (a) research and development | (109) | (669) |
| (b) product manufacturing and operating costs | 0 | 0 |
| (c) advertising and marketing | (39) | (121) |
| (d) leased assets | 0 | 0 |
| (e) staff costs | (31) | (111) |
| (f) administration and corporate costs | (80) | (357) |
| 1.3 Dividends received (see note 3) | 0 | 0 |
| 1.4 Interest received | 1 | 9 |
| 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 | 462 |
| 1.8 Other (provide details if material) | 0 | 0 |
| 1.9 Net cash from / (used in) operating activities | (258) | (787) |
| 2. Cash flows from investing activities | | |
| 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 (9 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 |
| 2.6 | Net cash from / (used in) investing activities | (0) | (3) |

| | | | |
|-------------|---|----------|----------|
| 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 | 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 |
| 3.10 | Net cash from / (used in) financing activities | 0 | 0 |

| | | | |
|-----------|--|-------|-------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 585 | 1,117 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (258) | (787) |
| 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 (9 months) \$A'000 |
|--------------------------------------|--|----------------------------|------------------------------------|
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 0 | 0 |
| 4.5 | Effect of movement in exchange rates on cash held | | |
| 4.6 | Cash and cash equivalents at end of period | 327 | 327 |

| 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 | 307 | 465 |
| 5.2 | Call deposits | 20 | 120 |
| 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) | 327 | 585 |

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**

187

0

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7. Financing facilities

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.

| | 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) | (258) |
| 8.2 Cash and cash equivalents at quarter end (Item 4.6) | 327 |
| 8.3 Unused finance facilities available at quarter end (Item 7.5) | 0 |
| 8.4 Total available funding (Item 8.2 + Item 8.3) | 327 |
| 8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1) | 1.26 |

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: Yes

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 entity is currently undertaking a non-renounceable rights issue to raise up to \$720,000

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 - based on the successful completion of the rights issue (item 2)

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: 30th April 2020

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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.